OFFERING MEMORANDUM

U.S.$35,000,000
Cimento Tupi S.A.

(incorporated in the Federative Republic of Brazil)

9.75% Senior Unsecured Notes due 2018

Cimento Tupi S.A., or the issuer, is offering U.S.$35,000,000 in aggregate principal amount of its senior unsecured notes due May 11, 2018, or the additional notes. The additional notes will be issued under the indenture governing the U.S.$150,000,000 9.75% Senior Unsecured Notes due 2018 that we issued on May 11, 2011 and re-opened on February 7, 2012, or the original notes. The original notes and the additional notes offered hereby are referred to collectively herein as the notes. The additional notes will form part of the same issue as, and be treated as a single class for all purposes under the indenture governing the notes, and will vote together as one class on all matters with the original notes. The original notes and the additional notes will share the same ISIN and CUSIP numbers and be fungible, except that the additional notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period. See "Listing and General Information."

The notes will mature on May 11, 2018. Interest on the additional notes will accrue from and including May 11, 2014, and interest on the notes will be payable semi-annually in arrears on each May 11 and November 11, commencing on November 11, 2014.

The issuer may redeem the notes, in whole, at any time on and after May 11, 2017, at 100% of their principal amount, plus accrued and unpaid interest. The notes may also be redeemed, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest, at any time upon the occurrence of specified events relating to the tax laws of Brazil, as set forth in this offering memorandum.

If a specified change of control event as described herein occurs, unless the issuer has previously exercised its option to redeem the notes, the issuer will be required to offer to purchase the notes at the price described in this offering memorandum.

The notes will rank equally in right of payment with all other present and future senior unsecured obligations of the issuer.

We have applied to the Luxembourg Stock Exchange to admit the additional notes to listing on the Official List and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. This offering memorandum constitutes a prospectus for purposes of Luxembourg law on prospectus securities dated July 10, 2005, as amended.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14 for certain information that you should consider before investing in the notes.

Price: 100.00% plus accrued interest from May 11, 2014.

Purchasers will be required to pay accrued interest totaling U.S.$1,336,562.50, or U.S.$38.19 per U.S.$1,000 principal amount of additional notes, from and including May 11, 2014 to but excluding October 2, 2014, the date we expect to deliver the additional notes.

The additional notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or under the securities laws of any other jurisdiction. The additional notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers as defined in Rule 144A of the Securities Act, or Rule 144A, in reliance on Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the additional notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about restrictions on transfer of the additional notes, see "Transfer Restrictions."

Delivery of the additional notes is expected to be made to investors in book-entry form through The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *Société anonyme*, Luxembourg, or Clearstream on or about October 2, 2014.

Joint Bookrunners

BofA Merrill Lynch **Credit Suisse**

The date of this offering memorandum is October 3, 2014.

You should only rely on the information contained in this offering memorandum. No person is authorized to provide you with information that is different or additional from that contained in this offering memorandum and the documents referred to herein. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the additional notes. The issuer's business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. None of Merrill, Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC or, collectively the initial purchasers, nor the Issuer, is making an offer to sell the additional notes in any jurisdiction where the offer or sale is not permitted.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Cimento Tupi," "issuer," "we," "our," "ours," "us" or similar terms refer to Cimento Tupi S.A., a *sociedade por ações* incorporated under the laws of Brazil, together with its subsidiaries.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the additional notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the indenture governing the notes and other transaction documents described herein. This offering memorandum may only be used for the purpose for which it has been published. The information provided is not all-inclusive. The market information in this offering memorandum has been obtained by the issuer from publicly available sources deemed by the issuer to be reliable. We accept responsibility for correctly extracting and reproducing such information. Notwithstanding any investigation that the initial purchasers may have conducted with respect to the information contained in this offering memorandum, the initial purchasers accept no liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on the issuer's behalf.

The additional notes offered through this offering memorandum are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from such laws. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, you must rely on your own examination of the issuer's business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the additional notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the additional notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither the issuer nor the initial purchasers will have any responsibility therefor.

The issuer confirms that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to the issuer and the additional notes which is material to the offering and sale of the additional notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. The issuer accepts responsibility accordingly.

This offering memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to prospective investors upon request to the issuer or the trustee for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

Prospective investors hereby acknowledge that: (i) they have been afforded an opportunity to request from the issuer and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have had the opportunity to review all of the documents described herein, (iii) they have not relied on the initial purchasers or any of their affiliates or subsidiaries in connection with any investigation of the accuracy of such information or their investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning the issuer or the notes (other than as contained herein and information given by the issuer's duly authorized officers and employees, as applicable, in connection with prospective investors' examination of the issuer and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the issuer or the initial purchasers.

In making an investment decision, prospective investors must rely on their examination of the issuer and the terms of this offering, including the merits and risks involved. These additional notes have not been approved or recommended by any United States federal or state securities commission or any other United States, Brazilian or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any additional notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of the issuer, the initial purchasers or any of their respective affiliates or representatives is making any representation to any offeree or purchaser of the additional notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the additional notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF BRAZIL

The additional notes have not been and will not be registered with the Brazilian Securities Commission (the *Comissão de Valores Mobiliários* or "CVM"). Any public offering or distribution, as defined under Brazilian laws and regulations, of the additional notes in Brazil is not legal without prior registration under Law No. 6,385 of December 7, 1976 ("Law No. 6,385"), as amended, and Instruction No. 400, issued by the CVM on December 29, 2003 ("CVM Instruction No. 400"), as amended. Documents relating to the offering of the additional notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the additional notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the additional notes to the public in Brazil. Persons wishing to offer or acquire the additional notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

This document is being distributed to, and is only directed at, persons who (i) are outside the United Kingdom, or (ii) are investment professionals under Article 19(5) of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005, or (iii) are high net worth entities and other persons to whom it may lawfully be communicated, falling under Article 49(2)(a) to (d) of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005, all such persons together being referred to as "relevant persons." The additional notes are only available to, and any invitation, offer or agreement to subscribe, purchase or acquire such additional notes will only be engaged in with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

This offering memorandum has been prepared on the basis that any offer of additional notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the additional notes. Accordingly, any person making or intending to make an offer of the additional notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the issuer nor the initial purchasers has authorized, nor do they authorize the making of any offer of additional notes in circumstances in which an obligation arises for the issuer or the initial purchasers to publish or supplement a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU. This offering memorandum is not a "prospectus" for the purposes of the Prospectus Directive and has not been approved as such by a competent authority in any Relevant Member State.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell additional the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the additional notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither the issuer nor the initial purchasers will have any responsibility therefor.

The additional notes will be initially issued in the form of one or more global securities registered in the name of Cede & Co., as nominee for DTC. See "Description of the Notes."

The issuer and the initial purchasers reserve the right to withdraw the offering of the additional notes at any time or to reject a commitment to subscribe for the additional notes, in whole or in part.

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FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements appear in a number of places in this offering memorandum, principally in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "The Cement Industry" and "Business." Such estimates and forward-looking statements are primarily based on current expectations and projections about future events and financial trends that affect, or may affect, the issuer's business, financial condition, results of operations and prospects.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions because they relate to future events and, therefore, depend on circumstances that may or may not occur in the future. Our future results may differ materially from those expressed in or suggested by these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. Investors are cautioned not to put undue reliance on any forward-looking statements. We do not undertake any obligation to release publicly any revisions to forward-looking statements contained in this offering memorandum to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Investors should understand that the following important factors, in addition to those discussed in this offering memorandum, could affect our future results and could cause results to differ materially from those expressed in such forward-looking statements:

- general economic, political and business conditions, both in Brazil and abroad;
- our management's expectations and estimates concerning our future financial performance, financing plans and programs, and the effects of competition;
- our level of capitalization and debt;
- availability and cost of funding;
- weather conditions;
- natural disasters and other unforeseen events;
- our plans regarding capital expenditures;
- anticipated trends and competition in the Brazilian cement market;
- interest rate fluctuations, inflation and changes in the exchange rate of the *real* in relation to the U.S. dollar;
- regulatory environment, including environmental, tax and acquisition-related rules and regulations;
- credit risk, market risk and other risks of lending and investment activities;
- loss of clients and related lower revenues;
- our ability to sustain or improve our operating performance and implement our business strategies successfully;
- unfavorable outcome of legal actions and/or administrative proceedings involving us; and
- other risks as set forth under "Risk Factors."

The words “believe,” “could,” “may,” “estimate,” “continue,” “potential,” “anticipate,” “intend,” “expect,” “will,” “should” and “plan,” among others, are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made and none of the issuer or the initial purchasers undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

Financial Information

The financial information included in this offering memorandum was derived from our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 and from our unaudited interim condensed consolidated financial statements as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013, which were prepared in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and accounting practices adopted in Brazil, or Brazilian GAAP. Brazilian GAAP is based on the Brazilian Corporate Law No. 6,404, as amended, or the Brazilian Corporate Law; the rules and regulations of the CVM; and accounting pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or CPC, and approved by the CVM and by the Accounting Federal Council (*Conselho Federal de Contabilidade*), or CFC.

The auditors' reports related to our individual financial statements as of and for the years December 31, 2013 and 2012 contain an emphasis of matter paragraph referring to the fact that our individual financial statements were prepared in accordance with Brazilian GAAP. In the case of our individual financial statements, these practices differ from IFRS, applicable to our consolidated financial statements, only with respect to the valuation of investments in subsidiaries by the equity method, while for IFRS purposes they would be valued at cost or fair value.

In this offering memorandum, unless otherwise specified, references to "R$," "*real*" or "*reais*" are to Brazilian *reais*, the official currency of Brazil; references to "U.S.$," "US$," "$," "U.S. dollars" or "dollars" are to United States dollars.

Non-GAAP Measures

In this offering memorandum and to be consistent with industry practice, we include certain non-GAAP financial measures which are not recognized under Brazilian GAAP or IFRS as part of our financial disclosure, including "EBITDA," "EBITDA margin," and "Adjusted EBITDA."We define EBITDA as net income (loss) adjusted by financial expenses; financial income; income taxes; and any depreciation, amortization or depletion. We define "Adjusted EBITDA" as EBITDA plus non-recurring income (expenses). We define "EBITDA margin" as Adjusted EBITDA divided by net operating revenue. Accordingly, these non-GAAP items do not have standardized meanings and may not be directly comparable to similarly-titled items adopted by other entities. Potential investors should not rely on information not recognized under Brazilian GAAP or IFRS as a substitute for the GAAP measures of earnings, in making an investment decision. Additionally, our definition of EBITDA may not be comparable to the EBITDA defined and presented by other companies. For reconciliation from our net income (loss) to EBITDA, see "Selected Financial Information—Other Financial Information."

Our management believes that the presentation of certain non-GAAP measures provides additional useful information to investors regarding our performance and trends related to our results of operations. Accordingly, we believe that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance and financial results.

Market Information

The information contained in this offering memorandum relating to Brazil and the Brazilian economy is based on information published by the Brazilian Central Bank (*Banco Central do Brasil*), or Central Bank, and by other public entities and by independent sources, including the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, among others. We have used the following sources to obtain market share and other related data: the National Cement Industry Union (*Sindicato Nacional da Indústria do Cimento*), or SNIC; the Association of Technical Standards (*Associação Brasileira de Normas Técnicas*), or ABNT; the Brazilian Portland Cement Association (*Associação Brasileira de Cimento Portland*), or ABCP; the Brazilian Construction Material Industry Association (*Associação Brasileira da Indústria de Materiais de Construção*), or Abramat; the European Cement Association, or Cembureau.

Industry publications generally state that the information presented therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry publications or forecasts and market research, while believed to be reliable, have not been independently verified by us or the initial purchasers, and neither we nor the initial purchasers make any representations as to the accuracy or completeness of any such information. Additionally, all 2013 and 2014 industry data from SNIC is preliminary as of the date of this offering memorandum.

Exchange Rates

Unless otherwise indicated, we have translated certain *real* amounts included in this offering memorandum into U.S. dollars using a rate of R$2.2025 per U.S.$1.00, based on the U.S. dollar commercial selling rate as of June 30, 2014, published by the Central Bank. See "Exchange Rates."

The U.S. dollar equivalent information presented in this offering memorandum is provided solely for your convenience and should not be construed as implying that the amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely and the exchange rate described in this paragraph may not be indicative of future exchange rates. See "Exchange Rates" for information regarding *real*/U.S. dollar exchange rates.

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. This summary presents an overview of our business and does not contain all the information you should consider before investing in the notes. You should read this entire offering memorandum carefully, including the sections "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited financial statements and related notes included elsewhere in this offering memorandum before investing in the notes.

Overview

We are a producer and distributor of cement in Brazil, with over 60 years of market experience. We believe we are the sixth largest cement producer, in terms of volume sold, in the south-east region of Brazil and among the ten largest in the country, according to SNIC. We offer a variety of types of cement to customers in the south-east region, the most developed and industrialized region in Brazil. The south-east region, which includes the states of São Paulo and Rio de Janeiro, has the highest gross domestic product, or GDP, in the country, and was responsible for approximately 50% of cement sales in 2013, according to SNIC.

The table below presents certain financial data as of and for the periods indicated.

	As of and for the six months ended June 30,		As of and for the Years Ended December 31,		
	2014	2013	2013	2012(1)	2011(1)
	(in millions of R$)				
Net operating revenue	225.6	169.7	394.4	355.6	392.5
Gross profit	62.8	52.0	116.1	122.5	135.3
EBITDA(2)	47.4	43.3	89.0	93.9	106.4
Net income (loss)	13.0	(2.7)	(19.7)	31.2	68.5
Total assets	1,039.9	1,010.7	1,038.7	849.4	637.4

(1) The consolidated results include a gain of (i) R$27.1 million and R$2.3 million from the sale of two properties by MAPE in December 2012 and (ii) R$38.2 million in 2011 from the sale of a soybean farm by MAPE. For further information see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Non-Recurring Events."

(2) EBITDA means net income (loss) adjusted by financial expenses; financial income; income taxes; and any depreciation, depletion or amortization. This definition of EBITDA differs from the definition of EBITDA as set out in "Description of Notes—Definitions—EBITDA." EBITDA is not a measure of financial performance under Brazilian GAAP or IFRS, nor should it be considered as an alternative to net income as a measure of operating performance, or as an alternative to operating cash flows, or as a measure of liquidity. EBITDA is not calculated using a standard methodology and may not be comparable to the definition of EBITDA or similarly titled measures used by other companies. As financial income and expenses, income taxes, depreciation, amortization and depletion are not considered for the calculation of EBITDA, we believe that our EBITDA provides an indication of our general economic performance, which is not affected by interest rate fluctuations, changes in income taxes rates, or depreciation, amortization and depletion. As a result, we believe EBITDA is an important tool to periodically compare our operating performance, and also as a basis for certain administrative decisions.

Through our three facilities, we sold approximately 1.5 million tons of cement in 2012, approximately 1.8 million tons of cement in 2013, and approximately 1.0 million tons of cement in the six months ended June 30, 2014. Currently, our total production capacity amounts to 3.4 million tons of cement per year.

Due to the fact that cement has a low aggregate value and high transportation costs, geographic location and logistics are an essential part of our business. Our production and distribution facilities are strategically located close to Brazil's largest consumer markets. Our three major factories are: a fully integrated production plant in Pedra do Sino in the State of Minas Gerais, a grinding plant in Volta Redonda in the State of Rio de Janeiro, and a mixing plant in Mogi das Cruzes in the State of São Paulo. We have three distribution centers in the south-east region, located in Juiz de Fora in the State of Minas Gerais, in the city of Rio de Janeiro in the State of Rio de Janeiro and in the city of Queimados in the State of Rio de Janeiro, all of which are in or near major cities and consumer markets. We also distribute our products through our factories, including the Mogi das Cruzes plant adjacent to the city of São Paulo. In September 2012, we closed our distribution center in Taubaté, in the state of São Paulo, in order to optimize our distribution network. We have an established logistics network to transport our products. We own 81 bulk cement railroad cars and rent 91 additional cars to transport both bulk and bagged cement among our facilities. Additionally, we use numerous trucks to distribute our product directly to customers.

We used most of the proceeds from our previously issued U.S.$150.0 million 9.75% Unsecured Notes due 2018, or the 2018 notes, issued in 2011 and 2012, to expand the capacity of our Pedra do Sino plant by adding a second production line, which increased its annual nominal production capacity from 1.5 million tons to 2.5 million tons of cement per year. Our Pedra do Sino plant has been operating at increased capacity and as of June 30, 2014, it was operating at 80% capacity. Our Volta Redonda plant has an annual nominal production capacity of approximately 900,000 tons. Currently, our total production capacity amounts to 3.4 million tons of cement per year.

We believe there is currently sufficient demand in the Brazilian cement market to utilize our increased capacity. The most recently available preliminary data published by SNIC indicated that the consumption of cement in Brazil grew approximately 2.4% in 2013 compared to 2012, and we believe the market will continue to grow over the coming years as a result of Brazil's growing economy, planned infrastructure projects and government incentives in the housing industry. The 2016 Olympic Games in the city of Rio de Janeiro have led and will continue to lead to increases in public works and government projects. Additionally, we believe that other government projects will provide further demand for increased cement production, including the Accelerated Growth Program (*Programa de Aceleração do Crescimento*), or PAC with investments in infrastructure (R$1.7 billion more than 2014's budget), energy generation, transportation, housing and urban improvement projects, like the "My House, My Life" (*Minha Casa, Minha Vida*) housing program. Our substantial market experience and central location, along with the increased production from our Pedra do Sino plant, will put us in good position to take advantage of the construction growth in the south-east region to stimulate the growth of our business.

Other Financial Information

The table below presents summary financial data as of and for the periods indicated.(1)

	As of and for the six months ended June 30,		As of and for the Years Ended December 31,		
	2014	**2013**	**2013**	**2012(2)**	**2011(2)**
	(in thousands of R$ except percentages)				
Net income (loss)	12,990	(2,726)	(19,740)	31,198	68,532
Financial expenses	48,269	50,676	118,345	65,215	46,046
Financial income	(30,668)	(6,326)	(12,274)	(8,021)	(18,670)
Income taxes	7,343	(409)	(8,375)	1,807	6,308
Depreciation, amortization and depletion	9,509	2,101	11,052	3,655	4,212
EBITDA(3)	47,443	43,316	89,008	93,854	106,428
Non-recurring income (expenses)(4)	3,935	1,648	2,709	6,767	3,182
Adjusted EBITDA(5)	51,378	44,964	91,717	100,621	109,610
Adjusted EBITDA margin(6)	22.8%	26.5%	23.3%	28.4%	27.9%
Net debt(7)	598,264	543,987	588,673	413,120	185,889

(1) This financial information provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA.
(2) The consolidated results include a gain of (i) R$27.1 million and R$2.3 million from the sale of two properties by MAPE in December 2012 and (ii) R$38.2 million in 2011 from the sale of a soybean farm by MAPE. For further information see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Non-Recurring Events."
(3) EBITDA means net income (loss) adjusted by financial expenses; financial income; income taxes; and any depreciation, depletion or amortization. This definition of EBITDA differs from the definition of EBITDA as set out in "Description of Notes—Definitions—EBITDA." EBITDA is not a measure of financial performance under Brazilian GAAP or IFRS, nor should it be considered as an alternative to net income as a measure of operating performance, or as an alternative to operating cash flows, or as a measure of liquidity. EBITDA is not calculated using a standard methodology and may not be comparable to the definition of EBITDA or similarly titled measures used by other companies. As financial income and expenses, income taxes, depreciation, amortization and depletion are not considered for the calculation of EBITDA, we believe that our EBITDA provides an indication of our general economic performance, which is not affected by interest rate fluctuations, changes in income taxes rates, or depreciation, amortization and depletion. As a result, we believe EBITDA is an important tool to periodically compare our operating performance, and also as a basis for certain administrative decisions.
(4) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Non-Recurring Events" for a discussion of factors affecting non-recurring income (expenses).
(5) Adjusted EBITDA, a performance measure used by our management, is defined as EBITDA *plus* non-recurring income (expenses). Adjusted EBITDA is not a measure of financial performance under Brazilian GAAP or IFRS and it does not have a standardized meaning. Accordingly, our definition may not be comparable to that of other companies. Adjusted EBITDA should not be considered as an alternative to net income (loss) as an indicator of our operating performance, or as an alternative cash flow or as an indicator of liquidity. We believe Adjusted EBITDA is an important tool to periodically compare our operating performance, and we use it as a basis for certain administrative decisions.
(6) Adjusted EBITDA margin means Adjusted EBITDA divided by net operating revenue.
(7) Net debt corresponds to the sum of short and long term loans and financing deducted by cash and cash equivalents and marketable securities. This definition of Net debt differs from the definition of Debt and Net Debt as set out in "Description of Notes—Definitions—Debt" and in "Description of Notes—Definitions—Net Debt."

Competitive Strengths

We believe that we possess the following strengths, which we intend to leverage in order to improve our financial performance:

Strategically Located Quarries, Plants and Distribution Centers. Our production and distribution facilities are strategically located in the south-east region, which is Brazil's most developed and industrialized region. The total consumption of cement in the south-east region of Brazil in 2013 was 33.4 million tons (according to the SNIC report issued in relation to December 2013), representing approximately 45.3% of Brazil's total consumption. This region represented approximately 33.1% of Brazil's GDP in 2008. Our Pedra do Sino plant, which is our largest plant and which we expanded over the last three years, is strategically located to cater to the three largest cement markets in Brazil (São Paulo, Minas Gerais, and Rio de Janeiro). In addition, this plant is located adjacent to one of our limestone quarries, which provides us with efficient access to limestone (one of the key raw materials used to produce cement). We estimate that this quarry contains sufficient limestone reserves to supply our cement production for the next 50 years.

Efficient Operations. We believe that the favorable locations of our plants and quarries allow us to produce uniform and consistent products, to be more efficient, increase profits and dilute fixed costs. Our production plant in Pedra do Sino is located 1.2 km from our limestone quarry, reducing both the cost of transportation and logistical complexity. We have also been able to benefit from our proximity to rail networks connecting our plants. Because cement is a relatively expensive commodity to transport, our plants' strategic locations shorten the distance to be travelled to reach consumers, thereby lowering our costs. We believe that all of these factors reduce the costs of transportation and logistical complexity and lead to more efficient operations, higher margins and greater profits.

Established Cement Producer with a Strong Customer Base. We believe we are the sixth largest cement producer in the south-east region of Brazil and among the ten largest in Brazil, in terms of volume sold, according to SNIC. Our brand has been in the market for over 60 years, and we believe that it is associated with high quality products. We believe that our strong brand name recognition and our commitment to providing superior customer service and maintaining a strong relationship between our sales force and our clients help us maintain our diverse customer base and high customer loyalty. As of June 30, 2014, we had approximately 2,438 active customers, approximately 28% of which we estimate have been customers for 10 years or longer. Additionally, we have low customer delinquency rates; the average payment default rate over the last five years was less than 0.10% of cement sales.

Experienced Management. In the 60 years in which we have been operating, our management has acquired extensive experience in cement production and distribution. The average in-house experience of our management is 16 years. Our team of professionals is highly trained and is constantly focused on reducing operating costs and increasing revenue. We maintain human resource management tools that focus on the integration and motivation of our professionals with the objective of maximizing quality and efficiency. Additionally, in the last year, we started specific programs to encourage meritocracy and to reward outstanding performance of our team members.

Business Strategy

Our business strategy is to continue to strengthen our current position in the cement industry, to improve our efficiency and eventually to expand into other geographic markets. The principal components of our strategy are to:

Continue to reduce our operating costs and increase our operating efficiencies. We will continue to focus on improving the efficiency of our operations. In March 2011, we merged with our holding company, CP Cimento, in order to simplify our tax and corporate structures. Following our expansion of the Pedra do Sino plant, we have centralized certain of our operations, including accounting, human resources management, billing and tax compliance, at a service centre located at the plant. This has permitted us to streamline our administrative and operating costs. We also continue to explore other cost-saving improvements including additional efficiencies in our cement production processes, more advanced technologies to monitor our operations and opportunities to streamline our logistics.

Focus on high quality cement which attracts higher margins. We will continue to focus on producing types of cement that have a higher profitability over the types of cement available in the market.

Decrease our leverage and lengthen our debt profile. We intend to continue to decrease our leverage and lengthen our debt profile. We intend to achieve this strategy by increasing the utilization rate of our Pedro do Sino plant to full capacity, by divesting of non-operational assets and by continuing to reduce our operating costs, allowing us to generate improved cash flows. The offering of the additional notes is intended primarily to lengthen our debt profile by replacing certain short-term financial liabilities.

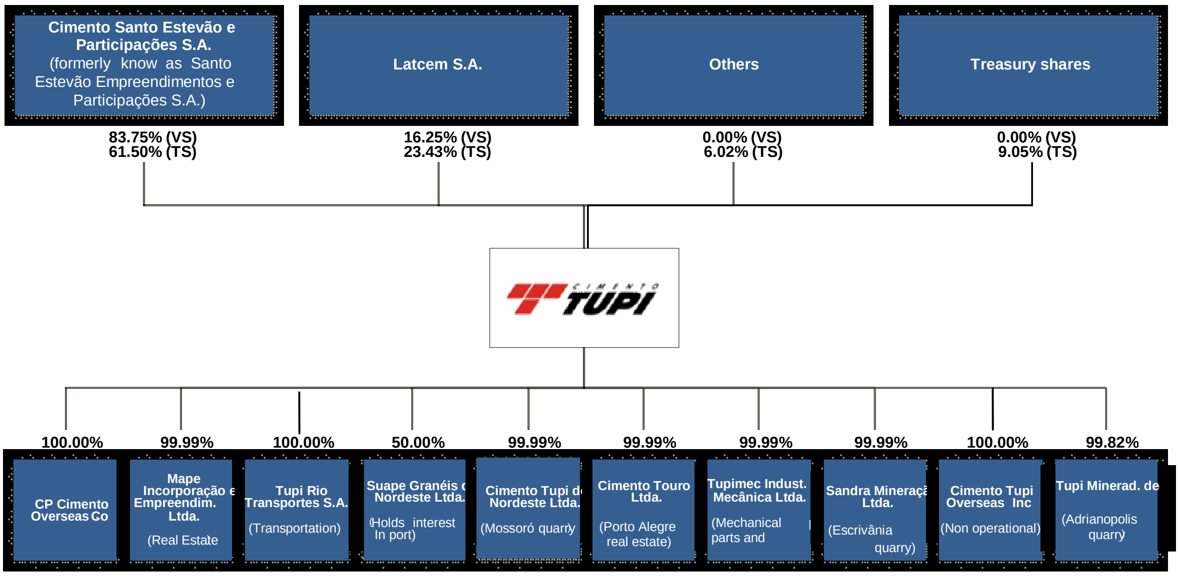
Our History

In 1949, we were incorporated as "Companhia de Cimento Vale do Paraíba." Soon after, we began our cement production at our Volta Redonda plant, in the State of Rio de Janeiro. In 1972, we changed our name to Cimento Tupi S.A.In 1976, we began operations in Pedra do Sino, in the State of Minas Gerais, and we built a distribution center in Mogi das Cruzes in the State of São Paulo. In 1998, we converted the distribution center in Mogi das Cruzes into a mixing and distribution plant to supply the greater São Paulo market.

Corporate Structure

We were incorporated in 1949. Our headquarters and registered office are located at Rua Lauro Müller 116, Salas 1906 e 1907, in the city of Rio de Janeiro, State of Rio de Janeiro, CEP 22290-160. We can be contacted by telephone at +55 21 2277-2121, and we are enrolled with the Taxpayers' Registry (CNPJ/MF) under No. 33.039.223/0001-11. As of the date of this offering memorandum, we are an operating company with ten subsidiaries: Mape Incorporação e Empreendimentos Ltda., Tupi Rio Transportes S.A., Cimento Tupi do Nordeste Ltda., Cimento Touro Ltda., Tupimec – Indústria Mecânica Ltda., Sandra Mineração Ltda., Cimento Tupi Overseas Inc., CP Cimento Overseas Co. Tupi Mineradora de Calcário Ltda. and Suape Granéis do Nordeste Ltda. We do not consolidate the financial information of Suape Granéis do Nordeste Ltda. into our consolidated financial information, as we do not control this entity. All of our subsidiaries except for Cimento Tupi Overseas Inc. and CP Cimento Overseas Co. are incorporated under the laws of Brazil. Cimento Tupi Overseas Inc. is organized under the laws of the British Virgin Islands, and CP Cimento Overseas Co. is incorporated in Panama. Only Mape Incorporação e Empreendimentos Ltda., or MAPE, and Tupimec – Indústria Mecânica Ltda., or Tupimec, are operating subsidiaries. MAPE is a purchaser, seller, developer and administrator of real estate. Tupimec produces, sells and exports mechanical products and equipment.

The chart below presents our ownership structure as of the date of this offering memorandum.



THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the additional notes, see "Description of the Notes" in this offering memorandum.

Issuer..	Cimento Tupi S.A.
Notes offered	U.S.$35,000,000 in aggregate principal amount of 9.75% Senior Unsecured Notes due May 11, 2018. The additional notes are being offered as additional debt securities under the indenture dated as of May 11, 2011, as supplemented by an indenture supplement dated as of April 26, 2012, pursuant to which we have previously issued U.S.$150.0 million aggregate principal amount of the original notes. The original notes and the additional notes will share the same ISIN and CUSIP numbers and be fungible, except that the additional notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period. The additional notes will form part of the same issue as, and be treated as a single class, as the original notes for all purposes under the indenture governing the notes and will vote together as one class on all matters.
Issue price..	100.00% of the principal amount of the additional notes plus accrued interest from May 11, 2014. Purchasers will be required to pay accrued interest totaling U.S.$1,336,562.50, or U.S.$38.19 per U.S.$1,000 principal amount of additional notes, from and including May 11, 2014 to, but excluding October 2, 2014, the date we expect to deliver the additional notes.
Maturity date	May 11, 2018.
Interest...	The additional notes will bear interest from May 11, 2014. Interest will accrue on the notes at the annual rate of 9.75% and will be payable semi-annually in arrears on each May 11 and November 11 of each year, commencing on November 11, 2014.
Ranking..	The additional notes will be the issuer's senior unsecured obligations and will rank equally in right of payment with any future senior unsecured indebtedness of the issuer (except those obligations preferred by operation of law) and will be senior to any subordinated indebtedness of the issuer. The additional notes will effectively rank junior to all secured debt of the issuer to the extent of the value of the assets securing the debt, and will rank junior to all debt of the issuer's subsidiaries. As of June 30, 2014, we had R$644.0 million of outstanding indebtedness (current and noncurrent loans and financing), of which R$193.2 million was secured indebtedness.
Optional Redemption	On and after May 11, 2017, we may redeem the notes in whole at any time at 100% of their principal amount plus accrued and unpaid interest.
Redemption for Tax Reasons...........	We may redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, at any time upon the occurrence of specified events

	relating to Brazilian tax laws. See "Description of the Notes—Optional Redemption—Redemption for Taxation Reasons."
Repurchase upon change of control .	If a Change of Control that results in a Ratings Decline (each as defined herein) occurs, each holder of the notes may require the issuer to repurchase all or a portion of such holder's notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See "Description of the Notes—Certain Covenants—Repurchase of Notes upon a Change of Control."
Certain Covenants	The indenture governing the notes contains covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to: • incur additional indebtedness, • pay dividends on, redeem or repurchase our capital stock, • make investments, • issue or sell capital stock of restricted subsidiaries, • sell assets, • enter into sale and leaseback transactions, • engage in transactions with affiliates, • create unrestricted subsidiaries, • create certain liens, and • consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis. These covenants are subject to important exceptions and qualifications that are described under the heading "Description of the Notes—Certain Covenants" in this offering memorandum.
Use of Proceeds	We estimate the net proceeds from the sale of the additional notes to be approximately U.S.$33.1 million after deducting commissions and other offering expenses. We intend to use the net proceeds of the issuance of the additional notes to repay certain short-term indebtedness and the remainder (if any) for general corporate purposes.
Additional Amounts..........................	All payments of principal and interest by the issuer in respect of the notes will be made without withholding or deduction for any Brazilian or other relevant jurisdictions' taxes or other governmental charges unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts as are necessary to ensure that the holders of the notes receive the same amount as such holders would have received without such withholding or deduction, subject to certain exceptions. See "Description of the Notes—Additional Amounts."

Events of Default...............................	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see "Description of Notes—Events of Default."
Additional Notes...............................	We may, from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering, subject to satisfaction of the conditions set forth in the indenture.
Form and Denomination	The additional notes sold in the United States in reliance on Rule 144A will be evidenced by a note in global form called a restricted global note, which will be deposited with a custodian for, and registered in the name of a nominee of DTC. The additional notes sold outside the United States in reliance on Regulation S will be evidenced by a separate note in global form called a Regulation S global note, which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfers of beneficial interests between the restricted global note and the Regulation S global note are subject to certification requirements. The additional notes will be issued in fully registered form in denominations of U.S.$2,000 and integral multiples of U.S.$1,000 in excess thereof. See "Description of the Notes."
Trading and Listing..........................	Application has been made to list the additional notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.
Governing Law..................................	The indenture and the notes are governed by, and will be construed in accordance with, the laws of the State of New York.
ERISA..	Subject to certain conditions, the additional notes may be offered and sold to Benefit Plan Investors (as defined in "ERISA and Certain Other Considerations"). See "ERISA and Certain Other Considerations."
Trustee, registrar, paying agent and transfer agent................................	The Bank of New York Mellon.
Listing agent, paying agent and transfer agent................................	The Bank of New York Mellon (Luxembourg) S.A.
Risk Factors.......................................	See "Risk Factors" and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the additional notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

The tables below present summary financial and operating data as of and for the periods indicated. You should read the information below in conjunction with the audited financial statements and the unaudited interim condensed financial statements and notes included herein, as well as the sections entitled "Presentation of Financial Information," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum.

Our summary financial data, denominated in *reais*, presented in the tables below are derived from our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 and our unaudited interim condensed consolidated financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013.

Our historical results for any prior period are not necessarily indicative of results to be expected for any future period. Our results of operations for the six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014.

Income Statement Data

	For the Six months ended June 30,		**For the Years Ended December 31,**		
	2014	**2013**	**2013**	**2012**	**2011**
	(unaudited)		*(in thousands of R$)*		
Net operating revenue	**225,611**	**169,670**	**394,415**	**355,586**	**392,458**
Cost of sales	(162,802)	(117,669)	(278,312)	(233,090)	(257,185)
Gross profit	**62,809**	**52,001**	**116,103**	**122,496**	**135,273**
Operating expenses					
Selling expenses	(5,058)	(3,888)	(8,808)	(8,037)	(7,868)
General and administrative expenses	(21,616)	(14,395)	(26,289)	(26,228)	(30,398)
Management compensation	—	—	(7,364)	(7,371)	(7,472)
Other operating income (expenses), net	1,799	7,497	4,314	9,339	12,681
Income before financial income (expenses) and income taxes	**37,934**	**41,215**	**77,956**	**90,199**	**102,216**
Financial income (expenses)					
Financial expenses	(48,269)	(50,676)	(118,345)	(65,215)	(46,046)
Financial income	30,668	6,326	12,274	8,021	18,670
Financial income (expenses)	**(17,601)**	**(44,350)**	**(106,071)**	**(57,194)**	**(27,376)**
Income (loss) before income taxes	**20,333**	**(3,135)**	**(28,115)**	**33,005**	**74,840**
Income taxes	(7,343)	409	8,375	(1,807)	(6,308)
Net income (loss)	**12,990**	**(2,726)**	**(19,740)**	**31,198**	**68,532**
Net income (loss) attributable to controlling shareholders	12,990	(2,727)	(19,739)	31,179	68,505
Net income (loss) attributable to non-controlling interests	—	1	(1)	19	27

Balance Sheet Information

	As of June 30,	**As of December 31,**		
	2014	**2013**	**2012**	**2011**
	(unaudited)		*(in thousands of R$)*	
Assets				
Current assets				
Cash and cash equivalents	5,783	2,961	6,141	9,984
Marketable securities	39,999	69,042	16,805	42,001
Derivative financial instruments	—	—	—	5,005
Trade accounts receivable	48,826	31,593	22,109	33,196
Inventories	47,004	37,899	31,735	39,371
Taxes recoverable	9,212	16,510	25,218	13,328
Notes receivable	37,690	35,904	32,574	52,722
Advances to suppliers	29,595	24,393	13,183	7,285
Receivables from third parties	11,193	10,451	4,795	63,770
Other assets	1,127	601	602	879
Total current assets	**230,429**	**229,354**	**153,162**	**267,541**
Non-current assets				
Taxes recoverable	1,263	1,794	3,455	2,599
Inventories	17,169	16,977	16,384	12,404
Notes receivable	17,097	16,535	23,418	—

	As of June 30,	As of December 31,		
	2014	2013	2012	2011
	(unaudited)		*(in thousands of R$)*	
Deferred income taxes	16,943	23,911	15,043	15,674
Judicial deposits	5,216	4,897	3,468	3,850
Other investments	1,156	1,156	1,035	2,130
Property, plant and equipment	605,941	599,560	489,586	218,026
Intangible assets	144,670	144,541	143,803	115,164
Total non-current assets	**809,455**	**809,371**	**696,192**	**369,847**
Total assets	**1,039,884**	**1,038,725**	**849,354**	**637,388**

	As of June 30,	As of December 31,		
	2014	2013	2012	2011
	(unaudited)		*(in thousands of R$)*	
Liabilities and equity				
Current liabilities				
Trade accounts payable	14,697	10,907	16,889	11,972
Salaries and social charges	8,621	7,056	5,800	5,038
Loans and financing	113,237	87,300	104,251	43,005
Derivative financial instruments	6,197	—	—	—
Income taxes	178	—	—	—
Taxes payable	11,969	7,409	13,951	16,789
Taxes and contributions payable in installments	5,683	5,718	—	—
Interest on shareholders' equity and dividends	954	928	8,527	9,916
Other liabilities	4,388	5,336	8,164	8,400
Total current liabilities	**165,924**	**124,654**	**157,582**	**95,120**
Non-current liabilities				
Loans and financing	530,809	573,376	331,815	194,869
Derivative financial instruments	4,017	6,816	—	—
Taxes and contributions payable in installments	22,941	24,595	28,828	32,450
Provision for legal claims	453	1,273	1,003	3,159
Total non-current liabilities	**558,220**	**606,060**	**361,646**	**230,478**
Equity				
Capital stock	279,891	279,891	279,891	279,891
Capital reserve	11,685	11,685	11,685	11,685
Income reserve and retained earnings	49,122	41,132	63,678	45,654
Equity valuation adjustment	976	1,237	680	366
Treasury shares	(25,999)	(25,999)	(25,999)	(25,999)
Total equity attributable to controlling shareholders	**315,675**	**307,946**	**329,935**	**311,597**
Non-controlling interests	65	65	191	193
Total equity	**315,740**	**308,011**	**330,126**	**311,790**
Total liabilities and equity	**1,039,884**	**1,038,725**	**849,354**	**637,388**

Other Financial Information

	As of and for the Six months ended June 30,	As of and for the Year Ended December 31,		
	2014	2013	2012[(1)]	2011[(1)]
		(in thousands of R$, except percentages)		
Net income (loss)	12,990	(19,740)	31,198	68,532
EBITDA[(2)]	47,443	89,008	93,854	106,428
Adjusted EBITDA[(3)]	51,378	91,717	100,621	109,610
Adjusted EBITDA margin[(4)]	22.8%	23.3%	28.4%	27.9%
Net debt[(5)]	598,264	588,673	413,120	185,889

(1) The consolidated results include a gain of (i) R$27.1 million and R$2.3 million from the sale of two properties by MAPE in December 2012 and (ii) R$38.2 million in 2011 from the sale of a soybean farm by MAPE. For further information see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Non-Recurring Events."

(2) EBITDA means net income (loss) adjusted by financial expenses; financial income; income taxes; and any depreciation, depletion or amortization. This definition of EBITDA differs from the definition of EBITDA as set out in "Description of Notes—Definitions—EBITDA." EBITDA is not a measure of financial performance under Brazilian GAAP or IFRS, nor should it be considered as an alternative to net income as a measure of operating performance, or as an alternative to operating cash flows, or as a measure of liquidity. EBITDA is not calculated using a standard methodology and may not be comparable to the definition of EBITDA or similarly titled measures used by other companies. As financial income and expenses, income taxes, depreciation, amortization and depletion are not considered for the calculation of EBITDA, we believe that our EBITDA provides an indication of our general economic performance, which is not affected by interest rate fluctuations, changes in income taxes rates, or depreciation, amortization and depletion. As a result, we believe EBITDA is an important tool to periodically compare our operating performance, and also as a basis for certain administrative decision.

(3) Adjusted EBITDA means EBITDA *plus* non-recurring income (expenses). See "Selected Financial Information" for further information on Adjusted EBITDA and a reconciliation of our net income (loss) to Adjusted EBITDA for the periods presented.

(4) Adjusted EBITDA margin means Adjusted EBITDA divided by net operating revenue.

(5) Net debt corresponds to the sum of short and long term loans and financing deducted by cash and cash equivalents and marketable securities. This definition of Net debt differs from the definition of Debt and Net Debt as set out in "Description of Notes—Definitions—Debt" and in "Description of Notes—Definitions—Net Debt."

RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this offering memorandum before making an investment in the notes. The risks described below are not the only ones facing the issuer or investments in Brazil in general. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing the issuer or investments in Brazil described below and elsewhere in this offering memorandum.

For purposes of this section, the indication that a risk, uncertainty or problem may or will have a "material adverse effect on us" or that we may experience a "material adverse effect" means that the risk, uncertainty or problem could have a material adverse effect on our business, financial condition, results of operations, prospects, or our ability to make payments under the notes, service our other existing debt and/or the market price of the notes, except as otherwise indicated or as the context may otherwise require. You should view similar expressions in this section as having a similar meaning.

Risks Relating to our Operations and the Brazilian Cement Market

Our revenues depend upon the construction market, which is cyclical and depends on general economic conditions.

Demand for our products depends, in large part, upon residential and commercial construction activity and, to a lesser extent, on infrastructure construction. Commercial, residential and infrastructure construction is affected by factors such as general economic conditions, interest rates, inflation, gross domestic product, the availability of credit and consumer confidence. Historically, cement markets have experienced alternating periods of limited supply, which have caused prices and profit margins to increase, followed by periods of oversupply, which has resulted in reduced prices and profit margins. In the past, instability in the cement industry had a material adverse effect on us. See "—In the past we have had to undertake a financial restructuring with our creditors and cannot assure you that a similar restructuring will not occur in the future."

Throughout Brazil, the construction industry has been cyclical and dependent upon the residential and commercial construction markets. Specifically, the demand for our cement and other products depends, in large part, on residential construction in Brazil, an important component of which includes housing construction and home improvement for the low-income segment. In 2012, approximately 48.7% of total cement sales in Brazil were made to the retail market, according to SNIC. A decline in Brazilian economic conditions may decrease the availability of favorable financing to individuals seeking to build or improve their homes and may also generally reduce household disposable income, which could cause a significant reduction in residential construction and, accordingly, demand for our products. Government policies related to housing and housing credit, such as the My House, My Life (*Minha Casa Minha Vida*), also impact cement demand.

Negative trends in the residential, commercial and infrastructure construction markets, as well as cyclical changes in the economy may have a material adverse effect on us.

The construction industry has a cyclical nature, and variations in supply and demand, including reductions from a decrease in activities, or an increase of capacities, may have a material adverse effect on us.

We are affected by the cyclical nature of the construction industry, which is characterized by periods of growth and decline caused by variations in supply and demand. Delays in the capacity adjustment process following a significant decrease in demand, or conversely a greater than expected increase of competitors' investments in additional capacity, might lead to overcapacity and a reduction in our utilization of our cement plants. In addition, variations in supply and demand as well as overcapacity and a reduction in our utilization of our cement plants may cause reduced sales volumes and/or a decrease in prices, which could have a negative impact on our overall financial condition and results of operations, especially in our capacity to generate cash from our operations, in our liquidity and our ability to service our debt as it becomes due.

We are also subject to the risk that we could build up excess capacity, for example as a result of our incorrect evaluation of market developments, which cannot then be fully utilized. Any failure to adequately use our production capacity could lead to extraordinary depreciation on production equipment and significant impairment charges on goodwill and have negative consequences due to the relatively high level of fixed costs.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

The market for our products is competitive, and we have little influence over the average price of cement.

The cement market is competitive, based largely on geographical coverage, brand recognition, price, and to a lesser extent, quality and service. Although the Brazilian cement market has historically been dominated by Brazilian companies, we also compete with large foreign companies. Our competitors have been and are continuing to expand their existing operations. Additionally, while we are primarily located in the south-east region of Brazil, other companies have a national presence.

We hold a market share of the Brazilian cement market of 2.63% according to preliminary data published by SNIC in December 2013, which means that we have little influence on the average cement price in Brazil. If our competition lowers prices for cement, we may have to respond by lowering our prices in order to continue to compete with these companies. We believe that our efficient business practices allow us to maintain competitive prices, but if our costs of production increase, we may be unable to pass these costs on to our customers as a result of the low prices of our competitors. Lower prices or a reduction in our market share due to the growing competition could have a material adverse effect on us as it has done in the past.

Currently, certain types of cement we produce have a price premium over other cement types available in the market. Any change in this market dynamic may adversely and materially affect us as a result of potential reductions of our margin.

Our competitive position is impacted by price, logistics and production costs. In Brazil our major competitors are Votorantim, InterCement Brasil S.A. Holcim, Lafarge, Cimentos Liz, CSN Cimentos, Cimento Nacional and Cimento Nassau. Some of our competitors have greater financial and marketing resources, larger customer bases and a greater breadth of product offerings than we do. In addition, some of these competitors may be able to obtain financing on terms more favorable than we are. If we are unable to remain competitive, or our competitors are more aggressive in competing with us, this may have a material adverse effect on us.

Our level of indebtedness could materially adversely affect our ability to react to changes in our business, and could make us more vulnerable to downturns in our business.

For the years ended December 31, 2013, 2012 and 2011, we increased our level of indebtedness to finance part of our investment activities, mainly for the expansion of our Pedra do Sino plant. As of December 31, 2011, we had outstanding consolidated indebtedness of R$237.9 million, which increased to R$660.7 million as of December 31, 2013.

As of June 30, 2014, we had a significant level of outstanding consolidated indebtedness (current and noncurrent loans and financing) of R$644.0 million, of which R$113.2 million was short-term indebtedness and R$530.8 million was long-term indebtedness (including R$193.2 million of secured indebtedness). As of June 30, 2014, our cash and cash equivalents and marketable securities was R$45.8 million. Our level of indebtedness and our repayment profile could have important consequences, certain of which could have a material adverse effect on us. Specifically, our level of indebtedness could limit our flexibility to plan for, or react to, competition and/or changes in our business or our industry, require us to dedicate a substantial portion of our cash flows to service our debt, reducing our ability to use our cash flows to fund working capital, capital expenditures and other general corporate purposes, limit our ability to obtain financing on terms favorable to us or increase our funding costs, restrict our access to the capital markets, prevent us from obtaining financing in situations that may constitute a breach of financial covenants under existing agreements, place us at a competitive disadvantage relative to some of our competitors that are less leveraged than us, increase our vulnerability to downturns in our business, impact our credit rating and the condition under which additional financing is available to us and cause us to breach restrictive covenants contained in our existing debt instruments.

Our strategy to reduce our leverage over time may not be successful, which could further exacerbate the risks described above, and limit our ability to service our existing indebtedness, including the notes offered hereby.

Moreover, we may incur additional debt in the future, some of which may be secured. Although the indenture governing the notes and the instruments governing our existing debt contain restrictions on our ability to incur additional debt, these restrictions are subject to important qualifications and exceptions. Accordingly, the indenture governing the notes will permit, and the instruments governing our existing debt currently permit, us and our existing and future subsidiaries to incur additional debt under certain circumstances.

Our failure to comply with certain financial ratios and other restrictive covenants in the instruments governing our indebtedness could result in an event of default that if not waived by the creditors could result in their acceleration of this indebtedness, which could have a material adverse effect on us.

Certain instruments governing our indebtedness require us to maintain certain financial ratios and to comply with other covenants. We did not comply with certain financial ratios for the quarters ended December 31, 2013 and June 30, 2014 and have obtained waivers for these events of default. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for a discussion of the events of default and related waivers. While we have amended the financial ratios of certain instruments governing our indebtedness, we cannot assure you that we will be able to comply with them or be able to obtain waivers from the relevant creditors in the future. Our breach of any of the terms of our existing agreements governing our indebtedness that is not waived by the creditors may result in the acceleration of the outstanding balance of the relevant debt, which, in turn, may cause cross-default provisions in our other debt to be triggered and the other debt to be accelerated as well. We may not have sufficient funds to repay the outstanding balance of any indebtedness that may be accelerated. Any of these events could have a material adverse effect on us.

In the past we have had to undertake a financial restructuring with our creditors and cannot assure you that a similar restructuring will not occur in the future.

As a result of financial difficulties related to cement price instability from 2005 until 2007 that coincided with maturities of a substantial portion of CP Cimento’s outstanding debt, both we and CP Cimento negotiated with creditors for the renewal and restructuring of our and CP Cimento’s debt. On March 5, 2007, we and CP Cimento entered into a global restructuring agreement and several ancillary agreements with the creditors in which CP Cimento took on our outstanding debt and agreed to pay the full amount of our and CP Cimento’s outstanding debt over an extended period. CP Cimento complied with all of the terms of these agreements and paid its outstanding debt of approximately R$389 million by June 30, 2010 through the sale of certain assets. Both we and CP Cimento were released from all of our obligations under these agreements.

If there is price instability in the cement industry, particularly if coupled with a decreased demand for our products and consequent reduction of the volume sold, we may suffer a material adverse effect and cannot assure you that a similar restructuring will not occur.

If our operations do not generate sufficient cash flows, we will need to obtain funding from third parties to fund our operations and service our debt. Funding on terms acceptable to us may not be available, which could cause a material adverse effect on us.

We rely primarily on our cash flows from operations to fund our operations and service our debt. See “Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures” and “—Liquidity and Capital Resources” for a description of our historical and budgeted capital expenditures and our sources of fund and uses of fund as well as projected uses of fund. We cannot assure you that we will generate sufficient cash flows from operations to meet our capital needs. If we are not able to generate sufficient cash flows from operations to fund our operations and service our debt, we will need to obtain funding from third parties. Our ability to gain access to funding from third parties will depend on many factors, including factors beyond our control, such as global market and economic conditions and general macroeconomic conditions in Brazil. We cannot assure you that funding from third parties will be available to us on acceptable, or at all. If our cash flows from operations is not sufficient to meet your capital needs and funding from third parties is unavailable when needed, or is available only on unfavorable terms to us, we may suffer a material adverse effect.

Our operations can be affected by adverse weather conditions.

Construction activity, and thus demand for our products, decreases substantially during periods of heavy or sustained rainfall. Consequently, demand for our products is significantly lower during the rainy season, which in the south-east of Brazil typically runs from January to March every year. High levels of rainfall can significantly reduce our sales volumes. Such adverse weather conditions can adversely affect our results of operations and profitability if they occur with unusual intensity, during abnormal periods, or for longer than the normal period of time, especially during peak construction periods.

Compliance with mining regulations may have a material adverse effect on our results of operations.

As part of our cement business, we carry out certain mining activities, which, pursuant to the Brazilian Federal Constitution and to the applicable regulatory legislation, depend on mining exploration authorizations (*autorizações de pesquisa*) and/or concessions (*concessões de lavra*) granted by the National Mineral Production Department (*Departamento Nacional de Produção Mineral*), or DNPM, an agency of the Ministry of Mines and Energy (*Ministério de Minas e Energia*), or MME. We also must abide by numerous regulations which require periodic reporting and the payment of certain fees, taxes and contributions. We extract limestone from our quarries pursuant to certain mining concessions issued by the Brazilian mining authorities. Our licenses to operate our quarries and produce cement are subject to compulsory renewal. If any of these licenses are not renewed within their compulsory term or are suspended for any reason, our production of cement could be substantially affected, as we would not have access to necessary raw materials. Additionally, we cannot assure you that modifications to the currently applicable mining laws and regulations would not adversely affect our mining and prospecting activities and results of our operations.

Royalties, taxes, contributions and fees required to be paid in relation to our mineral rights may change or increase substantially as a result of unfavorable judicial decisions in litigation with the governmental entities collecting such royalties, taxes, contributions and fees due to a change of law. If the mining royalties, taxes, contributions and fees to which we are subject increase substantially, our business objectives may be impeded by the costs of holding our mining concessions. There can be no assurance that the required mining concessions will be obtained and maintained on terms favorable to us, or at all, for our current and future intended mining or exploration targets.

If we were to violate any of the foregoing laws and regulations or the conditions of our concessions, authorizations and licenses, we may be subjected to substantial fines or criminal sanctions, revocations of operating permits or licenses and possible closings of certain of our facilities.

Changes in the Brazilian mining regulatory framework may adversely affect our business and operations.

Our current mining operations are primarily regulated by the Mining Code, namely, Decree-Law No. 227 of February 28, 1967, its Regulation, namely, Decree No. 62,934 of July 2, 1968 and applicable updates, and certain specific rulings issued by the DNPM (the “Mining Framework”).

In 2008, the MME announced that a new mining regulatory framework would be issued to replace the existing Mining Framework. After that, several bills of law to replace the existing Mining Code were discussed. In June 2013, the Executive Branch submitted to the Brazilian House of Representatives the Bill of Law No. 5,807/2013, which, if and when approved, will replace the existing Mining Code. Among other changes, this proposed bill of law provides for (i) the creation of a new regulatory agency, the Brazilian Mining Agency (*Agência Nacional de Mineração*), or ANM, in lieu of the DNPM, and the creation of the National Council of Mineral Policy (*Conselho Nacional de Política Mineral*), or CNPM, to be responsible for outlining the general policies for the Brazilian mining industry; (ii) the granting of mineral exploration and concession rights by means of a single procedure, which pursuant to the proposed bill of law, may be subject to authorization, public call (*chamamento público*) or a mandatory public bidding, as the case may be (the applicable regime would vary in accordance with the location of the areas and the substances); (iii) the mining concessions, granted as a result of public bidding regulated by Law No. 12,462 of August 4, 2011, would have an initial 40-year term renewable for an additional 20-year term; (iv) the bidding process would only be applicable for the granting of mining concessions within the areas previously defined by the CNPM; (v) a new systematic to the mechanics used for the calculation of the Financial Compensation for the Exploitation of Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM (based on the gross revenues from the commercialization of mineral substances as opposed to the current net revenue basis and observing new rates of up to 4%); and (vi) the assessment of new taxes on mining activities.

A new mining regulatory framework may result in limitations on the term of our existing mining concessions, an increase in our costs and expenses, particularly mining royalties, taxes and fees, and a re-tender of our mining concessions if they are deemed to have strategic and economic importance. In addition, we currently have several mining concession requests pending approval by the DNPM and we have not been able to determine whether these mining concessions will be approved under the existing Mining Framework, the new mining regulatory framework under consideration or if it will be approved at all.

Any of these changes or a failure to have our mining concession application approved may adversely impact our business, financial condition and results of operations.

Compliance with environmental laws and regulations may have a material adverse effect on our results of operations.

We are subject to federal, state and municipal laws and regulations relating to the protection of the environment in Brazil. In Brazil, violations of environmental rules or regulations may result in civil or administrative liability. Civil liability is applied jointly and severally without being time-barred, imposing the obligation to restore the environment damaged due to human activities, which may trigger obligations such as (i) remediating contaminated areas, (ii) offsetting environmental damages, or (iii) indemnifying for damages the environment cannot recover from, among others. The inability to either mitigate or compensate for civil liability triggered by our activities could prevent us from obtaining environmental authorizations. Certain laws enacted by the Brazilian government criminalize certain types of conduct that impact the environment, such as extreme pollution. Penalties for committing such crimes include fines, community service, as well as penalties that limit operations (such as partial or total suspension of operations and prohibitions on entering into contracts with the Brazilian public authorities or obtaining governmental subsidies, grants or donations) and even imprisonment. Additionally, we are subject to administrative review of our activities, and corporations found to be in violation of these administrative environmental regulations can be fined up to R$50 million, have their operations suspended, be barred from entering into certain types of government contracts, be required to repair or provide indemnification in respect of any environmental damages they cause and be required to forfeit tax benefits and incentives. Any violation of environmental laws and regulations and subsequent fines, suspensions, reparations and other effects may adversely affect our business, results of operations or financial condition and prospects. We cannot assure you that stricter enforcement by environmental agencies, the Public Prosecutor’s Office and other governmental bodies or modifications of existing environmental laws and regulations, investigations or actions by the relevant authorities or additional environmental laws and regulations will not result in the need for additional investments in environmental testing, plant and quarry modifications and additional non-mined land and will not have a material adverse effect on our business, results of operations or financial condition.

We believe we are in compliance with all applicable environmental standards and, at present, we are not subject to any environmental enforcement action that would have a material effect on our financial performance. Non-compliance with, or liability under, existing or imminent environmental laws and regulations, including failure to hold the required permits or licenses, could result in fines, penalties, criminal liability, third-party claims, remediation and clean-up costs, as well as other costs that could have a material adverse effect on our business.

A decline in Brazil’s GDP could result in a rapid decline in cement consumption.

In the past, Brazilian consumption of cement has grown and declined at approximately twice the rate of Brazil’s GDP growth. Depression and declines in the economy that in turn cause a decrease in GDP have led to extreme and rapid decreases in the consumption of cement. For example, according to SNIC, in 2010 the GDP increased 7.5% as compared to 2009, while the consumption of cement increased 15.6% in the same period. Real Brazilian GDP growth for 2012 and 2013 was 0.9% and 2.3%, respectively, according to the IBGE. This recent economic slowdown, coupled with the ongoing effects of the global economic crisis may result in greater economic and financial volatility and continued stagnation in terms of GDP growth, all of which could negatively impact the demand for and pricing of our products and, consequently, our business and results of operations. Actions taken by the Brazilian federal government and the Brazilian Central Bank may not prevent a further slowdown of the Brazilian economy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Growth of Brazil's Gross Domestic Product and Domestic Demand for Our Products." If we are unable to sell our cement or sell it at our expected prices as a result of a decrease in GDP and consequently in the consumption of cement, we could be materially adversely affected.

A significant portion of our liabilities are denominated in U.S. dollars, which makes us vulnerable to fluctuations in the value of the real against the U.S. dollar.

As of June 30, 2014, we had outstanding consolidated indebtedness (current and noncurrent loans and financing) of R$644.0 million, of which R$378.3 million, or 58.7% was denominated in U.S. dollars. While substantially all of our revenues are denominated in *reais*, a significant portion of our total debt is denominated in U.S. dollars. As a result of that, fluctuations in the value of the *real* against the U.S. dollar may adversely affect our net financial results and our results of operations. A devaluation or depreciation in the value of the *real* compared to the U.S. dollar may result in foreign exchange losses that we must record in our net financial results. For example, in 2011, we recorded foreign exchange losses on loans and financing of R$9.6 million as a consequence of the 12.6% devaluation of the *real* against the U.S. dollar throughout 2011. In 2012, we recorded foreign exchange losses on loans and financing of R$21.8 million as a result of the 8.9% devaluation of the *real* against the U.S. dollar throughout 2012. In 2013, we recorded foreign exchange losses on loans and financing of R$51.4 million as a result of the 19.6% devaluation of the *real* against the U.S. dollar throughout 2013.

Moreover, a devaluation of the *real* in relation to the U.S. dollar would, among other things, increase the cost of our payments under the notes and other loans denominated in U.S. dollars as well as increase the cost of our petcoke supply contracts, which account for a significant portion of our total production costs and are also denominated in U.S. dollars.

If there is a significant fluctuation in the value of the *real* against the U.S. dollar, we may not be able to make payments under the notes and other foreign currency denominated debt. Any of the above factors may have an adverse effect on our business, condition (financial or otherwise), revenues, prospects or results of operations. See also "—Risk Related to Brazil—Currency devaluations and fluctuations may have a material adverse effect on our business, condition (financial or otherwise), revenues, prospects or results of operations."

New products and techniques applied in the construction industry have reduced and may continue to reduce the use of cement and concrete.

New techniques and products are increasingly being applied in construction projects which have reduced the use of cement. Other traditional construction materials including steel, glass and wood are currently widely used in the construction industry in Brazil, and construction companies have begun to use a variety of new construction techniques to reduce the cost of construction. These developments may cause a reduction in the overall consumption of cement in Brazil which may adversely affect our business, results of operations, financial condition and prospects.

Our estimates of the volume and grade of our limestone deposits could be overstated, and we may not be able to replenish our reserves.

Our limestone reserves described in this offering memorandum constitute our estimates based on evaluation methods generally used in our industry and on assumptions as to our production. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured precisely, and the accuracy of any reserve estimate is a function of the quality of available data, as well as engineering and geological interpretation and judgment. As a result, we cannot assure investors that our limestone reserves will be recovered or that they will be recovered at the rates we anticipate. We may be required to revise our reserve and mine life estimates based on our actual production and other factors. If our limestone reserves are lower than our estimates, this may have a material adverse effect on us, particularly if as a result we are required to purchase limestone from third-party suppliers or to develop mines at greater distance from our facilities.

CADE may determine that we have engaged in anti-competitive practices and impose a substantial fine.

Since 2003, we and several other major cement companies have been involved in an investigation conducted by the Brazilian antitrust (competition) authority concerning certain alleged anti-competitive behavior which restricted the supply of certain types of cement to independent ready mix companies. The competition authority has conducted an investigation and, as of the date of this offering memorandum, the decision is still pending. If the competition authority finds we were involved in an infringement of the relevant competition rules, we may be subject to a fine of up to 20% of our revenues in 2002, as well as to ancillary penalties. Additionally, an unfavorable decision from the competition authority may be subject to a court challenge. However, a court ruling that upholds the authority's decision in respect of the alleged infringement could materially and adversely affect our business, results of operations, financial condition and prospects. See "Business—Legal Proceedings—Antitrust."

We are concentrated in the south-east region of Brazil.

While we have non-operational quarries in the north-east, mid-west and southern regions, our activities are currently concentrated in the south-east region of Brazil, where we hold a 5.5% market share, according to preliminary data published by SNIC in 2013. We do not engage in any significant business in other regions of the country, and as of December 31, 2013, 98.2% of our income was derived from sales to the south-east region of Brazil. If our existing or new competitors decide to increase their market share in the south-east region of Brazil, either by price reductions, acquisitions or through other means, we may not have the financial resources to lower our prices or to make significant investments into new markets or products to maintain our market share. If the economy in this region slows down, our business, results of operations or financial condition and prospects may be adversely affected.

Energy accounts for a significant portion of our total production costs, and higher energy prices, governmental restrictions and disruptions in the supply of energy could adversely affect our operations and financial condition.

Our production processes require us to consume a substantial amount of energy, and we currently rely on third party suppliers for all of our energy needs. Electricity shortages have occurred in Brazil in the past and could recur in the future, and we cannot assure you that the Brazilian government's policies will succeed in encouraging growth in power generation capacity. Additionally, the electricity prices under our contracts are linked to inflation, and any increase in inflation will lead to increased energy costs. Our results of operations may be materially adversely affected by higher costs of electricity, unavailability, interruptions or shortages of electrical power or other energy sources.

Petcoke is currently our principal fuel. See "Business—Costs of Production—Energy—Thermal Energy" below. We obtain our petcoke from various third-party suppliers, including Petrobras, and the price of petcoke is linked to global oil prices in U.S. dollars. Accordingly, if global oil prices increase or the *real* devalues substantially, the price of petcoke may become substantially more expensive in *reais*. If we are required to pay substantially more for petcoke and are not able to adjust cement prices, our results of operations may be adversely affected.

Our insurance coverage may be insufficient to cover losses in cases of damages.

Our business is generally subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions, mine collapses, changes in the regulatory environment, environmental hazards and weather and other natural phenomena. These incidents may result in property, transportation, environmental and equipment damage, as well as personal injury and death. These accidents could also delay or interrupt our production activities, causing both monetary losses and reputational damage. We maintain insurance in amounts that we believe to be adequate to cover damages to our plants and inventories, but our insurance covers only part of such damages and does not cover any loss of profit that we might incur. If we are unable to renew our insurance policies or suffer losses or other liabilities occur that are not covered by insurance or that exceed our insurance limits, we could be subject to significant unexpected additional costs.

We may be materially adversely affected by any disruption in or an increase in costs of our logistics or distribution networks.

Operations at our facilities could be completely or partially shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as catastrophic events, strikes or other labor difficulties, other disruptions in means of transportation, and suspension or termination of concessions granted to us or to our commercial partners or independent contractors relating to the right to provide a specific service. Additionally, increases in the cost of transportation could reduce our profit margin and results of operations to the extent that we are unable to pass on these increased costs to our customers. Any significant disruption in the transportation of our products between our facilities, inability to transport products to or from our customers and suppliers for any reason or increase in costs could materially adversely affect us.

If the price of raw materials increases or if there is a shortage of materials, our business and results of operations may be adversely affected.

Although we mine our own limestone, we purchase several raw materials and other inputs necessary for the production of cement. Prices for materials and inputs we use are subject to significant cyclical fluctuations and have at times substantially increased. Increases in material costs, shorter payment terms and requests for transaction security, including bank guarantees or surety bonds, have led and may lead in the future to increased procurement costs. If we do not succeed in passing these increases on to our customers or compensating for them with other cost savings or technological advances, our results of operations could be adversely affected. Our production would also be materially impaired by disruptions in the availability of raw materials. All of the aforementioned risks could have material adverse effects on our business, financial condition and results of operations.

The loss of management, or our inability to attract and maintain additional personnel, could have a material adverse effect on us.

Our ability to maintain our competitive position and implement our growth strategy depends on our management. We cannot assure you that we will be successful in attracting and maintaining qualified personnel in our management team. The loss of some of the members of our management, or our inability to maintain and attract additional personnel could have a material adverse effect on us.

We are substantially controlled by a single shareholder whose interests could conflict with the interests of holders of the notes.

The Koranyi Ribeiro family directly controls approximately 84% of our total voting common shares. See “Principal Shareholders.” Consequently, the Koranyi Ribeiro family has the power to control us, including the power to:

- elect our directors and executive officers, set our management policy and exercise overall control over our management;
- agree to sell or in any manner transfer the controlling stake in us or any of our subsidiaries; and
- determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets and the timing and payment of any future dividends.

In addition, circumstances may occur in which the interests of our controlling shareholder could conflict with the interests of the holders of the notes. For example, our controlling shareholder may have an interest in pursuing transactions that, in its judgment, will enhance the value of its investment in us even though it may involve risks to holders of the notes.

Cement is a perishable product, and failure to take proper precautions when storing and distributing cement may lead to monetary losses.

Because cement is a perishable product, it must be carefully stored and transported. Humidity and other conditions can cause the cement to harden. Additionally, cement must be distributed before its expiration date. Any storage and distribution failures may affect our business, results of operations, financial condition and prospects.

Risks Relating to Brazil

All of our operations are in Brazil or related to Brazilian assets, and therefore Brazilian economic and political conditions may adversely affect our financial condition, results of operations and the market price of the notes.

All of our operations and customers are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil's economy, which in the past has been characterized by frequent and occasionally drastic intervention by the Brazilian government as well as volatile economic cycles.

The Brazilian government has often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and stabilize the economy have often involved wage and price controls and fluctuation in the Central Bank's base interest rates. Actions taken by the Brazilian government concerning the economy may have significant effects on Brazilian companies including us, and on market conditions and prices of Brazilian securities. For example, in the past, the Brazilian government maintained domestic price controls, and we cannot assure investors that price controls will not be reimposed in the future, which could have a material adverse effect on us. Our financial condition and results of operations may also be materially and adversely affected by the following factors and the Brazilian government's actions in response to them:

- interest rate and currency exchange rate fluctuations;
- the supply and price of energy;
- inflation;
- price instability;
- exchange controls and restrictions on remittances abroad;
- monetary policy;
- tax policy;
- environmental policy;
- policies impacting Brazil's logistical infrastructure;
- availability of experienced labor;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the securities issued abroad by Brazilian companies. Historically, the political scenario in Brazil has influenced the performance of the Brazilian economy. Past political crises have affected the confidence of investors and the public, generally resulting in an economic slowdown and volatility of securities offered abroad by Brazilian companies. Recently, during 2013 and in the lead up to the FIFA World Cup held in June 2014, wide-scale protests throughout Brazil focused on economic and political reform and have lead to heightened volatility. Following these protests, the Central Bank cut its growth forecasts and cited volatility as a risk factor. This volatility was heighted by Standard & Poor's downgrade of Brazil's long-term debt rating to BBB minus on March 24, 2014. Brazilian general elections will be held in October 2014, the outcome of which may significantly impact the Brazilian economy. Brazilian presidents have substantial power to determine public policy, as well as to introduce measures affecting the Brazilian economy and the operations and financial results of companies such as ours. New Brazilian policies and regulations, whether in response to further protests, as a result of the upcoming general elections or otherwise, and consequent uncertainty, could have a material adverse effect on us and the market price of our securities.

Inflation and the Brazilian government's measures to curb inflation, including increasing interest rates, may contribute significantly to economic uncertainty in Brazil and adversely affect our results of operations and the trading price of the notes.

Brazil has historically experienced high rates of inflation. More recently, Brazil's annual rate of inflation was 3.85% in 2006, 7.75% in 2007, 9.81% in 2008, (1.72%) in 2009, 11.32% in 2010, 5.10% in 2011 and 7.81% in 2012, as measured by the General Market Price Index (*Índice Geral de Preços—Mercado*), or IGP-M. For the year ended December 31, 2013, the rate of inflation as measured by IGP-M was 5.53%, and inflation for the six months ended June, 2014 was 2.44%. Inflation, and certain government actions taken to combat inflation, especially through the Central Bank, had and may in the future have considerable effects on the Brazilian economy and our business. Stringent monetary policies combined with high interest rates may restrict the economic growth of Brazil and the availability of credit. Inversely, less stringent government and monetary policies, as well as decreases in interest rates, may increase inflation rates and, consequently, growth volatility, leading to sudden and significant rises in interest rates. If the Brazilian economy declines, there may be less demand for cement, which may adversely affect our results of operations. Additionally, the electricity, salary, real estate and vehicle rent prices under our contracts are linked to inflation, and any increase in inflation will lead to an increase in energy, salary and rent costs.

In the future, the Brazilian government may take measures such as reducing interest rates, intervening in the currency exchange market or adjusting or fixing the value of the *real*, all of which could result in increased inflation, which could adversely affect our business.

In case of increased inflation, the Brazilian government may choose to increase interest rates. High interest rates directly affect our cost of financing and may adversely affect our results of operations and the market value of the notes.

Currency devaluations and fluctuations may have a material adverse effect on our business, condition (financial or otherwise), revenues, prospects or results of operations.

The Brazilian currency has historically suffered frequent devaluations. In the past, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations, floating exchange rate systems, exchange controls and dual exchange rate markets. Devaluations over shorter periods of time have resulted in significant fluctuations in the exchange rates between the *real*, the U.S. dollar and other currencies.

The *real* depreciated against the U.S. dollar by 18.5% in 2001 and 53.2% in 2002. Although the *real* appreciated 18.3%, 8.1%, 12.1%, 8.5% and 16.7% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively, in 2008, the *real* depreciated 31.9% against the U.S. dollar. In 2009 and 2010, the *real* appreciated against the U.S. dollar by 25.5% and 4.3%, respectively. However, in 2011, 2012 and 2013, the *real* depreciated against the U.S. dollar by 12.6%, 10.6% and 14.7%, respectively. As of June 30, 2014 and December 31, 2013, the U.S. dollar-*real* exchange rates were R$2.2025 and R$2.3426 per U.S.$1.00, respectively. There can be no assurance that the *real* would not depreciate or be devalued against the U.S. dollar again.

Because an important portion of our total debt is denominated in U.S. dollars, fluctuations in the value of the *real* against the U.S. dollar may adversely affect our net financial results and our results of operations. For further information on the effects of the fluctuation of the *real* in relation to the U.S. dollar on our results of operations, see "—Risks Relating to our Operations and the Brazilian Cement Market—A significant portion of our liabilities are denominated in U.S. dollars, which makes us vulnerable to fluctuations in the value of the *real*." A fluctuation may limit our ability to make payments under the notes and other foreign currency denominated debt and may have an adverse effect on our business, condition (financial or otherwise), revenues, prospects or results of operations.

Fluctuations in interest rates could increase the cost of servicing our debt and adversely affect our overall financial performance.

Interest rates affect certain financial expenses, such as the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI. The CDI rate has fluctuated significantly in the past in response to the growth or decline of the Brazilian economy, inflation, policies of the Brazilian government and other factors. For example, the CDI rate increased from 6.9% as of December 31, 2012 to 9.8% as of December 31, 2013. The CDI rate increased to 10.80% as of June 30, 2014. A significant increase in interest rates, particularly the CDI, could have a material adverse effect on our financial expenses on loans and financing denominated in *reais* and adversely affect our overall financial performance.

Developments and the perception of risk in other countries, such as the recent developments in the global financial markets, and particularly in emerging market countries, may adversely affect the market price of Brazilian securities, including our notes.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in Brazil, as well as, to varying degrees, by market conditions in other countries, including other Latin American countries, emerging market countries, European countries and the United States. Even though the world economy and the financial and capital markets had been recovering from the 2008 crisis throughout 2010 and early 2011, the conditions of the global markets again deteriorated in 2011 and continued deteriorating through 2012. European countries encountered serious fiscal problems, including high debt levels that impair growth and increase the risk of sovereign default. Also in 2011, the United States faced fiscal difficulties, which culminated in the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor’s Rating Services, or S&P. Ongoing political debates in 2012 with respect to how the United States government would address the so-called “fiscal cliff” contributed to economic uncertainty. In 2012 and 2013, the world economy continued to grow at a slow pace, although the possibility of extreme events decreased. As the year progressed, spillovers from the crisis in Europe weighed negatively on activity and confidence and the global recovery slowed. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors’ reactions to developments in these other countries could have an adverse effect on the market value of Brazilian companies’ securities.

Companies located in emerging market countries such as us may be particularly susceptible to these events, which may restrict our access to the capital markets, affect the market price of the notes and compromise our ability to finance our operations in the future on favorable terms or at all. Additionally, crises in other emerging market countries may diminish investor interest in the securities of Brazilian issuers, including the notes.

Weakening economic conditions in Brazil may impair the ability of some of our customers to purchase our products and limit our ability to effectively execute our strategies. Accordingly, our business, financial condition and results of operations could be adversely affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

Changes in Brazilian tax policy may have an adverse effect on our business and results of operations.

The Brazilian government has implemented and may again implement changes to its tax policies that may affect us. These changes include amendments to the tax rates, fees, and charges and, occasionally, the collection of temporary taxes related to specific governmental purposes. Some of such measures may lead to tax increases, which may adversely affect our results of operations.

Risks Relating to the Notes and the Offering

A liquid trading market for the notes may not develop.

Although a trading market has developed for the original notes, there can be no assurance that an active trading market will exist for the notes.

While the additional notes will be registered on the Euro MTF Market of the Luxembourg Stock Exchange, there can be no assurance that a liquid trading market for the notes will be maintained. If an active market for the notes does not develop, the price of the notes and the ability of a holder of the notes to find a ready buyer will be adversely affected. As a result, an investor may be unable to sell the notes at a price equivalent to, or higher than, the price paid to purchase the notes.

The market for Brazilian securities is substantially smaller, less liquid and potentially more volatile than the markets for securities from the United States and other developed countries. These market characteristics may significantly limit the ability of the notes holders to sell the notes at the price and time desired, which may adversely affect the price of the notes.

We may incur additional indebtedness ranking equal to the notes.

The indenture will permit us and our subsidiaries to incur additional debt, including debt that ranks on an equal and ratable basis with the notes. If we incur additional debt or guarantees that rank on an equal and ratable basis with the notes, the holders of that debt (and beneficiaries of those guarantees) would be entitled to share ratably with the holders of the notes in any proceeds that may be distributed upon our insolvency, liquidation, reorganization, dissolution or other winding up. This would likely reduce the amount of any liquidation proceeds that would be available to be paid to holders of the notes.

Payments on the notes will be effectively junior to our secured debt obligations and effectively junior to debt obligations of our subsidiaries.

The notes will constitute a senior unsecured obligation of ours. The notes will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness. Although the notes will provide the holders of the notes with a direct, but unsecured claim on our assets and property, payment on the notes will be effectively subordinated to secured debt of ours to the extent of the assets and property securing such debt. Payment on the notes will also be structurally subordinated to the payment of secured and unsecured debt and other obligations of our subsidiaries.

Upon any liquidation or reorganization of us, any right of the holders of the notes to participate in our assets, including the capital stock of our subsidiaries to the extent applicable, will be subject to certain statutory liabilities and prior claims of our secured creditors, and any such right to participate in the assets of our subsidiaries will be subject to the prior claims of the creditors of our subsidiaries to the extent applicable. The indenture relating to the notes includes a covenant limiting the ability of us and our subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions.

As of June 30, 2014, we had total consolidated indebtedness (current and noncurrent loans and financing) of R$644.0 million, of which R$450.8 million was unsecured debt of ours, R$193.2 million was secured debt of ours, and R$0.6 million was debt of our subsidiaries.

We conduct a portion of our business operations through our subsidiary MAPE. In servicing payments to be made on the notes, we will rely, in part, on cash flows from this subsidiary, mainly dividend payments. The ability of this subsidiary to make dividend payments to us will be affected by, among other factors, the obligations of this entity to its creditors, requirements of Brazilian corporate and other law, and restrictions contained in agreements entered into by or relating to this entity.

Controls and restrictions on foreign currency remittance, or remittance to foreign investors generally, could impede our ability to make payments under the notes.

The purchase and sale of foreign currency in Brazil is subject to governmental control. In the past, the Brazilian economy has experienced balance of payment deficits and shortages in foreign currency reserves to which the Brazilian government has responded by restricting the ability to convert Brazilian currency into foreign currency. Brazilian law provides that whenever a serious imbalance in Brazil’s balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. For example, in 1989 and early 1990, the Brazilian government restricted fund transfers that were owed to foreign equity investors and held by the Central Bank, in order to conserve Brazil’s foreign currency reserves. These amounts were subsequently released. However, similar measures could be taken by the Brazilian government in the future.

Even though the Brazilian foreign exchange market passed through a de-regulation process, the Brazilian government may in the future:

- restrict companies from paying amounts denominated in foreign currencies (such as payments under the notes); or
- require that any of those payments be made in *reais*.

The likelihood of such restrictions may be determined by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy toward the International Monetary Fund, political constraints to which Brazil may be subject and other factors. To date, the Brazilian government has not imposed any restrictions on payments by Brazilian issuers in respect of debt securities issued in the international capital markets, but we cannot assure that such restrictions will not be imposed by the Brazilian government.

The notes are subject to transfer restrictions.

The notes have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions."

Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in a currency other than *reais*. Under the Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may only be satisfied in Brazilian currency at the rate of exchange, as determined by the Central Bank, in effect on the date on which: (i) the lawsuit is filed, (ii) the judgment is rendered or (iii) the relevant payment is made. We cannot provide any assurance that such rate of exchange will afford the full compensation of the amount invested in the notes plus accrued interest (if any).

Payments under the notes are subject to our receipt of certain governmental authorizations.

Our issuance of the notes is subject to certain Central Bank registrations, namely (1) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*), or ROF, on the Information System of the Central Bank for the issuance of the notes by us, which shall be obtained prior to any such issuance, (2) schedule of payments in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil, and (3) if necessary, further authorization from the Central Bank to enable us to remit payments abroad in foreign currency other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF or to make any payment provided for in such ROF earlier than the due date thereof in accordance with the applicable and enforceable regulation at the time. It is uncertain that any such approval will be obtainable at any future date. If such approval is not obtained, we may be unable to make payments to noteholders in U.S. dollars.

Brazilian bankruptcy laws may not be as favorable to noteholders as insolvency and bankruptcy laws of other jurisdictions.

If we are unable to pay our indebtedness, including our obligations under the notes, we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. If we were to be declared bankrupt, statutory preferences such as claims for salaries, wages, secured credits, social security and other taxes, court fees and expenses, would have preference over any other claims. In addition, since the notes will be unsecured debt, the notes will rank equally in right of payment with our existing and future unsecured debt, and will be subordinated to all existing and future secured debt to the extent of the value of the assets securing the secured debt.

Noteholders may have limited voting rights at creditors' meetings in the context of a court reorganization proceeding. In the event of our bankruptcy, all of our debt obligations, including the notes, which are denominated in foreign currency, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure investors that such rate of exchange will afford full compensation of the amount invested in the notes plus accrued interest.

Our obligations under the notes are subordinated to certain statutory preferences.

Under Brazilian law, our obligations under the notes are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the notes. In such a scenario, enforcement of the notes may be unsuccessful, and noteholders may be unable to collect amounts that they are due under the notes.

We cannot assure investors that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Brazil would be enforceable in Brazil, or that an original action can be brought in Brazil against us for liabilities under applicable securities laws.

We are incorporated under the laws of Brazil, and all of our assets are located in Brazil. Substantially all of our directors, executive officers and certain advisors named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon us or our directors, executive officers and advisors, or to enforce us or our directors, executive officers and advisors, in U.S. or Brazilian courts, any judgments predicated upon the civil liability provisions of applicable securities laws. In addition, it may not be possible to bring an original action in Brazil against us for liabilities under securities laws of the United States or other jurisdictions or to enforce the Notes if the indenture or the Notes were to be declared void by a court applying the laws of the State of New York. See "Enforceability of Civil Judgments."

Any reduction in our credit ratings could materially and adversely affect us.

The ratings of the notes address the likelihood of payment of principal at the maturity of the notes. The ratings also address the timely payment of interest on each interest payment date. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for any particular investor. We cannot assure you that the ratings of the notes will remain for any given period of time or that the ratings will not be lowered or withdrawn. The assigned ratings may be raised or lowered depending, among other factors, on the rating agencies' respective assessment of our financial strength, as well as their assessment of Brazilian sovereign risk generally.

In addition, credit ratings impact the interest rates we pay on funds that we borrow and the market's perception of our financial strength. If the ratings on the notes were reduced and the market were to perceive any such reduction as a deterioration of our financial strength, our cost of borrowing would likely increase and our results of operations, cash flows and financial condition could be materially adversely affected.

We may be unable to purchase the notes upon a specified change of control event, which would result in defaults under the indenture governing the notes.

The terms of the notes require us to make an offer to repurchase the notes upon the occurrence of a specified change of control event at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financing arrangements we may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our credit facilities and other financing arrangements will not allow the repurchases. See "Description of the Notes—Certain Covenants—Repurchase of Notes upon a Change of Control."

ENFORCEABILITY OF CIVIL JUDGMENTS

We are a corporation organized under the laws of Brazil. Substantially all of our directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against any of our judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions. In the terms and conditions of the notes, we: (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the borough of Manhattan, the city of New York shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, irrevocably submit to the jurisdiction of such courts; and (2) name an agent for service of process in the borough of Manhattan, the city of New York. See "Description of the Notes."

We have been advised by Barbosa, Müssnich e Aragão, our Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us or any other person described above obtained outside Brazil would be enforceable in Brazil against us or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça)*. That confirmation, generally, will occur if the foreign judgment: (1) fulfils all formalities required for its enforceability under the laws of the country where the foreign judgment is granted; (2) is issued by a competent court after proper service of process is made in accordance with Brazilian legislation; (3) is not subject to appeal; (4) is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and (5) is not contrary to Brazilian national sovereignty, public policy or public morality (as set forth in Brazilian law). Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the notes.

We understand that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that Brazilian courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no *real* property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge. This requirement does not apply to enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice, nor to cases of collection of claims based on an instrument (which does not include the notes) that may be enforced in Brazil without the review of its merit (*título executivo extrajudicial*) or counterclaims (*reconvenções*).

EXCHANGE RATES

Until March 4, 2005, there were two legal foreign exchange markets in Brazil: the commercial rate exchange market, or the Commercial Market, and the floating rate exchange market, or the Floating Market. On January 25, 1999, the Brazilian government announced the unification of the exchange positions of the Brazilian financial institutions in the Commercial Market and in the Floating Market, leading to a convergence in the pricing and liquidity of both markets. The Commercial Market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from Brazilian monetary authorities, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad (including the payment of principal of and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and duly registered with the Central Bank). The Floating Market rate generally applied to specific transactions for which Central Bank approval was not required. Both the Commercial Market rate and the Floating Market rate were reported by the Central Bank on a daily basis.

The Brazilian National Monetary Council (*Conselho Monetário Nacional*), or CMN, has since then introduced several changes in the Brazilian foreign exchange regime, including: (1) unification of the Commercial Market and the Floating Market; (2) relaxation of rules for the acquisition of foreign currency by Brazilian residents; (3) extension of the period for reporting proceeds derived from Brazilian exports to the Central Bank; (4) permission for exporters to retain their proceeds from exports outside Brazil; and (5) authorization to receive export proceeds in any currency (including *reais*), regardless of the specific currency registered with the Central Bank, among others.

The following table sets forth the period end, average, high and low Foreign Exchange Market selling rates published by the Central Bank on its electronic information system (SISBACEN), under transaction code PTAX 800 (*Consultas de Câmbio*), or Exchange Rate Enquiry, Option 5, *Venda (Cotações para Contabilidade),* or Rates for Accounting Purposes expressed in *reais* per U.S. dollar for the periods and dates indicated. The exchange rate as of September 25, 2014 was R$2.4085 per U.S.$1.00.

	Closing Selling Rates of *reais* per U.S.$1.00			
Year	**Low**	**High**	**Average(1)**	**Year End**
2009	1.7024	2.4218	1.9935	1.7412
2010	1.6554	1.8811	1.7583	1.6662
2011	1.5345	1.9016	1.6746	1.8758
2012	1.7024	2.1121	1.9524	2.0435
2013	1.9528	2.4457	2.1641	2.3426

	Closing Selling Rates of *reais* per U.S.$1.00			
Month	**Low**	**High**	**Average(2)**	**Period End**
March 2014	2.2603	2.3649	2.3261	2.2630
April 2014	2.2360	2.2328	2.2811	2.1974
May 2014	2.2101	2.2405	2.2209	2.2390
June 2014	2.1975	2.2802	2.2355	2.2025
July 2014	2.2054	2.2674	2.2246	2.2674
August 2014	2.2396	2.2986	2.2680	2.2396
September 2014 (through September 25)	2.2319	2.4085	2.3192	2.4085

(1) Represents the average of the month end rates beginning with December of the previous period through the last month of the period indicated.
(2) Represents the average of the lowest and highest daily rates in the period.

USE OF PROCEEDS

We estimate the net proceeds from the sale of the additional notes to be approximately U.S.$33.1 million after deducting, commissions and other offering expenses. We intend to use the net proceeds of the issuance of the additional notes to repay certain short-term indebtedness and the remainder (if any) for general corporate purposes.

CAPITALIZATION

The following table sets forth our capitalization represented by the sum of our current and noncurrent loans and financing and shareholders' equity as of June 30, 2014, as derived from our unaudited interim condensed consolidated financial statements, prepared in accordance with Brazilian GAAP and IFRS on an actual basis and as adjusted to give effect to the net proceeds from the issuance of the notes and the use of an estimate U.S.$33.1 million to repay certain indebtedness. This table should be read in conjunction with "Summary Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements included elsewhere in this offering memorandum.

	As of June 30, 2014 (Actual)		**As of June 30, 2014 (As adjusted)[2]**	
	(in millions of R$)	*(in millions of U.S.$)[1]*	*(in millions of R$)*	*(in millions of U.S.$)[1]*
Current loans and financing	113.2	51.4	40.3	18.3
Noncurrent loans and financing	530.8	241.0	603.7	274.1
Total loans and financing	644.0	292.4	644.0	292.4
Total equity	315.7	143.3	315.7	143.3
Total capitalization[3]	**959.7**	**435.7**	**959.7**	**435.7**

(1) Amounts stated in U.S. dollars have been converted from Brazilian *reais* using a rate of R$2.2025 per U.S.$1.00, based on the U.S. dollar selling rate as of June 30, 2014, as published by the Central Bank.
(2) As adjusted to reflect the issuances of the notes and assuming net proceeds of U.S.$33.1 million, after deducting commissions and other estimated offering expenses and the use of an estimate U.S.$33.1 million to repay certain indebtedness, converted from U.S. dollars to *reais* using the rate of R$2.2025 to U.S.$1.00, the U.S. dollar selling rate as of June 30, 2014, as published by the Central Bank.
(3) Total capitalization corresponds to the sum of current and noncurrent loans and financing and shareholders' equity.

SELECTED FINANCIAL INFORMATION

The tables below present summary financial and operating data as of and for the periods indicated. You should read the information below in conjunction with the audited financial statements and unaudited interim condensed financial statements and notes included herein, as well as the sections entitled "Presentation of Financial Information," "Summary Financial and Operating Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum.

Our selected financial information, denominated in *reais*, presented in the tables below are derived from our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 and our unaudited interim condensed consolidated financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013.

Our historical results for any prior period are not necessarily indicative of results to be expected for any future period. Our results of operations for the six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014.

Income Statement Data

	For the Six months ended June 30,		**For the Years Ended December 31,**		
	2014	**2013**	**2013**	**2012**	**2011**
	(unaudited)				
			(in thousands of R$)		
Net operating revenue	**225,611**	**169,670**	**394,415**	**355,586**	**392,458**
Cost of sales	(162,802)	(117,669)	(278,312)	(233,090)	(257,185)
Gross profit	**62,809**	**52,001**	**116,103**	**122,496**	**135,273**
Operating expenses					
Selling expenses	(5,058)	(3,888)	(8,808)	(8,037)	(7,868)
General and administrative expenses	(21,616)	(14,395)	(26,289)	(26,228)	(30,398)
Management compensation	—	—	(7,364)	(7,371)	(7,472)
Other operating income (expenses), net	1,799	7,497	4,314	9,339	12,681
Income before financial income (expenses) and income taxes	**37,934**	**41,215**	**77,956**	**90,199**	**102,216**
Financial income (expenses)					
Financial expenses	(48,269)	(50,676)	(118,345)	(65,215)	(46,046)
Financial income	30,668	6,326	12,274	8,021	18,670
Financial income (expenses)	**(17,601)**	**(44,350)**	**(106,071)**	**(57,194)**	**(27,376)**
Income (loss) before income taxes	**20,333**	**(3,135)**	**(28,115)**	**33,005**	**74,840**
Income taxes	(7,343)	409	8,375	(1,807)	(6,308)
Net income (loss)	**12,990**	**(2,726)**	**(19,740)**	**31,198**	**68,532**
Net income (loss) attributable to controlling shareholders	12,990	(2,727)	(19,739)	31,179	68,505
Net income (loss) attributable to non-controlling interests	—	1	(1)	19	27

Balance Sheet Information

	As of June 30,	**As of December 31,**		
	2014	**2013**	**2012**	**2011**
	(unaudited)			
		(in thousands of R$)		
Assets				
Current assets				
Cash and cash equivalents	5,783	2,961	6,141	9,984
Marketable securities	39,999	69,042	16,805	42,001
Derivative financial instruments	—	—	—	5,005
Trade accounts receivable	48,826	31,593	22,109	33,196
Inventories	47,004	37,899	31,735	39,371
Taxes recoverable	9,212	16,510	25,218	13,328
Notes receivable	37,690	35,904	32,574	52,722

	As of June 30,	As of December 31,		
	2014	2013	2012	2011
	(unaudited)			
	(in thousands of R$)			
Advances to suppliers	29,595	24,393	13,183	7,285
Receivables from third parties	11,193	10,451	4,795	63,770
Other assets	1,127	601	602	879
Total current assets	**230,429**	**229,354**	**153,162**	**267,541**
Non-current assets				
Taxes recoverable	1,263	1,794	3,455	2,599
Inventories	17,169	16,977	16,384	12,404
Notes receivable	17,097	16,535	23,418	—
Deferred income taxes	16,943	23,911	15,043	15,674
Judicial deposits	5,216	4,897	3,468	3,850
Other investments	1,156	1,156	1,035	2,130
Property, plant and equipment	605,941	599,560	489,586	218,026
Intangible assets	144,670	144,541	143,803	115,164
Total non-current assets	**809,455**	**809,371**	**696,192**	**369,847**
Total assets	**1,039,884**	**1,038,725**	**849,354**	**637,388**

	As of June 30,	As of December 31,		
	2014	2013	2012	2011
	(unaudited)			
	(in thousands of R$)			
Liabilities and equity				
Current liabilities				
Trade accounts payable	14,697	10,907	16,889	11,972
Salaries and social charges	8,621	7,056	5,800	5,038
Loans and financing	113,237	87,300	104,251	43,005
Derivative financial instruments	6,197	—	—	—
Income taxes	178	—	—	—
Taxes payable	11,969	7,409	13,951	16,789
Taxes and contributions payable in installments	5,683	5,718	—	—
Interest on shareholders' equity and dividends	954	928	8,527	9,916
Other liabilities	4,388	5,336	8,164	8,400
Total current liabilities	**165,924**	**124,654**	**157,582**	**95,120**
Non-current liabilities				
Loans and financing	530,809	573,376	331,815	194,869
Derivative financial instruments	4,017	6,816	—	—
Taxes and contributions payable in installments	22,941	24,595	28,828	32,450
Provision for legal claims	453	1,273	1,003	3,159
Total non-current liabilities	**558,220**	**606,060**	**361,646**	**230,478**
Equity				
Capital stock	279,891	279,891	279,891	279,891
Capital reserve	11,685	11,685	11,685	11,685
Income reserve and retained earnings	49,122	41,132	63,678	45,654
Equity valuation adjustment	976	1,237	680	366
Treasury shares	(25,999)	(25,999)	(25,999)	(25,999)
Total equity attributable to controlling shareholders	**315,675**	**307,946**	**329,935**	**311,597**
Non-controlling interests	65	65	191	193
Total **equity**	**315,740**	**308,011**	**330,126**	**311,790**
Total liabilities and equity	**1,039,884**	**1,038,725**	**849,354**	**637,388**

Other Financial Information[1]

	As of and for the six months ended June 30,		As of and for the Years Ended December 31,		
	2014	2013	2013	2012[2]	2011[2]
	(in thousands of R$ except percentages)				
Net income (loss)	12,990	(2,726)	(19,740)	31,198	68,532
Financial expenses	48,269	50,676	118,345	65,215	46,046
Financial income	(30,668)	(6,326)	(12,274)	(8,021)	(18,670)

	As of and for the six months ended June 30,		As of and for the Years Ended December 31,		
	2014	2013	2013	2012[(2)]	2011[(2)]
	(in thousands of R$ except percentages)				
Income taxes	7,343	(409)	(8,375)	1,807	6,308
Depreciation, amortization and depletion	9,509	2,101	11,052	3,655	4,212
EBITDA[(3)]	47,443	43,316	89,008	93,854	106,428
Non-recurring income (expenses)[(4)]	3,935	1,648	2,709	6,767	3,182
Adjusted EBITDA[(5)]	51,378	44,964	91,717	100,621	109,610
Adjusted EBITDA margin[(6)]	22.8%	26.5%	23.3%	28.4%	27.9%
Net debt[(7)]	598,264	543,987	588,673	413,120	185,889

(1) This financial information provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA.

(2) The consolidated results include a gain of (i) R$27.1 million and R$2.3 million from the sale of two properties by MAPE in December 2012 and (ii) R$38.2 million in 2011 from the sale of a soybean farm by MAPE. For further information see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Non-Recurring Events."

(3) EBITDA means net income (loss) adjusted by financial expenses; financial income; income taxes; and any depreciation, depletion or amortization. This definition of EBITDA differs from the definition of EBITDA as set out in "Description of Notes—Definitions—EBITDA." EBITDA is not a measure of financial performance under Brazilian GAAP or IFRS, nor should it be considered as an alternative to net income as a measure of operating performance, or as an alternative to operating cash flows, or as a measure of liquidity. EBITDA is not calculated using a standard methodology and may not be comparable to the definition of EBITDA or similarly titled measures used by other companies. As financial income and expenses, income taxes, depreciation, amortization and depletion are not considered for the calculation of EBITDA, we believe that our EBITDA provides an indication of our general economic performance, which is not affected by interest rate fluctuations, changes in income taxes rates, or depreciation, amortization and depletion. As a result, we believe EBITDA is an important tool to periodically compare our operating performance, and also as a basis for certain administrative decisions.

(4) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Non-Recurring Events" for a discussion of factors affecting non-recurring income (expenses).

(5) Adjusted EBITDA, a performance measure used by our management, is defined as EBITDA *plus* non-recurring income (expenses). Adjusted EBITDA is not a measure of financial performance under Brazilian GAAP or IFRS and it does not have a standardized meaning. Accordingly, our definition may not be comparable to that of other companies. Adjusted EBITDA should not be considered as an alternative to net income (loss) as an indicator of our operating performance, or as an alternative cash flow or as an indicator of liquidity. We believe Adjusted EBITDA is an important tool to periodically compare our operating performance, and we use it as a basis for certain administrative decisions.

(6) Adjusted EBITDA margin means Adjusted EBITDA divided by net operating revenue.

(7) Net debt corresponds to the sum of short and long term loans and financing deducted by cash and cash equivalents and marketable securities. This definition of Net debt differs from the definition of Debt and Net Debt as set out in "Description of Notes—Definitions—Debt" and in "Description of Notes—Definitions—Net Debt."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on, and should be read in conjunction with, our audited consolidated financial statements and related notes as of and for the years ended December 31, 2013, 2012 and 2011 and our unaudited interim condensed consolidated financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013, included elsewhere in this offering memorandum and with the financial information included under "Selected Financial Information." This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and the matters set forth in this offering memorandum in general.

Our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 and our unaudited interim condensed consolidated financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 were prepared in accordance with Brazilian GAAP and IFRS.

Overview

We are a traditional producer and distributor of cement in Brazil, with over 60 years of market experience. We recorded a net income of R$13.0 million and a net operating revenue of R$225.6 million in the six months ended June 30, 2014, and we recorded a net loss of R$2.7 million and net operating revenue of R$169.7 million in the six months ended June 30, 2013. We derive substantially all of our revenues from the sale of cement. We produce our cement in three plants located in the States of São Paulo, Minas Gerais and Rio de Janeiro.

The markets for our products generally are local, and our operating results are subject to changes in the level and type of construction activity in the markets in which we operate. Additionally, the preferred type of product used in construction projects among the various segments of the construction industry affects our operating results.

Financial Presentation

In preparing the financial statements included in this offering memorandum, we made estimates and assumptions that we consider reasonable based on our historical experience and other factors. The presentation of our financial condition and results of operations requires that our management make estimates about inherently uncertain matters, such as the book value of our assets, our liabilities and, consequently, our results of operations. Our financial presentation would be materially affected if we were to use different estimates or if we were to change our estimates in response to future events.

Critical Accounting Policies

To provide an understanding of how our management forms its judgments about future events, including the factors and assumptions underlying those estimates, we have identified the following critical accounting policies.

Accounting judgments, estimates and assumptions

Our financial statements were prepared using several accounting estimates based on objective and subjective factors. Significant items subject to estimates include: allowance for doubtful accounts; provision for obsolete inventory; the useful life for property, plants and equipment; deferred income taxes; provisions for legal claims and measurement of the fair value of financial instruments. The final results may differ significantly from those recorded in the financial statements due to the uncertainties inherent in the estimate process. We review our estimates and assumptions on an annual basis, at the very least.

Slow-moving or Obsolete Inventories

We record provisions for slow-moving or obsolete inventories when deemed necessary by our management. This requires significant estimates, and we consider a number of factors including current economic trends, estimates of forecast write offs, the aging of the inventories in stock and other factors. While we believe that the estimates used are reasonable, actual results could differ from these estimates.

Allowance for Doubtful Accounts

We record allowance for doubtful accounts in an amount that our management considers sufficient to cover probable losses, based on an analysis of trade accounts receivable and in accordance with the accounting policies stated in Note 2(g) to our audited financial statements as of and for the years ended December 31, 2013 and 2012.

The methodology for determining the allowance for doubtful accounts receivable requires significant estimates, and we consider a number of factors including historical collection experience, current economic trends, estimates of forecast write offs, the aging of the trade accounts receivable portfolio and other factors. While we believe that the estimates used are reasonable, actual results could differ from these estimates.

Depreciation, Amortization and Depletion

We compute depreciation, amortization and depletion of our property, plant and equipment and intangible assets on a straight-line basis. The determination of the useful life of property, plant and equipment and intangible assets requires a certain level of our subjective judgment. Such determination is inherently uncertain due to the many factors that may cause a premature loss of asset value, and it requires the application of the impairment analysis described below. Depreciation, amortization and depletion expenses may differ if we are required to materially change the assumptions used to determine the useful life of our property, plant and equipment and intangible assets.

Impairment of Non-financial Assets

We review our non-financial assets, primarily property, plant and equipment and intangible assets with definite lives, for impairments to determine and measure impairments when events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable, in accordance with the accounting policy stated in Note 2(l) to our audited financial statements as of and for the years ended December 31, 2013 and 2012.

The evaluation of the impairment of non-financial assets requires significant assumptions and estimates on matters that are inherently uncertain, including projections of our future operating income and cash flows, future growth rates, and the remaining useful lives of the assets, among other factors. In addition, projections are computed over an extended period of time, which subjects these assumptions and estimates to an even larger degree of uncertainty. While we believe that the estimates used are reasonable, the use of different assumptions could materially affect the recoverable amount.

Provision for legal claims

We are party to a number of legal proceedings arising in the normal course of business. These legal proceedings include tax, labor, environmental, civil and other proceedings. Additional information on these legal proceedings is disclosed in Note 18 to our unaudited interim condensed financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 and Note 18 to our audited financial statements as of and for the years ended December 31, 2013 and 2012. We account for losses resulting from these claims and proceedings when we determine that the likelihood of a loss to occur is probable and that the amount of such loss can be reasonably estimated. Therefore, we are required to make judgments regarding future events. Due to the fact that we must use our own judgment to assess and estimate these provisions for legal claims, actual losses realized in future periods could differ significantly from these estimates and could exceed the amounts provisioned.

Income taxes

We compute our taxable income and pay our income taxes based on results of operations determined under Brazilian GAAP. We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review the deferred tax assets for recoverability. Deferred tax assets are recorded when recovery is considered probable. When performing such reviews, we are required to make significant estimates and assumptions about future taxable income. In order to determine future taxable income, we estimate future taxable revenues and deductible expenses, which are subject to different external and internal factors, such as economic and industry trends, interest rates, changes in our business strategies and changes in the type of goods and service to the market. The use of different assumptions and estimates could significantly change our financial statements. A change in the assumptions and estimates with respect to our expected future taxable income could result in a reduction in deferred tax assets. If we operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or discount rates, the time period over which the underlying temporary differences become taxable or deductible, or any change in its future projections, we could be required to establish a valuation allowance against or write off all or a significant portion of our deferred tax assets, resulting in a substantial increase of our effective tax rate and a material adverse impact on operating results.

Principal Factors Affecting Our Results of Operations

Our results of operations have been influenced and will continue to be influenced by a variety of factors, including:

- capital expenditures and other investments;
- the growth rate of Brazilian GDP, which affects Brazilian income per capita and the demand for our products and, consequently, our sales volumes;
- the market price of our production inputs, which significantly affects the cost of producing our products;
- fluctuations in the *real*/U.S. dollar exchange rate, which impacts the average market price for petcoke, our main energy source and increases the cost of our U.S. dollar denominated debt in *reais* terms;
- interest rates; and
- non-recurring events.

Capital Expenditures and Other Investments

Our capital expenditures over the past three years ended December 31, 2013 were increased due to the expansion of our Pedra do Sino plant and the acquisition of certain land and mining rights. For further information, see "—Capital Expenditures."

Growth of Brazil's Gross Domestic Product and Domestic Demand for Our Products

As a Brazilian company with all of our operations in Brazil, we are significantly affected by economic conditions in Brazil. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of Brazilian GDP because our products are used in the construction industry, which is influenced by the overall growth and stability of the Brazilian economy. Brazilian consumption of cement also fluctuates according to Brazilian income levels. The following table shows the growth in *real* GDP and the growth in cement prices for the years ended December 31, 2009, 2010, 2011, 2012 and 2013.

	Year Ended December 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Growth (contraction) in real GDP	(0.3)%	7.5%	2.7%	0.9%	2.3%
Period-end retail cement price (R$/ton of cement)	362.5	385.8	402.2	407.4	431.9
Average cement price (R$/ton of cement)	364.1	372.9	395.0	403.6	417.4
Growth (contraction) in cement prices[(1)]	(5.2)%	6.4%	4.3%	1.3%	6.0%

Source: CBIC (*Câmara Brasileira da Indústria da Construção*)
(1) Growth (contraction) calculations were based on period-end cement prices.

Additionally, according to Brazilian Central Bank, in 2012 the GDP increased 0.9% as compared to 2011, and correspondingly, the consumption of cement increased 6.7%. This increase in activity was due in part to an increase in the availability of mortgage financing by 47.3% from 2010 to 2012 and to a decrease in unemployment in the Brazilian metropolitan areas from 10.7% in 2009 to 7.4% in 2012 according to Ipeadata, and a 8.3% increase in *real* income in the same period, as the level of activity in the construction market (including cement manufacturers) is closely correlated with levels of disposable income, unemployment, infrastructure spending and availability of affordable credit.

In 2013, Brazilian GDP increased by 2.3% and cement sales increased by 2.3%. In 2012, Brazilian GDP increased by 0.9% and cement sales increased by 7.0%. In 2011, Brazilian GDP increased by 2.7% and overall cement sales increased by 8.2%, while our sales of cement increased by 13.9% in 2010 compared to 2009.

Brazilian GDP growth has fluctuated significantly over the past ten years, and we anticipate that it may continue to do so. Our management believes that increased economic growth in Brazil would positively affect our future net operating revenue and results of operations. However, reduced growth or a recession in Brazil would likely lower our net operating revenue and have a material adverse effect on our results of operations.

Effects of Fluctuations in Production Costs

The prices that we charge for our cement products are indirectly related to our production costs. Fluctuations in the market price of petcoke, our principal source of thermal energy and electricity, have significant effects on our costs of sales. Significant increases in the price of petcoke or electricity and, consequently, the cost of producing our products, would likely reduce our gross margins and our results of operations to the extent that we are unable to pass a significant portion of these costs on to our customers. Conversely, significant decreases in the price of petcoke or electricity and, consequently, the cost of producing our products, would likely increase our gross margins and our results of operations.

The following table sets out certain macroeconomic data as of and for the periods indicated.

	For the six months ended June 30,	For the years ended December 31,		
	2014	2013	2012	2011
Real GDP growth[1] in %	1.2	2.3	0.9	2.7
Inflation (IGP-M)[2] in %	2.4	5.5	7.8	5.1
Inflation (IPCA)[3] in %	3.8	5.9	5.8	6.5
SELIC rate in %	11.0	10.0	8.5	11.0
Real appreciation/(depreciation) vs. U.S. dollar over the period[4] in %	8.5	(13.1)	(8.9)	(12.6)
Exchange rate at end of period—U.S.$1.00[5]	R$ 2.20	R$ 2.36	R$ 2.04	R$ 1.88
Average exchange rate for period—U.S.$1.00[6]	R$ 2.28	R$ 2.16	R$ 2.08	R$ 1.67

(1) *Source*: IBGE.
(2) Inflation measured by the IGP-M is the general market price index measured by FGV.
(3) Inflation (IPCA) is a general consumer price index measured by the IBGE.
(4) Calculated using the exchange rate at the beginning and end of the applicable period.
(5) *Source*: Central Bank.
(6) *Source*: Central Bank.

Inflation primarily affects our business by increasing operating costs, especially our energy costs as the energy prices in our energy contracts are linked to inflation. We may be able to recover a portion of these increased costs by passing the increases on to our customers. For information on the risks related to inflation and energy costs, see "Risk Factors—Energy accounts for a significant portion of our total production costs, and higher energy prices, governmental restrictions and disruptions in the supply of energy could adversely affect our operations and financial condition" and "Risk Factors—Inflation and the Brazilian government's measures to curb inflation, including increasing interest rates, may contribute significantly to economic uncertainty in Brazil and adversely affect our results of operations and the trading price of the notes."

Petcoke

Petcoke is currently the primary source of thermal energy used in the production of cement, and thermal energy accounted for 18.6% of our cost of sales in 2013 and 20.9% of our cost of sales for the six months ended June 30, 2014. We obtain our petcoke from various third-party suppliers, including Petrobras, and the price of petcoke is linked to global oil prices in U.S. dollars. Therefore, when the *real* depreciates against the U.S. dollar, assuming petcoke costs remain constant in U.S. dollars, the production cost for our products increases. To the extent that our price increases are not sufficient to cover the increased cost of petcoke, our operating income would decrease. When the *real* appreciates against the U.S. dollar, assuming petcoke costs remain constant in U.S. dollars, the production cost for our products decreases.

The price of petcoke may increase significantly or the *real* may devalue significantly in the future. A significant increase in petcoke costs would likely reduce our profit margin and results of operations to the extent that we are unable to pass on these increased costs to our customers.

We do not currently hedge our exposure to changes in the price of petcoke or for *real*/U.S. dollar exchange rate fluctuations. In periods of high volatility in the *real*/U.S. dollar exchange rate, we may be unable to pass on the resulting increased cost in *reais* to our customers in Brazil. Accordingly, a depreciation in the *real* could materially adversely affect our results of operations and financial condition.

Electricity

The production of cement requires the use of a significant amount of electricity. Electricity represented 14.1% of our cost of sales in 2013 and 14.1% of our cost of sales for the six months ended June 30, 2014. We are party to several electricity supply contracts and transmission contracts with:

- CEMIG Geração e Transmissão S.A., or CEMIG, in the State of Minas Gerais and Rio de Janeiro;
- Light – Serviços de Eletricidade S.A., or Light, in the State of Rio de Janeiro; and
- EDP – Bandeirante Energia S.A., or EDP, in the State of São Paulo.

Additionally, the electricity prices under our contracts are linked to inflation, and any increase in inflation will lead to increased energy costs. If there is a substantial increase in inflation, we may be unable to pass on the resulting increased cost to our customers. In connection with our energy needs, our results of operations may be materially adversely affected by higher costs of electricity.

Effects of Fluctuations in Exchange Rate between the Real and the U.S. Dollar

Our production costs and results of operations have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. Dollar because:

- we incur the cost of petcoke in U.S. dollars and if the *real* devalues substantially, the price of petcoke may become substantially more expensive in *reais*; and
- we have significant amounts of U.S. Dollar-denominated financial liabilities that require us to make principal and interest payments in U.S. dollars, including a loan with Agricultural Bank of China and these notes, and a devaluation or depreciation in the value of the *real* compared to the U.S. dollar may result in foreign exchange losses that we must record in our net financial results.

In addition, our consolidated U.S. Dollar-denominated indebtedness represented 58.7% and 60.7%, respectively, of our outstanding indebtedness as of June 30, 2014 and as of December 31, 2013. As a result, when the *real* depreciates against the U.S. dollar:

- the interest cost on our U.S. dollar-denominated indebtedness increases in *reais*, which negatively affects our net financial results in *reais*; and
- the aggregate amount of our U.S. dollar-denominated indebtedness increases in *reais*, and our total liabilities and debt service obligations in *reais* increase.

Non-Recurring Events

A number of non-recurring events impacted our financial condition and results of operations in the periods presented:

Notes issuance. On May 6, 2011 we raised U.S.$100.0 million in 9.75% senior unsecured notes due 2018. This issuance of notes and the related issuance costs affected our cash flows. As a result of the influx of cash from the issuance, our net cash provided by financing activities increased substantially in 2011. On February 7, 2012, we re-opened this issuance of notes and raised a further U.S.$50.0 million, substantially increasing the net cash provided by financing activities in 2012.

Sale of lands. In September 2008, we sold an option for the sale of our soy bean farm in the State of Mato Grosso. The total consideration, which included the sale proceeds from our farming equipment, up front rent for two years and a purchase option, was R$33.0 million. In 2010, the counterparty exercised its option to purchase the soy bean farm and we received R$27.0 million of proceeds in 2010 and R$25.0 million in September 2011, and we received a further R$16.0 million in December 2011 as an advance for the final payment, which was made in September 2012 in an amount of R$6.0 million. In 2011, we recorded a gain of R$38.2 million from the sale of a soybean farm by MAPE. On December 20, 2012, MAPE sold two properties located in Mogi das Cruzes, realizing a gain of R$27.1 million and R$2.3 million from the sale of these properties. The proceeds from these transactions resulted in higher levels of cash and cash equivalents as of December 31, 2011 and 2012.

Income tax. In 2011 and 2012, we realized tax credits of R$3.4 million and R$0.6 million, respectively, as a result of tax losses carried forward from prior years. As of June 30, 2014, we have recorded R$76.9 million of deferred tax assets from tax losses carryforward and may utilize these losses up to 30% of our taxable income each year. For further information on our deferred tax assets and the expected realization, see Note 17(b) to our unaudited interim condensed financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013.

Tax amnesty. In 2009, we agreed to pay certain federal taxes that had been in dispute as part of a tax amnesty program (*Programa de Recuperação Fiscal*), or REFIS. The outstanding balances, current and non-current portion of our taxes and contributions under REFIS and other amnesty programs as of December 31, 2013, 2012, and 2011 and as of June 30, 2014, were R$30.3 million, R$34.1 million, R$38.4 million and R$28.6 million, respectively. In the years ended December 31, 2013, 2012 and 2011 and in the six months ended June 30, 2014 we paid R$5.8 million, R$7.6 million, R$10.7 million and R$2.9 million, respectively, pursuant to these programs. Installments through these programs mature by October 2024 and will be in the following amounts over the next three years: R$2.37 million in 2015, R$2.41 million in 2016 and R$2.41 million in 2017. In August 2014, we applied to participate in an additional REFIS program. If approved by the Internal Revenue Service, this will increase our installments due under the program whilst reducing the amounts due under our current tax collection proceedings. For further information on these tax matters, see "Business—Legal Proceedings—Tax Matters" and Note 13 to our financial statements as of and for the year ended December 31, 2013 included herein.

Withdrawal rights. At an extraordinary shareholders' meeting held on March 21, 2011, our shareholders and the shareholders of our parent, CP Cimento, approved the downstream merger of CP Cimento into us, or the Shareholder Restructuring. For further information on the Shareholder Restructuring, see "Principal Shareholders—Withdrawal rights." According to the Brazilian Corporate Law, CP Cimento's shareholders who did not approve the Shareholder Restructuring had the option to exercise their rights to withdraw (*direito de retirada*) up to 30 days after publication of the minutes of the extraordinary shareholders' meetings held on March 21, 2011 in the Official Gazzette of the State of Rio de Janeiro on April 7, 2011. We paid R$26.0 million in 2011 to the minority shareholders which exercised their withdrawal rights for the acquisition of their preferred shares.

Consultant. In September 2013, as part of our ongoing efforts to streamline our business operations, we hired an external consultant (Value Bridge Consultoria e Participacões Ltda., or Value Bridge) to advise us on this process, providing us certain business advisory services in order to improve, among others, our corporate governance, organizational structure and management control. As compensation for such advisory services, this consultant receives a fixed monthly fee, increased by an amount equal to 3% of the savings achieved by us due to cost reductions arising from Value Bridge's consulting services. Value Bridge has been engaged up until August 2014. In the six months ended June 30, 2014, we paid Value Bridge R$1.2 million for these consultancy services.

Restructuring costs. We had various one-off costs relating to our ongoing restructuring process, including recruitment consultants. For the six months ended June 30, 2014 these costs amounted to R$3.9 million.

Consolidated Results of Operations for the six months ended June 30, 2014 compared to the six months ended June 30, 2013

The following table sets out the components of our unaudited consolidated statements of operations for the six months ended June 30, 2014 and 2013:

Unaudited Consolidated Statement of Operations	**Six months ended June 30,**		
	2014	**2013**	**Variation (%)**
	(unaudited)		
	(in millions of R$. except percentages)		
Net operating revenue	**225.6**	**169.7**	**33.0**
Cost of sales	(162.8)	(117.7)	38.4
Gross profit	**62.8**	**52.0**	**20.8**
Operating expenses			
Selling expenses	(5.1)	(3.9)	30.1
General and administrative expenses	(21.6)	(14.4)	50.2
Other operating income (expenses), net	1.8	7.5	(76.0)
Income before financial income (expenses) and income taxes	**37.9**	**41.2**	**(8.0)**
Financial expenses	(48.3)	(50.7)	(4.7)
Financial income	30.7	6.3	384.8
Financial income (expenses)	**(17.6)**	**(44.4)**	**(60.3)**
Income (loss) before income taxes	**20.3**	**(3.1)**	**—**
Income taxes	(7.3)	0.4	—
Net income for the period	**13.0**	**(2.7)**	**—**

Net operating revenue

Net operating revenue increased 33.0% to R$225.6 million for the six months ended June 30, 2014 from R$169.7 million for the six months ended June 30, 2013, principally due to an increase in the amount of cement sold, as a result of the completion of the new production line at Pedra do Sino, from 795,706 tons during the six months ended June 30, 2013 to 1,042,104 tons during the six months ended June 30, 2014, combined with a slight increase in our average net sales price from R$213.2 per ton as of June 30, 2013 to R$215.7 per ton as of June 30, 2014.

Cost of sales

Cost of sales increased 38.4% to R$162.8 million for the six months ended June 30, 2014 from R$117.7 million for the six months ended June 30, 2013, due primarily to an increase in the volume of cement sold and an increase in the amount spent on electricity from R$41.8 million for the six months ended June 30, 2013 to R$62.6 million for the six months ended June 30, 2014 and an increase of depreciation expenses (derives from operation of a new line) from R$1.9 million for the six months ended June 30, 2013 to R$9.3 million for the six months ended June 30, 2014. The increase in electricity usage was due in part to the fact that the clincker content of our cement increased from 64.1% in the six months ended June 30, 2013 to 85.8% in the six months ended June 30, 2014 and increased levels of electricity were required as the clincker content of cement increases.

Gross profit

Gross profit increased 20.8% to R$62.8 million for the six months ended June 30, 2014 from R$52.0 million for the six months ended June 30, 2013, as a result of the factors described above.

Operating expenses

Selling expenses increased 30.1% to R$5.1 million for the six months ended June 30, 2014 from R$3.9 million for the six months ended June 30, 2013.

General and administrative expenses increased 50.2% to R$21.6 million for the six months ended June 30, 2014 from R$14.4 million for the six months ended June 30, 2013 due primarily to both an increase in payroll expenses from R$9.7 million for the six months ended June 30, 2013 to R$13.5 million for the six months ended June 30, 2014, as a result of R$0.4 million incurred due to the fact that we now employ additional employees at our Shared Services Center, as well as fees paid to an external consultant (see "Non-recurring Events – Consultant").

Other operating income (expenses), net decreased 76.0% to an income of R$1.8 million for the six months ended June 30, 2014 from an income of R$7.5 million for the six months ended June 30, 2013, mainly due to the revenue with leftover of inventories of R$6.8 million in the six months ended June 30, 2013, which was partially offset by the reversal of provisions for labor claims of R$0.8 million in the six months ended June 30, 2014, which resulted from the classification of the labor proceedings from 'probable' to 'possible' chance of loss and favorable judgment of certain labor proceedings.

Income before financial income (expenses) and income taxes

Income before financial income (expenses) and income taxes decreased by 8.0% to R$37.9 million for the six months ended June 30, 2014 from R$41.2 million for the six months ended June 30, 2013, as a result of the factors described above.

Financial income (expenses)

Net financial expenses decreased 60.3% to R$17.6 million for the six months ended June 30, 2014 from net financial expenses of R$44.4 million for the six months ended June 30, 2013. Financial expenses decreased 4.7% to R$48.3 million for the six months ended June 30, 2014 from R$50.7 million for the six months ended June 30, 2013 mainly due to increased costs in servicing the additional debt we had incurred in order to fund the expansion of our Pedra do Sino plant, which was partially offset by interest capitalized in the six months ended June 30, 2013 during the expansion of our Pedra do Sino plant, which were no longer capitalized as from June 2013. Financial income increased 384.8% to R$30.7 million for the six months ended June 30, 2014 from R$6.3 million for the six months ended June 30, 2013 due to foreign exchange variations on loans and financing, which increased by R$25.6 million for the six months ended June 30, 2014.

Income (loss) before income taxes

Income (loss) before income taxes changed to an income of R$20.3 million for the six months ended June 30, 2014 from a loss of R$3.1 million for the six months ended June 30, 2013, as a result of the factors described above.

Income taxes

Income taxes changed to an expense of R$7.3 million for the six months ended June 30, 2014 from an income of R$0.4 million for the six months ended June 30, 2013 mainly as a result of an increase in our taxable income for the six months ended June 30, 2014 compared to the same period in 2013.

Net income

Net income increased to R$13.0 million for the six months ended June 30, 2014 from a net loss of R$2.7 million for the six months ended June 30, 2013, as a result of the factors described above.

Consolidated Results of Operations for the year ended December 31, 2013 compared to the year ended December 31, 2012

The discussion of the results of operations for the year ended December 31, 2013 and 2012 is based on financial information prepared on a consolidated basis. The following table sets out the components of our consolidated statements of operations for the years ended December 31, 2013 and 2012:

Consolidated Statements of Operations	Year Ended December 31,		
	2013	2012	Variation (%)
	(in millions of R$, except percentages)		
Net operating revenue	**394.4**	**355.6**	**10.9**
Cost of sales	(278.3)	(233.1)	19.4
Gross profit	**116.1**	**122.5**	**(5.2)**
Operating expenses			
Selling expenses	(8.8)	(8.0)	9.6
General and administrative expenses	(26.3)	(26.2)	0.2
Management compensation	(7.4)	(7.4)	(0.1)
Other operating income, net	4.3	9.3	(53.8)
Income before financial income (expenses) and income taxes	**78.0**	**90.2**	**(13.6)**
Financial expenses	(118.3)	(65.2)	81.5
Financial income	12.3	8.0	53.0
Financial income (expenses)	**(106.1)**	**(57.2)**	**85.5**
Income (loss) before income taxes	**(28.1)**	**33.0**	**(185.2)**
Income taxes	8.4	(1.8)	—
Net income (loss) for the year	**(19.7)**	**31.2**	**(163.3)**

Net operating revenue

Net operating revenue increased 10.9% to R$394.4 million in 2013 from R$355.6 million in 2012, principally due to an increase in the volume of cement sold, as a result of our increased production capacities following the expansion of our Pedra do Sino plant, from 1.52 million tons in 2012 to 1.84 million tons in 2013, which was partially offset by a decrease from our subsidiary, MAPE, which recorded a net operating revenue from a sale of lands in 2012 of R$33.4 million and R$1.3 million of net operating revenue in 2013.

Cost of sales

Cost of sales increased 19.4% to R$278.3 million in 2013 from R$233.1 million in 2012 due primarily to an increase in the volume of cement sold, as a result of the completion of the expansion of our Pedra do Sino plant, as well as the depreciation of the *real* against the U.S. dollar, which impacts the price of petcoke, our principal energy source.

Gross profit

Gross profit decreased 5.2% to R$116.1 million in 2013 from R$122.5 million in 2012, as a result of the factors described above.

Operating expenses

Selling expenses increased slightly to R$8.8 million in 2013 from R$8.0 million in 2012.

General and administrative expenses remained stable at R$26.3 million in 2013, compared to R$26.2 million in 2012.

Management compensation also remained stable at R$7.4 million in 2013 and 2012.

Other operating income, net decreased 53.8% to R$4.3 million in 2013 from R$9.3 million in 2012 primarily due to a decrease of R$3.7 million in reversal of impairment losses and a decrease of R$6.7 million in revenue with leftover of inventories in 2013, which was partially offset by the decrease of write-off of certain permanent assets.

Income before financial income (expenses) and income taxes

Income before financial income (expenses) and income taxes decreased 13.6% to R$78.0 million in 2013 from R$90.2 million in 2012, as a result of the factors described above.

Financial income (expenses)

Financial income (expenses) increased 85.5% to a net financial expense of R$106.1 million in 2013 from R$57.2 million in 2012. Financial expenses increased 81.5% to R$118.3 million in 2013 from R$65.2 million in 2012 mainly due to both an increase in foreign exchange losses on loans and financing to R$51.4 million in 2013 from R$21.8 million in 2012, an increase in loans and financings entered into to fund the expansion of our Pedra do Sino plant and interest capitalized during the expansion of our Pedra do Sino plant, which were no longer capitalized as from June 2013. Financial income increased 53.0% to R$12.3 million in 2013 from R$8.0 million in 2012, primarily as a result of an increase in interest income from marketable securities to R$7.6 million in 2013 from R$3.4 million in 2012.

Income (loss) before income taxes

Income before income taxes changed to a loss of R$28.1 million in 2013 from an income of R$33.0 million in 2012, as a result of the factors described above.

Income taxes

Income taxes changed to an income of R$8.4 million in 2013 compared to an expense of R$1.8 million in 2012 due to an increase to R$77.6 million in deferred tax assets from tax losses carryforward as of December 31, 2013 from R$50.3 million as of December 31, 2012 which was partially offset by an increase in deferred tax liabilities on other temporary differences.

Net income (loss)

Net income (loss) changed to a loss of R$19.7 million in 2013 from a net income of R$31.2 million in 2012, as a result of the factors described above.

Consolidated Results of Operations for the year ended December 31, 2012 compared to the year ended December 31, 2011

The discussion of the results of operations for the year ended December 31, 2012 and 2011 is based on financial information prepared on a consolidated basis. The following table sets out the components of our consolidated statements of income for the years ended December 31, 2012 and 2011:

Consolidated Statements of Income	**Year Ended December 31,**		
	2012	**2011**	**Variation (%)**
	(in millions of R$, except percentages)		
Net operating revenue	**355.6**	**392.5**	**(9.4)**
Cost of sales	(233.1)	(257.2)	(9.4)
Gross profit	**122.5**	**135.3**	**(9.4)**
Operating expenses			
Selling expenses	(8.0)	(7.9)	2.1
General and administrative expenses	(26.2)	(30.4)	(13.7)
Management compensation	(7.4)	(7.5)	(1.4)
Other operating income, net	9.3	12.7	(26.4)
Income before financial income (expenses) and income taxes	**90.2**	**102.2**	**(11.8)**
Financial expenses	(65.2)	(46.1)	41.6
Financial income	8.0	18.7	(57.0)
Financial income (expenses)	**(57.2)**	**(27.4)**	**108.9**
Income before income taxes	**33.0**	**74.8**	**(55.9)**

Consolidated Statements of Income	Year Ended December 31,		
	2012	2011	Variation (%)
	(in millions of R$, except percentages)		
Income taxes	(1.8)	(6.3)	(71.4)
Net income for the year	**31.2**	**68.5**	**(54.5)**

Net operating revenue

Net operating revenue decreased 9.4% to R$355.6 million in 2012 from R$392.5 million in 2011, principally due to a decrease in the amount of cement sold from 1.65 million tons in 2011 to 1.52 million tons in 2012, a result of the fact that we operated during the period at reduced capacity as the expansion of our Pedra do Sino plant was not yet completed, combined with a decrease in our average net sales price from R$212.0 per ton in 2011 to R$205.5 per ton in 2012 and a decrease in net operating revenue of our subsidiary, MAPE, from R$45.2 million in 2011 to R$33.4 million in 2012, due to a decrease in real estate property sales in 2012.

Cost of sales

Cost of sales decreased 9.4% to R$233.1 million in 2012 from R$257.2 million in 2011 due primarily to a decrease in the volume of cement sold and the rise of existing slag supplies, and an increase in the cost of electricity to R$74.8 million in 2012 from R$74.1 million in 2011, due to the fact that more electricity was required to process the older, existing supplies of slag.

Gross profit

Gross profit decreased 9.4% to R$122.5 million in 2012 from R$135.3 million in 2011, as a result of the factors described above.

Operating expenses

Selling expenses increased 2.1% to R$8.0 million in 2012 from R$7.9 million in 2011 due primarily to an increase in payroll expenses, a consequence of a collective bargaining agreement (*acordo coletivo*) that we entered into during the period, to R$5.3 million in 2012 from R$4.8 million in 2011 and an increase in rent expenses from R$0.8 million in 2011 to R$1.1 million in 2012, due to the commencement of operations at a new distribution terminal in Rio de Janeiro. This increase was partially offset by a decrease in our allowance for doubtful accounts expenses, from R$1.1 million in 2011 to R$0.1 million in 2012.

General and administrative expenses decreased 13.7% to R$26.2 million in 2012 from R$30.4 million in 2011 due to (i) a decrease in consultancy fees to R$1.9 million in 2012 from R$3.5 million in 2011, (ii) a decrease in payroll expenses to R$13.7 million in 2012 from R$15.3 million in 2011 as a result of reduced costs with personnel, (iii) a reduction in the payments due under our profit sharing program and the fact that we had fewer workers' compensation payments in 2012 compared to 2011, and (iv) a decrease in third parties expenses to R$2.3 million in 2012 from R$3.1 million in 2011 due to reduction of third party expenses to R$0.9 million in 2012 from R$1.8 million in 2011 by our subsidiary MAPE.

Other operating income net decreased 26.4% to R$9.3 million in 2012 from R$12.7 million in 2011 largely due to increase in costs relating to a reduction of non-current assets in 2012.

Income before financial income (expenses) and income taxes

Income before financial income (expenses) decreased 11.8% to R$90.2 million in 2012 from R$102.2 million in 2011, as a result of the factors described above.

Financial income (expenses)

Financial income (expenses) increased 108.9% to a net financial expense of R$57.2 million in 2012 from R$27.4 million in 2011. Financial expenses increased to R$65.2 million in 2012 from R$46.1 million in 2011 mainly due to an increase in interest expenses on our loans and financings to R$28.8 million in 2012 from R$16.3 million in 2011 as we entered into further financings to fund the expansion of our Pedra do Sino plant, as well as an increase in foreign exchange variation expenses to R$21.8 million in 2012 from R$9.6 million in 2011. Financial income decreased 57.0% to R$8.0 million in 2012 from R$18.7 million in 2011 due to a decrease in returns on financial investments to R$3.4 million in 2012 from R$12.9 million in 2011.

Income before income taxes

Income before income taxes decreased 55.9% to R$33.0 million in 2012 from R$74.8 million in 2011, as a result of the factors described above.

Income taxes

Income taxes expenses decreased to R$1.8 million in 2012 from R$6.3 million in 2011 primarily due to a decrease in taxable income in 2012.

Net income

Net income decreased to R$31.2 million in 2012 from R$68.5 million in 2011, as a result of the factors described above.

Capital Expenditures

Our capital expenditures over the past three years ended December 31, 2013 were due the expansion of our Pedra do Sino plant and the acquisition of certain land and mining rights. The table below describes our capital expenditures for the given periods (not including investment in subsidiaries):

Areas	**Six months ended June 30, 2014**	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**Year ended December 31, 2011**
		in millions of reais		
Production	7.8	17.5	(14.0)	3.5
Expansion of Pedra do Sino	—	91.3	262.1	64.4
Mining	5.3	3.9	38.8	0.0
Other	3.1	6.5	5.4	2.2
Total	**16.2**	**119.2**	**292.3**	**70.1**

The increase in capital expenditures over the past three years ended December 31, 2013 was mainly due to the costs related to the expansion of our Pedra do Sino plant for which we had initially budgeted capital expenditures in the amount of approximately R$268.0 million. Upon completion of the expansion, our realized capital expenditures totaled R$428.1 million mainly due to increased construction costs caused by delays of the construction engineering contractor and its replacement, which led to delays in mechanical and construction milestones. As a result, we incurred additional debt, which was higher than the budgeted amount mainly due to the high cost of construction and import costs and the *real* depreciation over that same period.

Our capital expenditures totaled R$16.2 million and R$87.9 million for the six months ended June 30, 2014 and 2013, respectively, and R$119.2 million, R$292.3 million and R$70.1 million for the years ended December 31 2013, 2012 and 2011, respectively.

Liquidity and Capital Resources

Our financial condition and liquidity are and will be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the interest we are obligated to pay on this indebtedness and prevailing domestic and international interest rates, which affects our net financial expenses;

- prevailing Brazilian and international interest rates, which affects our debt service requirements;
- our ability to continue to borrow funds from Brazilian and international financial institutions; and
- our capital expenditure requirements, which consist primarily of investments in mining and the maintenance of our industrial equipment.

Our capital requirements result primarily of the following:

- to pay capital expenditures;
- to meet our debt service obligations;
- to meet our working capital needs; and
- to pay dividends.

Our sources of liquidity consist mainly of the following:

- cash flows from our operating activities, derived mainly from sale of cement;
- short- and long-term borrowings; and
- dividends paid by our subsidiaries.

We believe we have sufficient cash flows from operations to service our indebtedness in the short and medium terms. See "—Sources of Funds"

Ability to Repay Debt Instruments

We currently have significant indebtedness and we may incur more debt in the future. As of June 30, 2014, our outstanding indebtedness (current and noncurrent loans and financing) was R$644.0 million, of which 41.3% or R$265.7 million was denominated in *reais* and 58.7% or R$378.3 million was denominated in U.S. dollars.

For the years ended December 31, 2013, 2012 and 2011 and also for the six months ended June 30, 2014, we have increased our debt to finance part of our investment activities, mainly for the expansion of our Pedra do Sino plant. For further information on our capital requirements for the expansion of our Pedra do Sino plant, see "—Capital Expenditures." As a result of the completion of our Pedra do Sino plant expansion, we expect to reduce our level of indebtedness, while increasing the results of operations with the production from the Pedra do Sino plant.

We may also consider refinancing maturing debt, which may require us to incur additional debt. Our inability to incur additional debt may limit our ability to invest in our business and to make necessary or advisable capital expenditures, which may cause a decrease in our future sales, adversely affecting our financial condition and results of operations. Moreover, the funds used to repay our outstanding debt may reduce the amount available for capital expenditures, which may negatively affect our results of operations. If we are unable to refinance maturing debt or for any reason our operating cash flow decreases, slows down or does not grow as we expect, we may not be able to repay our debt, which may cause us to renegotiate our debt, look for additional capital or sell assets. We may be unable to obtain new financing, raise equity or sell our assets at a fair price or at all, which would negatively affect our results of operations and financial condition.

As of June 30, 2014, we had R$45.8 million in cash and cash equivalents and marketable securities, and R$113.2 million in short-term loans and financing. Considering our indebtedness profile and our historic ability to raise capital and generate cash, we expect that we will be able to pay our debts by using a combination of different capital resources, such as our cash and the cash generated from our operating activities. In addition, we, through our subsidiaries, such as MAPE, might from time to time sell certain assets to improve our cash flows.

Dividends

In 2011, we distributed R$16.5 million to our shareholders as an interest on shareholders' equity. And in 2012, we distributed R$7.4 million to our shareholders. In the six months period ended June 30, 2014, we distributed R$5.0 million to our shareholders as interest on shareholders' equity which will be deducted from future minimum dividends to be distributed to shareholders for the results of the year ending December 31, 2014. For further information on dividends see "Principal Shareholders—Payment of Dividends to Shareholders."

Sources of Funds

Our main sources of funds derive from our operating cash generation, short- and long-term financings and dividends provided by our subsidiaries. While we expect our expansion of the Pedra do Sino plant to increase our operating cash generation, we cannot assure you that we will be able to generate positive cash flows from our operations. For further information on dividends see "Risk Factors—Risks Relating to our Operations and the Brazilian Cement Market—Our failure to comply with certain financial ratios and other restrictive covenants in the instruments governing our indebtedness could result in an event of default that if not waived by the creditors could result in their acceleration of this indebtedness, which could have a material adverse effect on us."

We anticipate that we will be required to spend approximately R$119.8 million to meet our short-term loans and financings and budgeted capital expenditures for the second semester of the year ending December 31, 2014 and approximately R$151.1 million to meet our short-term loans and financings and budgeted capital expenditures in 2015. We expect that we will meet these cash requirements through a combination of cash flow we generate from operating activities and cash flow we generate from financing activities.

We anticipate that we will be required to spend approximately R$129.7 million to meet our long-term loans and financings, obligations and budgeted capital expenditures in 2016. We expect to meet these cash requirements through a combination of cash flows provided by our operating activities and cash flows provided by financings, including additional debt and the refinancing of our indebtedness as it becomes due.

Cash Flows

The table below sets forth our cash flows from operating, investing and financing activities for the periods indicated:

	For the six months ended June 30,		**For the years ended December 31,**		
	2014	**2013**	**2013**	**2012**	**2011**
	(unaudited)				
			(in thousands of R$)		
Net cash provided by (used in) operating activities	(11,509)	(10,774)	(132)	31,671	33,996
Net cash provided by (used in) investing activities	13,023	(106,211)	(152,607)	(170,877)	(115,860)
Net cash provided by financing activities	1,308	115,696	149,559	135,363	84,061
Increase/(decrease) in cash and cash equivalents	**2,822**	**(1,289)**	**(3,180)**	**(3,843)**	**2,197**

Six months ended June 30, 2014 compared to the six months ended June 30, 2013

Net cash used in operating activities increased to R$11.5 million for the six months ended June 30, 2014, from R$10.8 million for the six months ended June 30, 2013.

Net cash provided by investing activities was R$13.0 million for the six months ended June 30, 2014 compared to net cash used in investing activities of R$106.2 million for the six months ended June 30, 2013 mainly due to the completion of the second production line at our Pedra do Sino plant in May 2013. See "Cement Production Process—Pedra do Sino" for more information.

Net cash provided by financing activities decreased to R$1.3 million for the six months ended June 30, 2014 from R$115.7 million for the six months ended June 30, 2013 mainly due to both the completion of the second production line at our Pedra do Sino plant in May 2013, which did not require the same level of financing for the six months ended June 30, 2014 compared to the same period in 2013, as well as ongoing debt repayments.

Year ended December 31, 2013 compared to Year ended December 31, 2012

Net cash used in operating activities changed to R$0.1 million in 2013, as compared to net cash provided by operating activities of R$31.7 million in 2012 mainly due to the change of our income before income taxes from R$33.0 million in 2012 to a loss before income taxes of R$28.1 million in 2013.

Net cash used in investing activities decreased to R$152.6 million in 2013, from R$170.9 million in 2012 mainly due to the completion of the line two expansion at our Pedra do Sino plant in May 2013.

Net cash provided by financing activities increased to R$149.6 million in 2013 from R$135.4 million in 2012 principally due to an increase in loans and financing to R$256.6 million in 2013 from R$211.5 million in 2012, which was partially offset by an increase in repayments on our loans and financing to R$96.6 million in 2013 from R$61.6 million in 2012, as a result of the increase in our loans and financing, entered into to fund the expansion of our Pedra do Sino plant.

Year ended December 31, 2012 compared to Year ended December 31, 2011

Net cash provided by operating activities remained stable at R$31.7 million in 2012 from R$34.0 million in 2011, despite a decrease in net income to R$31.2 million in 2012 from R$68.5 million in 2011.

Net cash used in investing activities increased to R$170.9 million in 2012, as compared to R$115.9 million in 2011, mainly due to an increase in the level of works undertaken as part of the line two expansion at our Pedra do Sino plant.

Net cash provided by financing activities increased to R$135.4 million in 2012 from R$84.1 million in 2011 primarily due to the R$26.0 million cash used to acquire treasury shares from the shareholders who exercised their withdrawal rights as a result of our shareholders restructuring and payment to related parties of R$9.7 million, which was partially offset by an increase in payments of interest on shareholders' equity and dividends to our shareholders of R$14.5 million in 2012, as compared to R$5.4 million in 2011.

Indebtedness

Our consolidated indebtedness (current and noncurrent loans and financing) as of June 30, 2014 was R$644.0 million, which was comprised of R$113.2 million of current loans and financing and R$530.8 million of noncurrent loans and financing. R$193.2 million of our indebtedness was secured indebtedness.

The following table sets forth the repayment schedule of our noncurrent indebtedness:

	Debt Obligations as of June 30, 2014
	(in millions of R$)
2015	33.9
2016	62.8
2017	49.8
2018	357.8
2019	19.5
2020 and after	6.9
Total indebtedness	**530.8**

The table below sets forth our outstanding debt by type, amount and rate as of June 30, 2014.

Type of Loan	Short Term Debt as of June 30, 2014	Long Term Debt as of June 30, 2014	Total Amount of Debt as of June 30, 2014	Interest rate per year
		(in millions of R$)		
Working capital	64.5	62.2	126.7	12.7%
Senior unsecured notes	6.5	315.7	322.2[(1)]	FX + 9.75%
Other	19.3	37.5	56.8	LIBOR + 2.8%
Governmental development banks	22.9	115.4	138.3	3.5 – 9.5%

(1) net of transaction costs.

Debt Instruments

9.75% Senior Unsecured Notes due 2018. On May 11, 2011, we issued U.S.$100.0 million 9.75% senior unsecured notes due 2018. We re-opened this issuance on February 7, 2012 and issued further U.S.$50.0 million 9.75% senior unsecured notes due 2018.

Financing Agreement with Development Bank of the State of Minas Gerais. On April 12, 2013, we entered into a R$106.3 million financing agreement with the Development Bank of the State of Minas Gerais (*Banco de Desenvolvimento de Minas Gerais*), or BDMG. Interest accrues monthly at a rate of TJLP (*taxa de juros longo prazo*) + 4.3% *per annum*. This loan is secured by a mortgage over our Pedra do Sino plant. We used the proceeds of the loan to fund the expansion of our Pedra do Sino plant. The principal amount is due in 66 monthly installments. The first installment will be paid on November 15, 2014.

Financing agreement with the Agricultural Bank of China. On December 13, 2012, we entered into a U.S.$25.5 million financing agreement with the Agricultural Bank of China. Interest accrues semi-annually at a rate of Libor-12M + 2.80% *per annum*. The proceeds of this loan were used to finance the purchase of Chinese equipment for the expansion of our Pedra do Sino plant. The principal amount is due semi-annually from August 20, 2014 until February 20, 2017.

Bank credit notes (Cédulas de Crédito Bancário) with Banco de Investimentos Credit Suisse (Brasil) S.A. and derivative instruments with Credit Suisse Próprio Fundo de Investimento Multimercado. We have entered into bank credit notes (*Cédulas de Crédito Bancário*) with Banco de Investimentos Credit Suisse (Brasil) S.A., or Credit Suisse, in the aggregate principal amount of R$ 40.0 million. We have also entered into derivative instruments with Credit Suisse Próprio Fundo de Investimento Multimercado, or Credit Suisse Fund, and together with Credit Suisse, Credit Suisse Brasil, related to those bank credit notes. Those bank credit notes and derivative instruments are secured by our Volta Redonda plant (real estate, machinery and equipment), assignments of bank deposit certificate (CDB), and approximately 80 railroad wagons. Interest accrues monthly at the rate of CDI + 4.0% *per annum*. The principal amount is due in subsequent and equal monthly installments from April 29, 2016 until April 27, 2018. Considering resulting cash flow from the bank credit notes and derivative instruments, we are paying a cash flow equivalent to that of a USD denominated debt (with the same payment schedule of the bank credit notes) bearing interest of CDI + 5.0% *per annum* (interest rate that could be reduced from January 31, 2016 to CDI = 4.0% *per annum* in accordance with certain conditions agreed on January 31, 2014 and amended on June 30, 2014) and with principal amount equivalent to R$ 40.0 million converted into US Dollars at the FX rate prevailing when such bank credit notes were disbursed.

For the three-month period ended December 31, 2013 and June 30, 2014, we did not comply with the maintenance financial ratio for the bank credit notes and derivative instruments entered into with Credit Suisse Brasil, of net debt to EBITDA of not more than 5.50 and 5.25 (amended on January 31, 2014), respectively. On June 30, 2014, Credit Suisse granted us a waiver for the non-compliance with these ratios and also consented to the amendment of the financial ratios under the bank credit notes and derivative instruments for subsequent quarter. After giving effect to those waivers, in addition to customary covenants, the bank credit notes and derivative instruments provide that the net debt to EBITDA ratio, calculated for each three-month period considering the EBITDA for the previous 12 months is not more than (i) 6.75% for the three month period ended September 30, 2014 (ii) 6.0 for the three month period ended December 31, 2014; (iii) 5.0 for the three-month period ended March 31, 2015 and June 30, 2015; (iv) 4.85 for the three-month periods ended September 30, 2015 and December 31, 2015; (v) 4.25 for the three-month periods ended March 31, June 30, September 30 and December 31, 2016; and (vi) 3.75 for the remaining three-month periods, beginning on March 31, 2017.

Bank credit notes (Cédulas de Crédito Bancário) with Banco Panamericano. We have entered into three bank credit notes with Banco Panamericano in the aggregate principal amount of R$23.0 million. Interest accrues monthly at a rate of up to CDI + 5.50% *per annum*.

For the year ended December 31, 2013, we did not comply with the maintenance financial ratio of net debt to EBITDA of 5.0. On December 23, 2013, Banco Panamericano granted us a waiver for the non-compliance with the 5.0 ratio and also consented to the amendment of the financial ratios under the bank credit notes for subsequent quarters as described below.

For the three-month period ended December 31, 2013 and June 30, 2014, we did not comply with the maintenance financial ratios of net debt to EBITDA of 5.25. On June 30, 2014, Banco Panamericano granted us a waiver for the non-compliance with the 5.25 ratio.

In addition to customary covenants, the bank credit notes that we entered into with Banco Panamericano provide that the ratio between net debt and EBITDA should be less than or equal to 4.75 for the three month period ended September 30, 2014; less than or equal to 4.25 for the three month period ended December 31, 2014; and less than or equal to 3.75 for the following periods starting at 2015.

As of the date of this offering memorandum, we were in compliance with all our financial covenants.

Bank credit note with Banco Pine S.A. On May 26, 2014, we issued a bank credit note in favor of Banco Pine S.A. in the principal amount of R$10 million, guaranteed by Cimento Santo Estevão e Participações S.A. and secured by the assignment of certain trade invoices. Interest accrues monthly at a rate of CDI variation plus 4.20% *per annum*.

Short-term loans. We have entered into several short-term loans with various Brazilian banks. The aggregate amount under these loans is approximately R$87.5 million. These loans have customary provisions related to prepayment change of control and/or merger.

Other Covenants. As of June 30, 2014, some of our debt instruments contain covenants that restrict our ability to, among other things:

- incur liens;
- merge, consolidate, wind up or dissolve;
- undergo a change of control; and
- make dividend payments above the legal minimum dividend.

For further information on our indebtedness, see Note 13 to our unaudited interim condensed consolidated financial statements as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013.

Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of our activities, as follows:

Currency risk due to foreign exchange variations

The currency variation risks refer to the possibility that we could have losses due to fluctuations in foreign exchange rates. Currency variations could affect the cost of petcoke, a material we use to heat our kiln. For further discussion on the impact of currency fluctuations on petcoke prices, see "—Growth of Brazil's Gross Domestic Product and Domestic Demand for Our Products." As of June 30, 2014, 58.7% of our indebtedness (current and noncurrent loans and financing) is denominated in U.S. dollars. This is represented by our U.S.$150.0 million 9.75% senior unsecured notes due 2018 and the US$25.5 million financing with the Agricultural Bank of China referred to above. While we have not yet determined our hedging policy for the next year, our standard hedging policy has been to hedge an amount equal to the annual interest due under the U.S.$150.0 million 9.75% senior unsecured notes.

Credit risk

Our cash and cash equivalents, marketable securities and trade accounts receivable subject us to credit risks. The risk of incurring losses related to failure to receive amounts billed to clients is minimized by the fact that our sales are spread among a large client base and that our sales are restricted by a defined individual credit limit per client.

Interest rate risk

Interest rate risk arises from the possibility that we could incur losses as a result of interest rate fluctuations which would increase financial expenses, especially expenses from contracted loans and financing.

Liquidity risk

Liquidity risk is the risk of cash shortage and the risk that we would be unable to honor our debts. We attempt to align the maturity of our debts with our cash generation to avoid any discrepancy in timing and to avoid the need for higher leverage.

Off Balance Sheet Arrangements

As of the date of this offering memorandum, we did not have any off balance sheet arrangements.

INDUSTRY

The Cement Sector

General

Cement is a fundamental building material used in several stages throughout the construction cycle of residential, industrial and commercial buildings and infrastructure projects. It is the biding agent that, when mixed with sand or aggregates and water, produces either ready-mix concrete or mortar and is an important component of other essential building materials. Cement is sold either in bags as a branded product or in bulk, depending on its final user.

The manufacturing process by which cement is produced begins with the mining and crushing of limestone and clay. Limestone and clay are then pre-homogenized, dried, fed into a grinding mill and then processed at a very high temperature in a kiln, to produce clinker. Clinker is the intermediate product used in the manufacture of cement and is fed with other materials such as slag, fly ash, pozzolan and a small portion of gypsum, into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

The main raw materials used in the production of cement are limestone, clay, gypsum and other additives such as slag, natural or artificial pozzolans and fly-ash. Cement plants are ideally located adjacent to large limestone quarries to reduce production costs due to transportation of raw materials. The manufacturing processes are very intensive in energy use; each ton of cement requires 60-130 kg of fuel oil and roughly 100 kWh of electricity, depending on the type of cement, which combined represent approximately half of direct production costs, according to the SNIC. Other relevant costs include operation and maintenance of the production facility.

Cement's perishable nature and heavy weight relative to its unit value translate into significant transportation costs. Therefore, cement producers in larger nations tend to cluster around major consumer markets and producers gain a natural cost advantage in the areas surrounding their production facilities. Also, international cement trade is usually rendered impractical, thus accounting for only 4.5% of cement sales worldwide in 2012 according to the Global Cement Report.

The main driver of cement consumption is construction activity, which can be divided in three sectors: the residential sector, the industrial and commercial sector and the public sector (the latter including major infrastructure projects). As a result, cement demand is highly dependent on housing starts and investments in industrial, commercial and infrastructure projects. These factors relate to overall economic activity and demographic trends such as urbanization and family formation.

In addition, cement demand is observed to have low elasticity in relation to prices. This is partially explained by the absence of competitive replacement products and relatively low contribution of cement to construction costs. Increases in cement prices are unlikely to affect the decision to undertake a construction project, since cement costs usually represent a small portion of total construction costs.

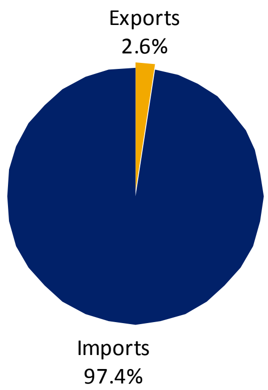
The Global Cement Industry

The global cement market is considered well developed and consolidated. According to data from the 10th edition of the Global Cement Report, the five largest industrial producers of cement in the world represented approximately 14.6% of global cement sales in 2011, considering Lafarge and Holcim as a merged entity.

Global production of cement reached 3.6 billion tons in 2011, according to Cembureau, the European Cement Association. Cement production in Brazil was 52 million tons in 2008 and 2009, 59 million tons in 2010, 64 million tons in 2011 and 69 million tons in 2012, according to SNIC.

Due to certain logistical difficulties relating to transportation and perishability of cement, the international trade of this product is not very representative if compared to its worldwide production. According to the Global Cement Report, in 2012, 97.4% of the volume of cement produced in the world was consumed by local markets, while only 2.6% was exported.

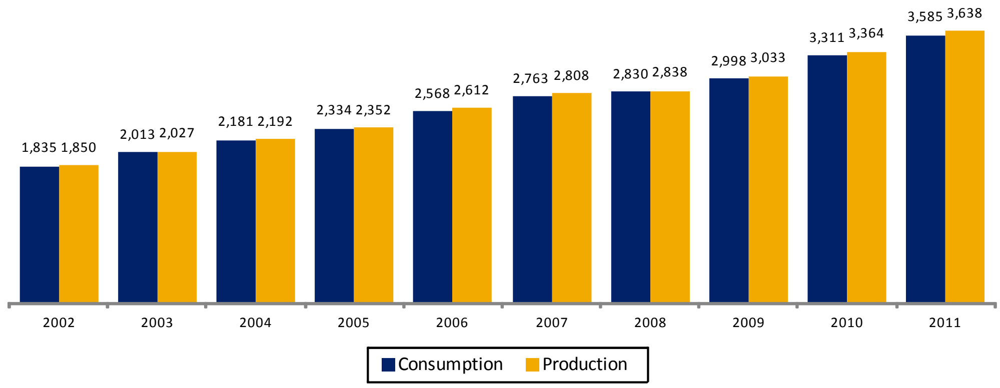
Exports vs. Local Consumption Worldwide



Source: *SNIC, Tenth Edition*

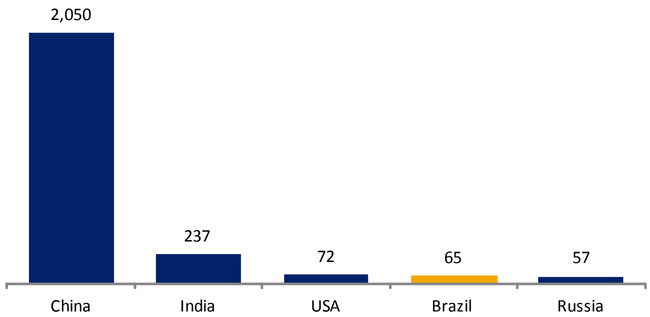
Historically, annual global production and consumption of cement have been highly correlated. As shown in the graph below, both have consistently grown at the same rate in the past years. According to Cembureau, the global production and consumption of cement grew from approximately 1.8 billion tons per year, in 2002, to 3.6 billion tons per year, in 2011, at a compound annual growth rate of 8.0% in this same period.

Global consumption and production of cement (million tons)



Source: Cembureau; Global Cement Report Tenth Edition;
1 *Preliminary data.*

Largest consumers of cement in the world – Consumption in 2011 (million tons)



Source: Global Cement Report Tenth Edition; SNIC.

The Brazilian Market

Brazil is the 4th largest consumer of cement worldwide, with approximately 65 million tons consumed in 2011, according to SNIC Annual Report. China produces and consumes far more cement than any other country. According to SNIC, in 2011, China produced and consumed an estimated 2.0 billion tons of cement, which represented 57% of the global cement market for that year.

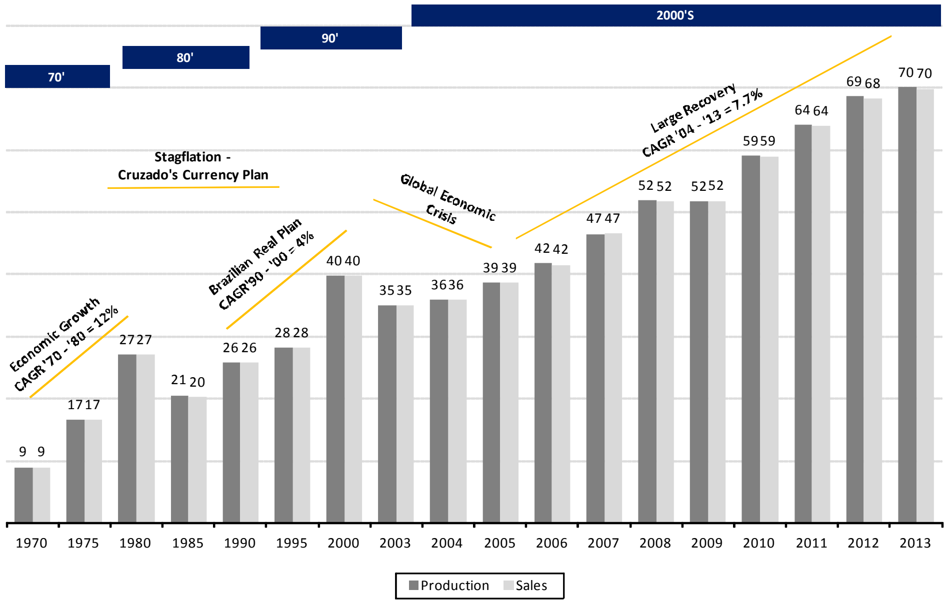
According to SNIC, production of cement in an industrial scale began in Brazil in the 1920s and reached global relevance in the 1970s, when the national cement industry underwent a period of fast growth, increasing from 9.8 million tons at the beginning of the decade to 27.2 million tons at the end of it, according to SNIC. From 1970 to 1980, Brazilian production increased from 9 to 27 million tons per year. An economic recession in the mid 1980s, however, led to a decrease in national demand for cement and production fell to as low as 26 million tons per year.

In the 1990s, as the Brazilian economy began to recover, cement consumption in Brazil increased, reaching 40 million tons per year in 1999, according to SNIC. In the early part of the 2000s, however, consumption levels declined as the Brazilian economy reflected the global economic crises. Growth resumed in 2004, with a more stable economy, and consumption returned to the level of 40 million tons per year between 2005 and 2006. It exceeded 50 million tons per year in 2008. Despite the global economic crisis that began in late 2008, the consumption of cement in Brazil remained stable in 2009, and data from SNIC indicate that 69 million tons of cement were consumed in 2012, representing a growth of approximately 6.7% compared to 2011.

In Brazil, cement is usually sold as a bagged and branded product through retailers, which represent more than half of total cement sales, according to the SNIC and the FGV. Cement is also sold in bulk to concrete mixers and other industrial consumers, such as masonry and mortar producers. Sales are also made directly to end users such as construction companies and public entities that buy both bagged and bulk cement. For sales through retail, an extensive distribution network and a brand with high recognition represent significant competitive advantages. In addition, the abilities to serve a variety of segments and to produce both bagged and bulk cement are also important competitive advantages.

Between 2005 and 2013, the consumption of cement in Brazil grew 7.7%, while the Brazilian GDP, according to IBGE, increased 31.0%; during this period, the cement consumption had an average annual growth that surpassed 2.4 times that of the Brazilian GDP.

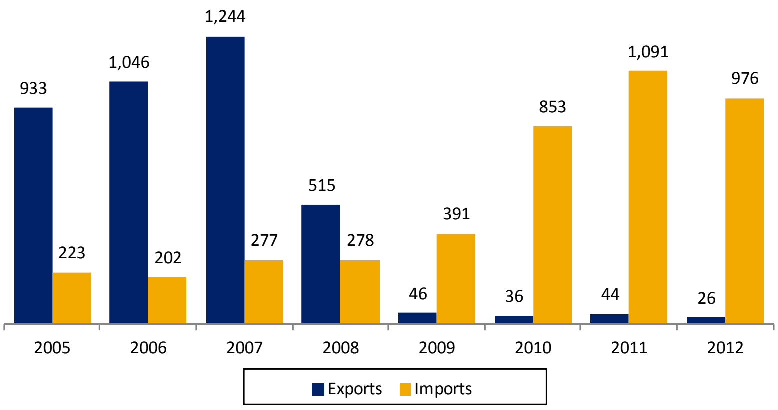
Total Production vs. Total Sales in Brazil



Source: SNIC.

Due to the difficulty of transporting cement over long distances, the product is generally imported only when local production is insufficient to meet demand. The volume of cement exported in Brazil decreased sharply from 2007 to 2012. According to SNIC, net imports of cement in Brazil in 2012 were approximately 976 thousand tons of cement due to the strong growth in demand and unavailability of excess production capacity.

Exports and Imports of Cement in Brazil (Thousands of tons)



Source: SNIC

Consumer Demand

Retail consumers make up the largest segment of the Brazilian cement market, followed by industrial consumers (including construction companies and large contractors) and then smaller end-users such as federal, state and municipal public entities. According to SNIC, retail consumers accounted for 54% of Brazilian consumption of cement in 2012.

Growth in the Brazilian cement market from the mid-1990s through 2000 was fueled by the increase in housing construction, principally through sales to “do-it-yourself” consumers (the purchase of cement by individuals for their own use) as well as for construction of low-income housing with government support. This trend is expected to continue into the future as the Brazilian Housing Secretary (*Secretaria Nacional de Habitação*), or SNH, a body of the Brazilian Ministry of Municipalities, estimates the current housing deficit (the integral set of urban and housing deficiencies that significantly affect the residential habitat and welfare of the population) to be of 5.8 million units.

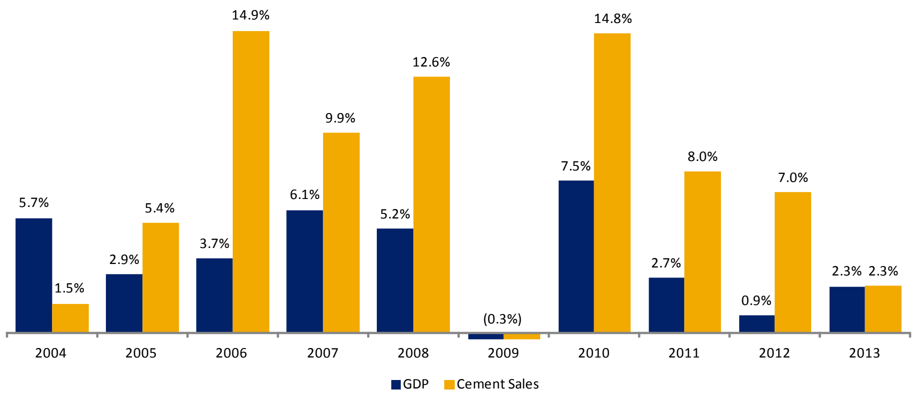
Relationship between Consumption of Cement Growth and GDP Growth

According to SNIC, cement consumption in Brazil correlates to the evolution Brazil’s GDP. The overall trends in the cement industry have been influenced by the construction sector, which, in turn, has been influenced by the growth and stability of the overall economy.

As a result of the global economic crisis, the demand for cement decreased in 2009, mainly following the decline in GDP, but keeping the same pace. However, this trend was reversed in the following years, as stability and growth of the Brazilian economy generated an upsurge in cement consumption.

The chart below illustrates the correlation between GDP and Consumption of Cement since 2004.

Consumption of Cement Growth vs. GDP Growth



Source: SNIC, IBGE.

A longer term view, considering historical consumption, suggests that cement consumption in Brazil still has room to grow before reaching the levels of developed nations. Cumulative per capita consumption in the period between 1950 and 2011 was 6.9 tons in Brazil, considerably lower than countries that have experienced faster economic development in the period, such as South Korea and Japan, according to the Global Cement Report.

In recent years, several factors have contributed to the growth in the Brazilian construction market, boosting the cement consumption. There has been a significant growth of infrastructure construction as a result of Federal programs (such as the *Programa de Aceleração do Crescimento* – “Growth Acceleration Program”), specific governmental programs aimed at promoting the housing market (such as “My House, My Life”), private investments and the increase in available mortgages that led to a major growth in residential construction. Brazil has a large housing deficit, defined as the number of homes to be built for all Brazilians to have access to adequate housing and estimated at 5.2 million homes in 2012 by the Brazilian Household Sample Survey 2012.

Geographic Distribution of Brazilian Cement Market

Cement production and sales in Brazil are particularly concentrated in the south-eastern region of the country. According to SNIC, the Brazilian south-east region accounted for approximately 49% of Brazilian cement dispatch as of December 31, 2012, followed by north-east, south, mid-west and north.

Regional Breakdown

Production – mm tons	**2012**	**%**
Southeast	33.6	49%
Northeast	13.8	20%
South	10.1	15%
Mid-West	7.6	11%
North	3.7	5%
Total	**68.8**	**100%**

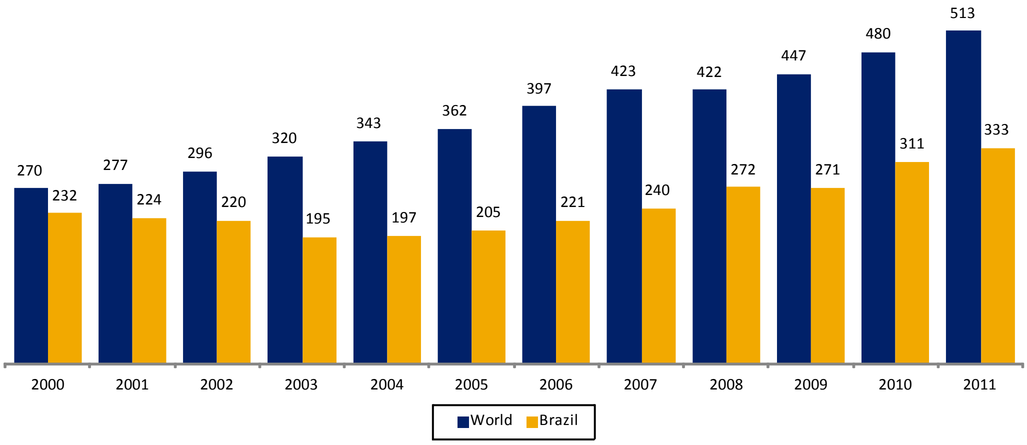
Dispatch – mm tons	**2012**	**%**
Southeast	33.4	49%
Northeast	13.6	20%
South	10.0	15%
Mid-West	7.7	11%
North	3.6	5%
Total	**68.4**	**99%**

Source: SNIC

Per capita Consumption

Despite the growth in overall cement consumption in recent years, Brazilian consumption levels on a per-capita basis are still below global averages. According to SNIC, the national per capita consumption of cement was approximately 333 kilograms in 2011.

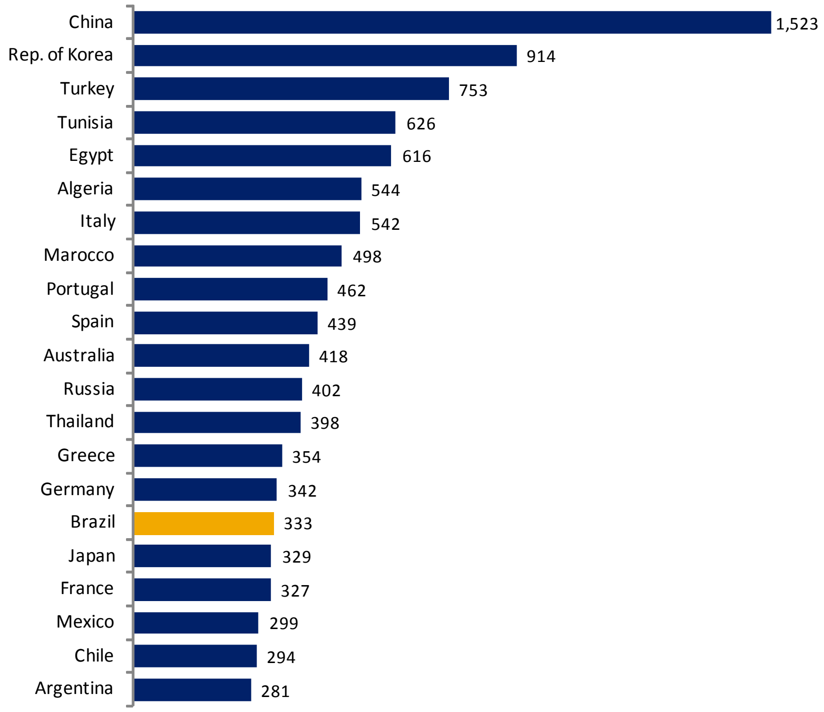
Cement consumption per capita – Brazil/World (kg/inhabitant)



Source: SNIC, (1) 353kg/inhabitant for Brazil in 2012.

This consumption rate is low in comparison to that of more developed countries such as Italy and Spain, but also to that of many emerging market economies.

Cement consumption per capita 2011 – (kg/inhabitant)

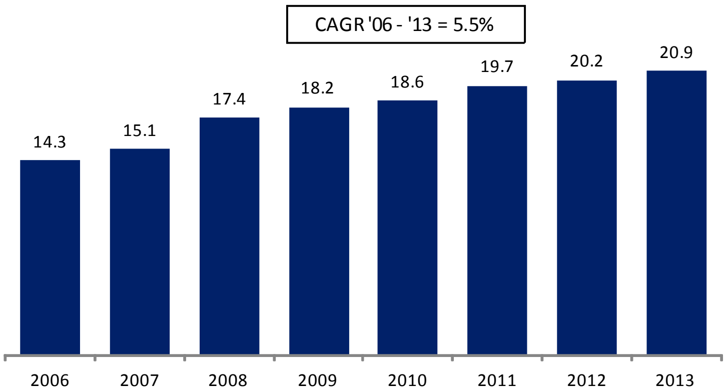


Source: SNIC

Price Levels

In recent years, the increase in demand for cement, coupled with a lack of proportional growth in Brazilian cement plants' installed capacity, resulted in a consistent increase in cement prices. As illustrated by the chart below, Brazilian cement prices have increased at an annual rate of 5.5% over the past eight years, reaching a national average of R$20.87 per 50kg-bag from January to December 2013.

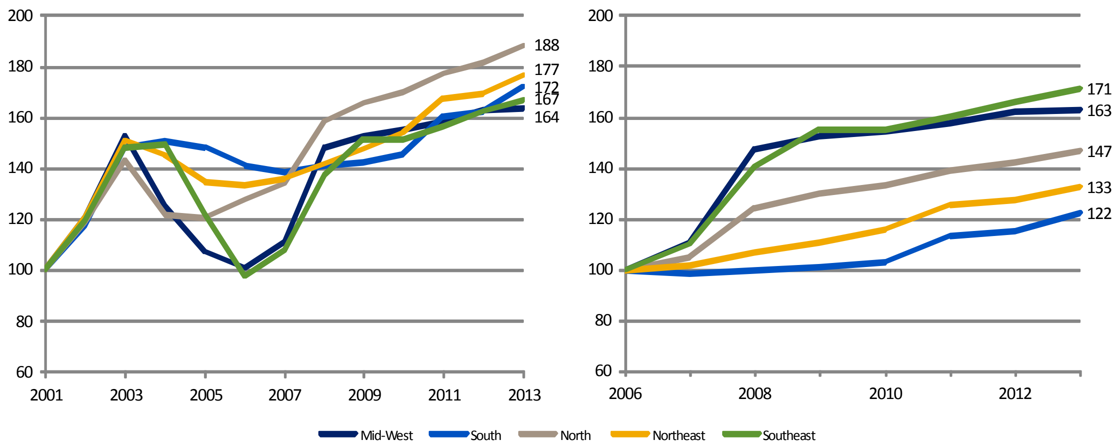
Brazilian cement prices (R$ / 50kg-bag)



Source: CBIC (Câmara Brasileira da Indústria da Construção).

Cement prices vary from region to region in Brazil. The north and north-east regions tend to have higher prices, especially since higher transportation costs are reflected in the final product price. The midregion has had the highest increase in prices in recent years, mainly due to recovery from a strong decline in 2006 and 2007.

Change in Cement Prices by Brazilian Region (indexed – initial year = 100%)



Source: CBIC (Câmara Brasileira da Indústria da Construção).

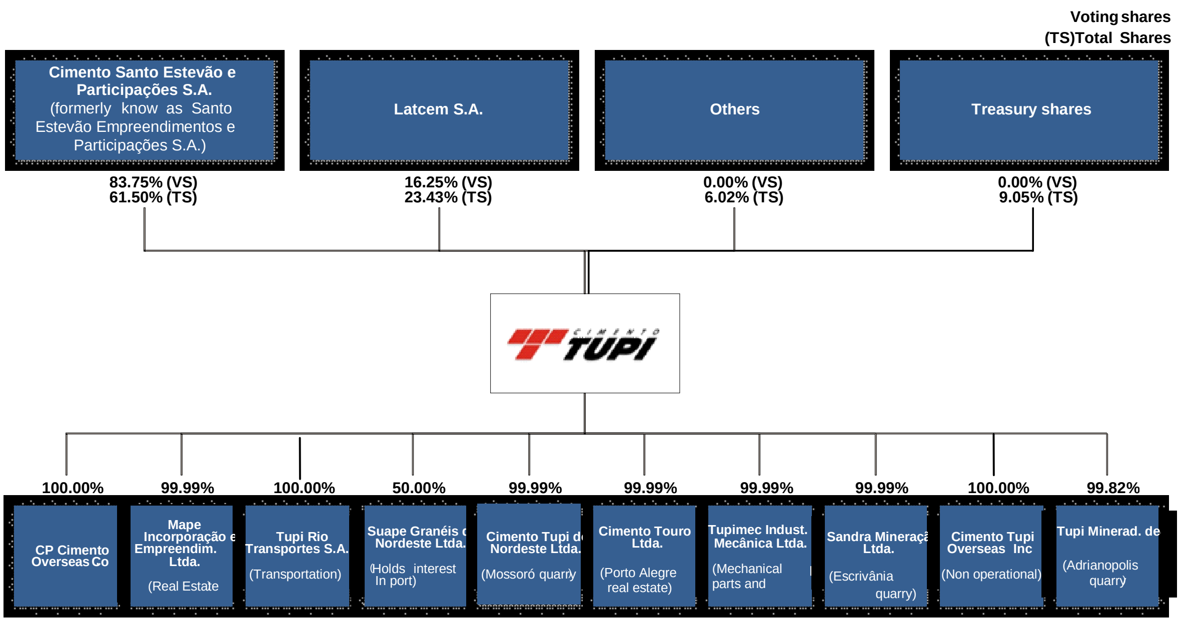
BUSINESS

Our History

In 1949, we were incorporated as "Companhia de Cimento Vale do Paraíba." Soon after, we began our cement production at our Volta Redonda plant, in the State of Rio de Janeiro. In 1972, we changed our name to Cimento Tupi S.A. In 1976, we began operations in Pedra do Sino, in the State of Minas Gerais, and we built a distribution center in Mogi das Cruzes in the State of São Paulo. In 1998, we converted Mogi das Cruzes into a mixing and distribution plant to supply the greater São Paulo market.

Corporate Structure

Our headquarters and registered office are located at Rua Lauro Müller 116, Salas 1906 e 1907, in the city of Rio de Janeiro, State of Rio de Janeiro, CEP 22290-160. We can be contacted by telephone at +55 21 2277-2121, and we are enrolled with the Taxpayers' Registry (CNPJ/MF) under No. 33.039.223/0001-11. As of the date of this offering memorandum, we are an operating company with ten subsidiaries: Mape Incorporação e Empreendimentos Ltda., Tupi Rio Transportes S.A., Cimento Tupi do Nordeste Ltda., Cimento Touro Ltda., Tupimec – Indústria Mecânica Ltda., Sandra Mineração Ltda., Cimento Tupi Overseas Inc., CP Cimento Overseas Co., Tupi Mineradora de Calcário Ltda. and Suape Granéis do Nordeste Ltda. We do not consolidate the financial information of Suape Granéis do Nordeste Ltda. into our consolidated financial information, as we do not control this entity. All of our subsidiaries except for Cimento Tupi Overseas Inc. and CP Cimento Overseas Co. are incorporated under the laws of Brazil. Cimento Tupi Overseas Inc. is organized under the laws of the British Virgin Islands, and CP Cimento Overseas Co. is incorporated in Panama. Only MAPE and Tupimec are operating subsidiaries. MAPE is a purchaser, seller, developer and administrator of real estate. Tupimec produces, sells and exports mechanical products and
equipment.

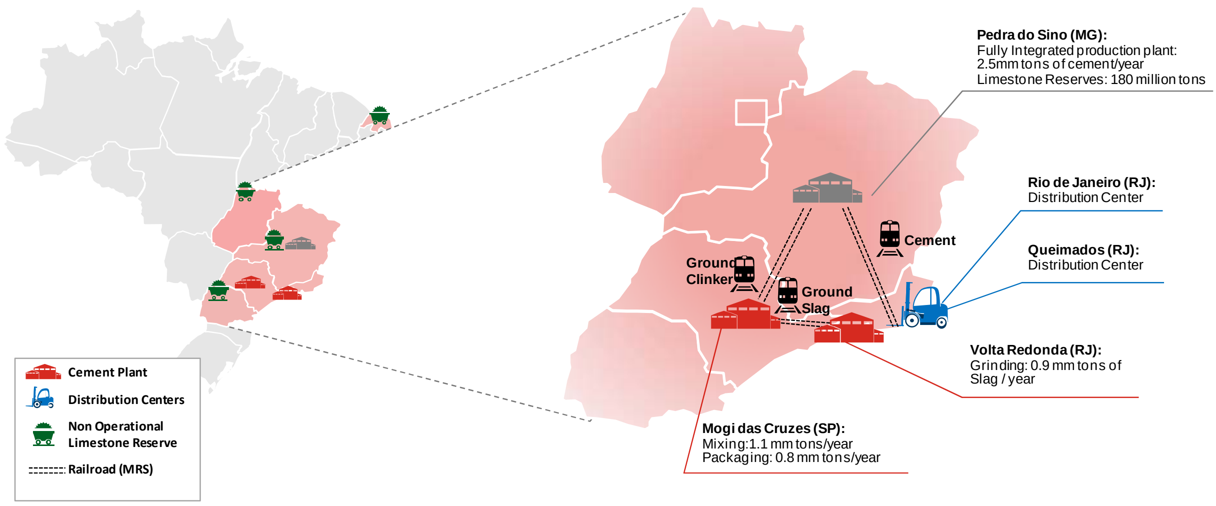


At our extraordinary shareholders' meetings on March 21, 2011, our shareholders and the shareholders of our parent, CP Cimento, approved the downstream merger of CP Cimento into us. See "Principal Shareholders—Withdrawal Rights" for more information.

Our Cement Operations

We produce "portland" cement, a cement product classified by ABNT in types I, II, III, IV or V. The classification of portland cement in Brazil is based on the chemical composition of the cement, which determines the compressive strength, as well as the chemical resistance to deterioration. Portland cement types II and III (known as "composite portland cement" and "slag cement," respectively) are widely used in Brazil for general construction purposes.

In 2013, we primarily produced three types of portland cement: CP II-F and CP-V, which are composed of clincker, limestone and gypsum and CPII-E, which is composed of the same materials plus up to 34% of slag. Last year we produced approximately 635,719 tons of CP II-F cement, 41,683 tons of CP-V cement and 1.03 million tons of CP II-E cement.



Cement Production Process

The manufacture of cement is a multiple step process, as outlined below:

Extraction of raw materials (limestone)

Limestone is extracted from quarries. The extraction of limestone, the primary component in cement production, requires drilling into the quarry to locate limestone in sufficient quantities and quality before extraction. After locating sufficient limestone, the dirt covering the quarry, or "overburden," is cleared by bulldozers and stored to the side of the quarry in controlled depots meeting specifications contained in applicable environmental regulations. After the removal of this top material, the limestone is blasted with explosives to extract rocks of limestone measuring up to one meter in diameter.

Crushing and pre-homogenization of the limestone

The limestone rocks are then transported by truck to the primary crusher, located adjacent to the quarry, where the limestone rocks are reduced to fragments measuring up to two inches. This crushed limestone is then transported to the cement plant by conveyor belt.

Grinding and homogenization of the limestone (“raw meal” production)

Pre-blended limestone and a small amount of iron ore are weighed and mixed together. This mixture goes through a mill at the clinker plant, which reduces the limestone and iron ore mixture to a powder called “raw meal”, and it is stored in silos for homogenization, which assures quality requirements for clinker production.

Burning of raw meal to produce clinker

The “raw meal” is then pre-heated to calcinate the limestone into calcium oxide and carbon dioxide. After being processed, the raw meal is discharged into the kiln, where intense heat causes the calcium oxide to partially fuse with iron, aluminum and silicones to form a mixture of calcium silicates and other silicates, which is called “clinker.” We use a variety of materials to heat the kiln, including petcoke, shredded tires and industrial solid waste. Petcoke is the main material used to heat the kiln, and it is one of the largest expenses in our cement production.

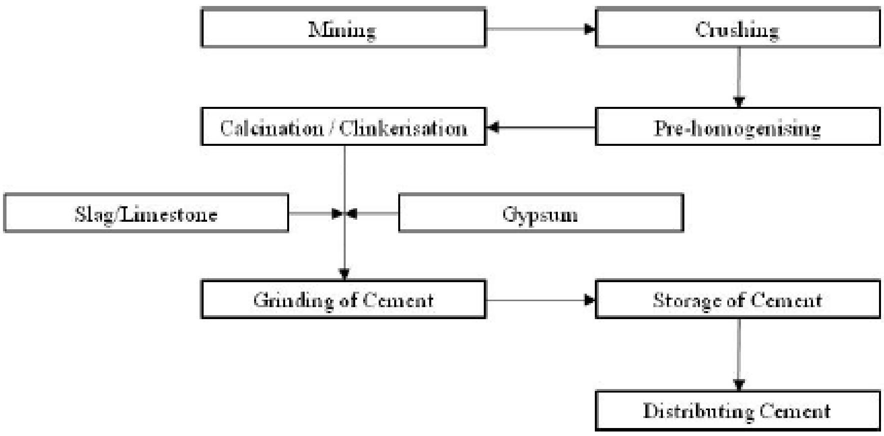
Final milling of clinker to produce cement

The clinker is taken from the silo and mixed with weighted amounts of gypsum, slag and crushed limestone, the proportions of each raw material depend on the quality and type of cement to be produced. Gypsum is used to control concrete setting time (which is the time it takes to have the concrete harden). Crushed limestone is extracted and crushed in the same manner as “raw meal”, and is used as a filler added to increase the plasticity of the cement and facilitate its application. Slag, a by-product of steel production, is added to limestone because of its hydraulic properties and chemical stability. This mixture of clinker, limestone, gypsum and slag is ground in a mill into a fine powder, which is the cement.

Storage / Packaging / Dispatching

After the final milling process, the cement is stored in silos, and may be shipped in bulk or packed by rotary packers into bags of 50 kilograms. The paper bags are shipped via trucks or railway cars. Cement may also be transported in bulk through the same system.

The diagram below sets out the stages of cement production:



Cement Production Capabilities

We have one fully integrated factory in the city of Pedra do Sino, in the State of Minas Gerais. We also have a grinding factory in Volta Redonda, in the State of Rio de Janeiro, and a mixing plant in the city of Mogi das Cruzes, in the State of São Paulo. All of our plants are located in the south-east region of Brazil. Our last major investment was the expansion of the Pedra do Sino plant, which was carried out between 2010 and 2013. For further information on this expansion see “—Pedra do Sino” below.

The following table sets forth our production capacity and production output for the periods indicated below:

	For the year ended December 31,		
	2013	2012	2011
	(in millions of tons per year)		
Nominal capacity	3.4	2.4	2.4
Output	1.7	1.5	1.6

Pedra do Sino

Our main production plant is located in Pedra do Sino, in the State of Minas Gerais. The plant is next to a limestone quarry and very close to major highways and railways. All stages of the cement production process occur at this plant, including: mining, crushing, calcination, grinding and distribution. This plant currently has two kilns for the production of clinker with a nominal capacity of 2.4 million tons of clinker per year. In 2010, the plant's production output was 1.2 million tons of cement. As of June 30, 2014, there were 454 active employees, including our sales team, working at this plant. The plant is a 84,894 square meter facility located on 8.2 million square meters of property that we own.

We used most of the proceeds from the issuance of our 2018 notes to expand the capacity of our Pedra do Sino plant by adding a second production line, which increased its annual nominal cement production capacity from 1.5 million tons to 2.5 million tons of cement per year. Additionally, on October 19, 2011, we signed an Agreement with the State of Minas Gerais for tax benefits related to the construction of the new production line. For further information on these contracts, see "—Material Contracts." Furthermore, we have obtained from the relevant Brazilian authorities the necessary licenses for the expansion and continued operation of the Pedra do Sino plant. Our Pedra do Sino plant has been operating at increased capacity and as of June 30, 2014, it was operating at 80% capacity.

Volta Redonda

The Volta Redonda plant, located in the State of Rio de Janeiro, produces CP-V cement with clinker from Pedra do Sino. It also dries and grinds slag but this activity is expected to end within six to seven months following December 31, 2014 when our current slag source will end. This plant is a 29,253.2 square meter facility located on 120,140 square meters of property that we own. It currently dries and grinds the slag from our reserves as well as, to a lesser extent, any slag we purchase from third parties, before sending it to Mogi das Cruzes. The Volta Redonda plant has a nominal capacity to grind 900,000 tons of slag per year. We are currently studying the production of pozzolan cement in our Volta Redonda plant. As of June 30, 2014, there were 51 active employees working at this plant.

In June 2014, MAPE signed a sale and purchase agreement with Itaenda Participações S.A. pursuant to which MAPE sold 45,000 square meters of land from the 117,000 square meters of our Volta Redonda plant. The area sold by MAPE does not have any construction or facilities for the production of cement.

Mogi das Cruzes

The mixing unit in Mogi das Cruzes, located in the State of São Paulo, receives ground clinker and ground slag from our other plants. It has a nominal capacity to mix 1.1 million tons of cement per year, and it is a major distribution center for our cement in the State of São Paulo market. The plant is a 8,800 square meter facility located on 64,455 square meters of property that we own. As of June 30, 2014, there were 36 active employees, including our sales team, working at this plant.

The plant is located near a large source of clay. We currently have mining rights for these clay deposits. We received the installation license to build a pozzolan cement plant on November 23, 2011. In comparison to portland cement, pozzolan cement has a reduced rate of hardening and a lower frost resistance, but is more impervious to environmental hazards including sewage, seawater and sulfuric soils.

Mining

We currently have one quarry located in Pedra do Sino, in the State of Minas Gerais and limestone reserves located in Escrivânia in the State of Minas Gerais, Adrianópolis in the State of Paraná, Mossoró in the State of Rio Grande do Norte and Formosa in the State of Goiás.

In addition to the quarries, we are also are the holders of mining rights for exploration of clay resources, in São Paulo (exploration authorizations) and in Rio Grande do Norte (concession requests), which are significant for the production of additive materials, such as pozzolan, for cement manufacturing.

We extract limestone from our quarry in Pedra do Sino pursuant to regulatory mining concessions. Mining activities in Brazil are governed by the Brazilian Federal Constitution of 1988, the Brazilian Mining Code and other decrees, laws, ordinances and regulations. These regulations impose several obligations on mining companies relating to, among others, the manner in which mineral deposits are exploited, the safety of workers and local communities where mines are located, and environmental protection and remediation.

Mining activities within Brazil are currently regulated by the MME and the DNPM. The MME is responsible for formulating and coordinating Brazilian public policies regarding mineral resources, and has jurisdiction over the government agencies in charge of executing such policies in the mining sector. The DNPM is empowered to monitor, analyze and promote the performance of the Brazilian mineral economy; to grant rights for the exploration and exploitation of mineral resources; to take other actions as required under the governing mining legislation; and to plan and inspect mining exploration and exploitation activities in Brazil. Pursuant to the Brazilian Federal Constitution, surface property rights are distinct from rights in mineral resources, which belong exclusively to the Brazilian Federal Government, and the exploration and exploitation of mineral resources may only be carried out by Brazilian individuals or by companies incorporated under the Brazilian laws whose main offices and administration are located in Brazil and whose corporate objective includes the exploration and exploitation of mineral resources.

The process for approving exploration authorizations begins with the interested party filing a request for the authorization with the DNPM, stating its case for conducting the exploration. If the necessary legal requirements are satisfied, DNPM issues an Exploration Permit (*Alvará de Pesquisa*) for the mining company to examine the availability of resources and evaluate the feasibility of production within the requested area for a period from one to three years (renewable for an equal period if certain conditions are met).

Once exploration is complete, a final exploration report must be submitted for DNPM's review and approval. If approved, the next step is to file, within one year, a mining concession request. This request must satisfy certain mining legislation requirements, including establishing the technical and economic feasibility of a mining project for that specific deposit, and the presentation of the mining company's plan for economic exploitation (*Plano de Aproveitamento Econômico*), or PAE.

While the DNPM reviews the concession request, the applicant retains the exclusive right to apply for this concession in the area covered by its Exploration Permit, provided that the applicant does not lose the mineral right for any reason. The holder of a mining claim will only be entitled to mine the deposit upon approval of its mining concession request, which shall occur by publication of a Mining Concession (*Portaria de Concessão de Lavra*) issued by the MME.

The Brazilian government only grants mining exploration authorizations and concessions to those companies after due geological research proves the existence of a mineral deposit which can be extracted in a commercially viable manner. Mining concessions are currently granted for a period of time lasting until the exhaustion of the mineral deposit. Pursuant to the mining concession, the titleholder or concessionaire also holds the right to commercialize the extracted minerals. Mining concessions and mining exploration authorizations may be transferred to third parties with the approval of the DNPM, provided that the transferee has the necessary qualifications to hold a mining concession or a mining exploration authorization and to act as a mining company.

Currently, our Pedra do Sino and Mossoró mines have the necessary mining concessions. At Adrianópolis, we are the owner or possessor of 5,040 hectares of land and we are currently applying for mining rights and permits for construction of a plant. We expect to receive the necessary preliminary permits in October 2014. We are also currently in the process of renewing our license for our Escrivânia mine. For our Formosa mine, we are the owner or possessor of 823 hectares of land.

Pursuant to the current Mining Code, there are five grounds for forfeiture of the mining exploration authorizations and concession: (i) formal abandonment of the mine; (ii) failure to start the exploration or exploitation activities on the required date, despite previous notification and penalty; (iii) exploration activities not in accordance with the exploration authorization, despite previous notification and penalty; (iv) continuous performance of "ambitious mining" (*lavra ambiciosa*) or extraction of substances not duly authorized in the corresponding mining exploration authorization or concession, despite previous notification and penalty; and (v) within a one-year period, three repeated fines for failures to comply with orders given at an inspection. We do not anticipate the revocation of any of the mining authorizations and concessions in the foreseeable future.

Furthermore, a mining project may be subject to restrictions if they occur in certain areas, including indigenous reservations, conservation sites, archeological sites and border zones (areas within a 150 Km-wide strip parallel to the national border). If a mining project is located in a border zone, certain restrictions may apply: (i) limitation of foreign investment to 49% of the capital stock of the company performing exploration/exploitation activities in such area; (ii) requirement that 51% of the capital stock is held by Brazilian entities; (iii) requirement that at least two thirds of workers are Brazilian; (iv) requirement that the management is directed by a majority of Brazilian members; and (v) previous authorization from National Defense Council (*Conselho de Defesa Nacional*-CDN) to perform mining activities in such areas.

Recent regulation by the government requires companies that exploit areas with caves to offset any environmental damage to these caves by adopting measures to ensure the preservation of other environmentally relevant caves.

Distribution

Due to the fact that cement has a low aggregate value and high transportation costs, geographic location and logistics are essential parts of the cement business. Our plants' strategic locations shorten the distance to be traveled to reach consumers, thereby lowering our costs. We have also been able to keep our transportation and logistics costs low due to our proximity to, and use of, the existing rail networks connecting our plants and, in an effort to efficiently and safely respond to our clients' orders while further minimizing our costs, we are focused on constantly improving the transportation of our products between plants, material suppliers and regional distribution centers.

Our main production plant in Pedra do Sino is located 1.2 km from our limestone quarry, reducing both the cost of transportation and logistical complexity. We transport cement by rail from Pedra do Sino to our Mogi das Cruzes plant, while ground slag is shipped by rail from Volta Redonda to Mogi das Cruzes. Our main source of petcoke is in the state of Rio de Janeiro. The same trucks that transport petcoke from the state of Rio de Janeiro to Pedra do Sino are used to transport clincker to Volta Redonda. This allows us to save on transportation costs, thus improving our CP-V cement margins. See "—Our Cement Operations."

In addition to distributing our products through our plants, including the Mogi das Cruzes plant close to the city of São Paulo, the capital of São Paulo, the most prosperous and economically developed state in Brazil, we operate three advanced distribution centers located in the cities of Rio de Janeiro and Queimados in the State of Rio de Janeiro and Juiz de Fora in the State of Minas Gerais. In September 2012, we closed our distribution centre in Taubaté, in the state of São Paulo, in order to optimize our distribution network.

Our extensive logistics network is highly efficient. We own 81 bulk cement railroad cars and use 91 additional cars for both bulk and bagged cement to transport products between our facilities. Additionally, we use numerous trucks to distribute our product directly to customers.

Costs of Production

Raw Materials

The main raw materials used in the production of our cement are limestone, slag, gypsum and iron ore. We currently have one quarry located in Pedra do Sino in the State of Minas Gerais and limestone reserves located in the cities of Escrivânia, in the State of Minas Gerais, Adrianópolis, in the State of Paraná, Mossoró, in the State of Rio Grande do Norte and Formosa in the State of Goiás. We estimate that the limestone reserves at Adrianópolis and Formosa are 182.0 million and 176.0 million tons, respectively. We are currently renewing our environmental permits in Escrivânia. We have a concession to explore and sell limestone from the Mossoró reserve, but we have not yet built a plant adjacent to the quarry to utilize its limestone. The Adrianópolis reserves are not currently operational, but we predict that we will receive the corresponding mining concession within approximately two years. We have commissioned geological studies which conclude that if we operate the Pedra do Sino plant at expanded capacity, we will have enough limestone to produce cement for another 50 years. We are in the process of obtaining the necessary permits for mining at our Formosa reserves.

We receive both our gypsum and iron ore from different suppliers. We do not foresee any difficulty in obtaining gypsum or iron ore in the future, nor any material change in its general price levels.

Management estimates that the cost of extraction and/or purchase of these raw materials and their transportation to one of our relevant production plants was approximately 8.4% of our total cement production cost for the six months ended June 30, 2014.

Energy

We use both thermal energy and electricity in our operations. We maximize the efficiency and flexibility of our operations by employing several energy sources in our production processes. Energy is the largest cost component in the production of cement, and it accounted for 35.0% of our cost of sales for the six months ended June 30, 2013 and 38.3% of our cost of sales for the six months ended June 30, 2014.

Thermal Energy

Thermal energy is an important source of energy (24.2% of our cost of sales for the six months ended June 30, 2014) and is comprised of charcoal residue (a by-product of cast iron production) and petcoke. Petcoke is the most significant of these energy sources. The cost of petcoke varies in accordance with international global oil prices, which are quoted in U.S. dollars and fluctuate depending upon the supply and demand for oil and other refined petroleum products. We buy the majority of our petcoke from Petrobrás. For further discussion on the impact of petcoke price increases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Growth of Brazil's Gross Domestic Product and Domestic Demand for Our Products."

Electricity

All of our production facilities rely on electricity which represents 14.1% of the cost of sales for the six months ended June 30, 2014. We have entered into fixed contracts for the supply of electricity with: (i) CEMIG Geração e Transmissão S.A., or CEMIG, in the State of Minas Gerais and Rio de Janeiro, (ii) Light – Serviços de Eletricidade S.A., or Light, in the State of Rio de Janeiro and (iii) EDP – Bandeirante Energia S.A., or EDP, in the State of São Paulo. Our largest energy supply contract is with CEMIG, a company partially owned by the government of the State of Minas Gerais, is valid until 2016, and provides for the supply of electricity to Pedra do Sino (including the energy for the plant expansion), Volta Redonda and, if required, Mogi das Cruzes. Pursuant to these agreements, we can only use the supplied electricity for the enumerated activities described in the agreement and the price of electricity is adjusted on a yearly basis to reflect inflation based on IGP-M, the Market General Price Index calculated by the Fundação Getúlio Vargas. For further information on these contracts, see "—Material Contracts."

Labor

Management estimates that labor accounted for 9.4% of our cost of sales for the six months ended June 30, 2014. As of June 30, 2014 we had 641 active employees, including Directors and Executive Officers – 454 in our Pedra do Sino plant, 51 in our Volta Redonda plant, 36 in our Mogi das Cruzes plant, 137 in sales and administration and 70 employees at our subsidiary, Tupimec Indústria Mecânica Ltda. For further information on our employees see "—Employees."

Transportation

For the six months ended June 30, 2014, transportation accounted for 21.6% of our cost of sales. Because cement has a low aggregate value per unit of weight, the cost of transporting raw materials to the production plants and the cost of transporting cement to the customer play a significant role in the final cost of the product. The Pedra do Sino plant is close to reserves, which minimizes the transportation costs of raw materials between the quarry and plant. The proximity of our plants to the main commercial centers where we sell our products reduces our distribution costs, delivery times and vulnerability to competition, and improves our contact with and service to our customers.

We transport products among our cement plants by railroad. We own 81 bulk cement railroad cars and rent 91 additional cars to transport both bulk and bagged cement. We entered into an agreement with MRS Logística S.A., or MRS, which has been our commercial partner since August 2000, to transport both the cars we own and the cars we rent. The current agreement is valid until March 9, 2015. Cement delivery to clients is made by truck. We entered into a contract with Transportadora de Cargas em Geral S.A., or TCG, who has been a business partner for over five years, for road transportation services. The agreement is valid until April 30, 2016. We currently do not anticipate not renewing these agreements. For further information on these contracts, see "—Material Contracts."

We store our cement in silos at our plants before it is either packaged by automated rotary packers into 50 kg bags or loaded onto bulk cement trucks for delivery. The cement stored in silos lasts up to six-months, while bagged cement lasts up to three months. Once packaged, cement is transported either to one of our distribution warehouses or directly to the final customer. To improve efficiency, we utilize different technologies, including special forklifts that remove pallets when loading trucks and special railroad cars adapted to make loading and unloading of cement pallets easier.

Regulatory Costs

There are two main types of special fees to which we are subject: (i) Annual Tax per Hectare (*Taxa Anual por Hectare*), or TAH and (ii) Financial Compensation for the Exploitation of Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, which is also known as mining royalties.

As set out by Law No. 7,886, of November 20, 1989 and Law No. 9,314, of November 14, 1996, the titleholder of an exploitation authorization is required to pay the TAH annually to the DNPM. This fee is currently charged based on a fixed value set forth in DNPM Ruling (*Portaria do Diretor-Geral do DNPM*) No. 163 of April 28, 2014, which is currently R$2.61 per hectare for exploration authorizations during the initial granting period, and R$3.95 per hectare for the exploration authorizations during the extended period, if applicable.

Through the CFEM, the federal, state, district and municipal governments all receive either a portion of the gains from the exploitation of mineral resources in their respective territories, continental shelves, territorial waters or exclusive economic zones or some other type of financial compensation for the exploitation. The Brazilian Federal Constitution and the mining regulatory legislation established the CFEM, which is calculated based on net revenue from the sale of mineral products (which is defined as the total of sales less taxation, transportation and insurance expenses). The applicable rate varies depending on the mineral. As of the date of this offering memorandum, the rates were as follows: bauxite, manganese ore, rock salt and potassium: 3%; gold: 1%; precious stones, cuttable colored stones and carbonates precious metals: 0.2%; iron ore, fertilizers, mineral coal and other mineral substances: 2%.

Failure to pay the TAH or CFEM may result in the imposition of penalties, varying from a simple notification to the forfeiture of the mineral right. During the exploitation phase, mining companies must also pay a portion of the production cost (*renda pela ocupação*) to the owner of the real estate, upon which they are mining. They must also provide the owner with an indemnity for damages and for loss of profit resulting from the use or occupation of the land. The commencement of the mining activities will not be authorized by the DNPM without proof of ownership of the land or proof of an agreement between the owner or possessor of the relevant real estate and the concessionaire. These amounts may be freely negotiated between the parties, as long as the DNPM is subsequently informed. In the absence of an agreement, DNPM will request a competent court to determine the amounts to be paid.

We are currently involved in CFEM collection procedures totaling approximately R$3.5 million, which, as of the date of this offering memorandum, we believe does not constitute a material risk. However, we cannot guarantee that new CFEM collection procedures will not be initiated against us following new inspections from DNPM.

Material Contracts

We have two separate transportation contracts—one with MRS for railroad transportation and one with TCG for road transportation. On March 9, 2012 we entered into an agreement with MRS whereby MRS agreed to transport our cement (i) from Pedra do Sino to Mogi das Cruzes; (ii) from Volta Redonda to Mogi das Cruzes and Pedra do Sino; and (iii) from Pedra do Sino to Arará, in Rio de Janeiro state. This agreement is valid until March 9, 2015. While the transportation prices are fixed, they are adjusted annually to reflect the variation in diesel oil prices and inflation rates according to the IGP-M. This agreement is renewable by a written amendment signed by both parties. We expect the contract to be renewed as it was in prior years.

On April 7, 2011, we entered into an agreement with TCG whereby TCG agreed to provide road transportation for our products. While the transportation prices are fixed, they are adjusted every six (6) months to reflect the variation of the INCT–L–PC (National Rate of Road Transportation). According to the amendment executed on May 2, 2014, this contract is valid until April 30, 2016 and it is renewable by a written amendment signed by both parties. We expect the contract to be renewed as it was in prior years.

We have three major electricity supply contracts with EDP, Light and CEMIG. We entered into a contract with EDP on October 28, 2011, which was valid for a period of 12 months, being automatically renewed for a further 12 months unless one of the parties sends written notice of termination to the other party, for the supply of electricity to the Mogi das Cruzes plant. These prices are fixed at a rate determined by the prices set by ANEEL (Brazilian National Agency of Electric Energy), which are adjusted on a yearly basis to reflect inflation rates according to the IGP-M and the amount of energy we require each year.

We entered into a contract with Light on October 31, 2011, which was valid for a period of 12 months, but which is renewed automatically each year until one of the parties sends written notice of termination to the other party. This agreement provides for the supply of electricity to the Volta Redonda plant. These prices are fixed at a rate determined by the prices set by ANEEL, which are adjusted on a yearly basis to reflect inflation rates according to the IGP-M and the amount of energy we require each year.

On March 5, 2009, we entered into a contract with CEMIG for the supply of electricity for the Pedra do Sino and Volta Redonda plants. This contract is valid until December 31, 2016. The prices are fixed and calculated depending on the megawatt per hour (MWh) expenditure of both plants. Prices are subject to yearly adjustments based on inflation rates according to the IGP-M. Under the agreement, there is also a possibility that part of the contracted energy could be transferred to the Mogi das Cruzes plant, subject to certain terms and conditions.

On January 1, 2014, we entered into a contract with CEG Rio for the supply of natural gas for our Volta Redonda plant. This contract is valid for one (1) year but it is automatically renewed for additional periods until one of the parties sends written notice of termination to the other party. The prices are fixed and calculated depending on the natural gas expenditure of our plant at a rate determined by the prices set by a ANP (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), which are adjusted (i) on a yearly basis to reflect inflation rates according to the IGP-M; and (ii) on a five-year basis, based on the service costs of CEG Rio to provide the natural gas, according to a concession contract of CEG Rio with the state of Rio de Janeiro.

On February 14, 2012, we entered into a contract with Petrobras Distribuidora for the monthly supply of petcoke to be used at our Pedra do Sino plant. The prices for these products are fixed and calculated on the basis of the volume of oil-related products supplied and are subject to monthly repactuations and adjustments based on the fluctuation of the US Dollar. This agreement is valid until December 31, 2016. Additionally, on July 1, 2013, we entered into a contract with Petrobras Distribuidora, by means of which we agreed to acquire, on an exclusive basis, until June, 30, 2016, a monthly minimum amount of 60 thousands liters of diesel at a price fixed by Petrobras Distribuidora.

We entered into a supply contract with Trombini Embalagens S.A. on April 30, 2012, whereby Trombini agreed to provide a monthly amount of cement packing sacks to be used at our Pedra do Sino plant at a fixed price per packing sack requested, which is adjusted to reflect inflation rates according to the IGP-M. The contract was valid until April 30, 2014 and has been renewed until May 30, 2015.

Furthermore, on November 1, 2012, we entered into another supply contract with Companhia de Celulose e Papel do Paraná, or Cocelpa, whereby Cocelpa agreed to provide a monthly amount of cement packing sacks to be used at our Pedra do Sino and Mogi das Cruzes plants at a fixed price per packing sack requested, which are adjusted to reflect inflation rates according to the IGP-M. The contract is valid for three years and it is renewable by a written amendment signed by both parties.

We have two agreements for waste treatment with Renova Tratamento de Resíduos Ltda. and Zoom Recycle e Serviços M.E. On September 1, 2013, we entered into a contract with Zoom Recycle on the same terms and conditions set out in the Renova contract but for a five-year term. On May 01, 2014, we entered into a contract with Renova whereby we receive industrial waste that will be incinerated at our Pedra do Sino plant. This contract is valid for eight years and it is renewable by a written amendment signed by both parties. We are remunerated on a fixed price basis based on the amount of waste delivered by Renova, which is adjusted annually to reflect the variation of the inflation rates according to the IGP-M.

On October 19, 2011, we signed an Agreement with the State of Minas Gerais for tax benefits related to the expansion of our Pedra do Sino plant. According to this agreement, we are entitled to: (i) a deferral by the State of Minas Gerais (Special Tax Regime) of ICMS on certain products (which we partially received during the expansion of our Pedra do Sino plant) and (ii) working capital financing from BDMG. To receive these benefits, we must do the following: (i) invest R$258.0 million by the end of 2013; (ii) create 86 direct jobs and 650 indirect jobs; (iii) finish the expansion by December 2012 at which time our Pedra do Sino Plant should have a production capacity of 2.2 million tons of cement per year and 1.7 million tons of clinker per year; (iv) start production in February 2013, and as of 2014, have a production capacity of 2.5 million tons of cement per year and 2.0 million tons of clinker per year; (v) increase revenue to R$320.0 million by 2013 and R$ 390.0 million by 2014; (vi) train employees; (vii) increase new products produced; (viii) obtain the environmental licenses required for the project; (ix) preference suppliers and services providers from the State of Minas Gerais; (x) use materials from the State of Minas Gerais for the expansion; and (xi) maintain the plant in the State of Minas Gerais for at least ten years.

Due to an out of court settlement reached in December 2009 with CSN over a contract dispute, CSN was required to provide us with 850,000 tons of slag beginning in January 2010 and also to remove 850,000 tons of slag stored on our land. The CSN Agreement has been extended to October 2014. We expect that this land will become vacant in November 2014. If CSN decides not to remove the slag stored on our land, CSN shall have the right to request us to provide clinker in a proportion equal to one ton of clinker for three tons of slag.

For information about our financial agreements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

Sales and Marketing

For the six months ended June 30, 2014 we had net operating revenue from sales of cement of R$224.8 million. For the six months ended June 30, 2014, approximately 27% of these sales were made in bulk to ready mix concrete companies, while 45% of our cement was sold to building material retailers and distributors. The remaining 28% was mainly sold to industrial companies, which use cement as a raw material for precast products such as posts, bricks and slab, and to final consumers. We generally sell to customers located close to our plants in the south-east region of Brazil.

We have five sales managers, one in the State of Rio de Janeiro, one in the State of São Paulo, and two in the State of Minas Gerais, each of whom is responsible for a sales force in his respective region, as well as one bulk cement sales manager. We also have one market intelligence manager. Our sales force is in daily contact with our customers in order to quickly meet their demands. We provide our sales force with constant information, so that they are able to adapt their sales pitch and marketing efforts to specific customers. Additionally, we have a dedicated telemarketing team that both receives orders for cement and actively contacts customers. Our total sales force as of June 30, 2014 consisted of 68 active employees, including the five managers and 19 telemarketers.

Main Markets and Customers

We sell cement to: (i) retailers and distributors; (ii) ready mix concrete service providers; and (iii) building companies, public entities, industrial clients and others. Our ten largest customers for the six months ended June 30, 2014 were responsible for 22.1% of our net operating revenue. We do not have any customer or group of customers that represents a material portion of our total sales.

The following table sets forth the volume of sales by customer type in the cement industry in the south-east region of Brazil as of June 30, 2014, December 31, 2013 and 2012:

Customer Type	**Sales**		
	As of June 30, 2014	**As of December 31, 2013**	**As of December 31, 2012**
Retailers and distributors	45%	47%	52%
Ready mix concrete service providers	27%	22%	24%
Building companies, public entities, industrial clients and others	28%	31%	24%

Source: SNIC.

Prices

Cement prices vary from region to region in Brazil depending primarily on supply and transportation costs. The South-east region accounts for the highest increases. From 2010 to 2013, cement prices in this region have risen an average of 3.3% per year, mainly due to a recovery from the decline in prices from 2004 to 2007. For further information on cement prices see, “Industry—Price Levels.”

Because we hold a small market share of the Brazilian cement market, we have little influence on the average cement price in Brazil. If our competition lowers prices for cement, we generally respond by lowering our prices in order to maintain our market presence.

Debt Collection

Our debt collection policy is both rigid and conservative. Before we approve any line of credit, we perform background checks on the customer. Once the customer passes the initial background check, the credit committee must approve a credit limit. Generally, our customers have an average of 19 days following receipt of cement to make their payment, but they may be subject to stricter terms depending on their purchase history. If a customer fails to pay any amount due, his credit is automatically suspended. If we have not received the proper payment within a 10 day period, the customer’s credit limit is cancelled and the outstanding balance is sent to a debt collection agency; very few exceptions are allowed by the credit committee. If the debt collection agency has not recovered the amounts owed to us within an average of 30 days, we may commence the necessary legal procedures to obtain payment.

Management believes that, by following this policy, we have experienced low payment default levels. The average payment default rate over the last five years was approximately 0.10% of cement sales.

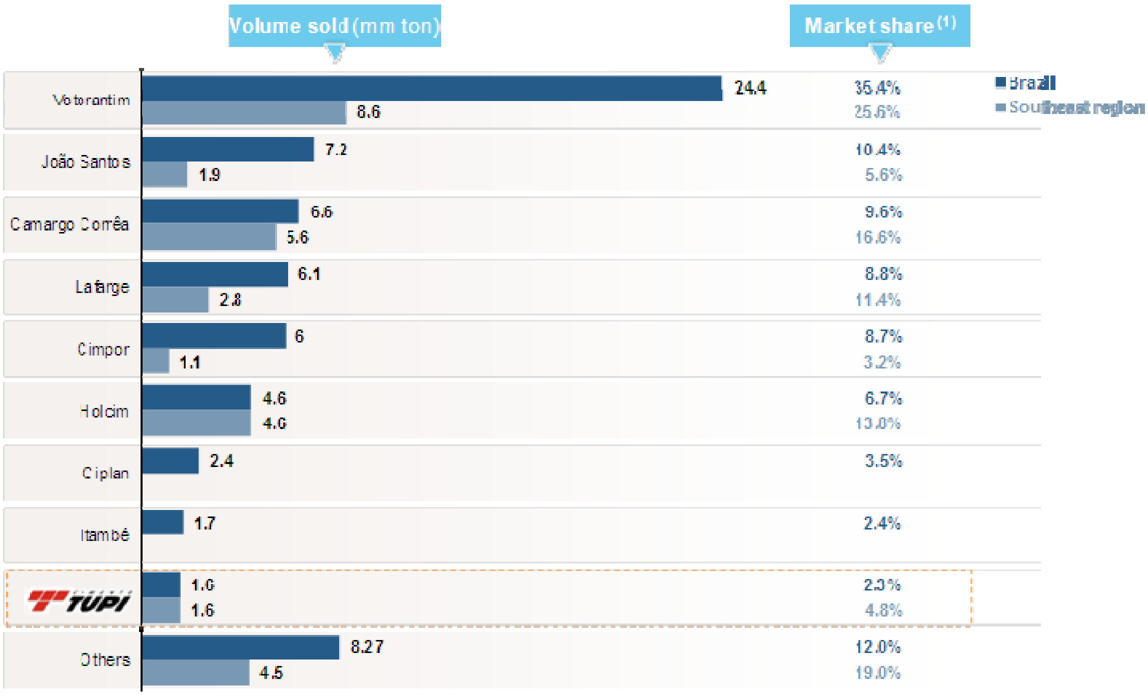
Quality Control

We maintain rigorous quality control standards at every stage of the cement production process. Our plants maintain quality control standards in compliance with the Brazilian Association of Technical Standards (ABNT).

Since 1999 we have used the *Programa de Gestão de Rotina de Processos* in all three of our plants and were awarded the ISO 9001:2001 certificate for our plants in Volta Redonda and Pedra do Sino in 2002. The ISO certification was renewed in December 2013 (version 4001:2008).

Competition

The Votorantim Group, along with other multinational and national companies such as João Santos, Intercement and Lafarge, all of which acquired established companies in Brazil, are the leaders in the cement market in Brazil with market shares in terms of sales volume according to SNIC preliminary statistics as of December 31, 2012 of 35%, 10%, 10% and 9%, respectively. The cement market in Brazil has in recent years been subject to consolidation between market participants. As cement is a relatively expensive commodity to transport, competition is regional.



Source: SNIC 2012 annual report.
Note: (1) Market share based on total cement volume produced.

Despite competition, management believes it is well positioned and we have been able to maintain our market share in the south-east region at approximately 5.8% in the last five years. Management believes that it has the following competitive advantages: (i) authorizations and concessions to use our substantial limestone quarries; (ii) plants located near consumer markets; (iii) cost effective railway networks; (iv) a well established position in the largest Brazilian cement market; and (v) strong branding.

Any new company attempting to enter the Brazilian cement market will face various natural barriers to entry, including: (i) a shortage of limestone reserves located close to important markets; (ii) the extensive capital investment requirements; (iii) the length of time necessary to obtain mining and building permits; (iv) time needed to construct new plants once permits are obtained; (v) the length of time necessary establish a retail distribution network and (vi) the lack of brand identification.

Seasonal cycles

Brazilian cement consumption and, thus, our sales, are seasonal. We generally see a decrease in sales during the rainy season, especially in January and February, with levels increasing substantially in March through September, as this is a period of less rain and stronger construction activity.

Insurance

We insure our plants and material equipment for ordinary damage arising from events such as fire, electrical damage, certain natural disasters and explosions. Our insurance for ordinary damage (including fire, lightning, explosion and other damages) is issued by Itaú Seguros S.A. with an insurance coverage of up to R$198.7 million, subject to certain sub-limits. We have not suffered any material insurable losses. However, in December 2011, there was an accident at our Pedra do Sino plant. The expenses of this accident were R$10.7 million in new machinery and R$3.0 million in repair costs. Our insurance provider paid us R$3.7 million in relation to this accident. We do not have any insurance to cover business stoppage losses, but we were able to meet all of our delivery requirements using our stockpiles.

Environmental Matters

Environmental Regulations

Under the Brazilian federal constitution, the federal, state and municipal governments have the power to enact environmental protection laws and to issue regulations under such laws. The Brazilian federal government typically establishes general regulations which provide the minimum standards of environmental protection, while the state governments enact more specific regulations. Additional environmental standards are established through municipal regulations or described in operating permits issued specifically for each plant.

In 1998, the Brazilian government enacted a new environmental crimes act that imposes criminal penalties on corporations and individuals who violate environmental laws. Individuals (including corporate officers and directors) may be imprisoned for up to six years for environmental crimes. Criminal penalties against corporations include fines, community service and certain other restrictions, including the cancellation of financings with government entities. At the administrative level, corporations found to be violating environmental laws can be fined up to R$50 million, have their operations suspended, be barred from entering into certain types of government contracts, be required to repair or indemnify any environmental damages they cause and be required to forfeit tax benefits and incentives.

The National Environmental Policy sets forth strict civil liability for environmental damages. Environmental civil liability requires only proof of a nexus between a party's activities and the environmental damage. The responsible party, irrespective of fault, must indemnify or repair damage to the environment as well as to third parties that are affected by the party's activities. The fact that the wrongdoer's operations are licensed does not waive such liability. Federal Law No. 6,938 dated August 31, 1981 establishes joint and several liability for polluters, defined as any party that is responsible, directly or indirectly, for the activity that causes environmental damage. In this sense, a party that suffers environmental damage is not required to bring an action against all polluters in one proceeding and is permitted to institute a legal proceeding against only one of the polluters (typically the party that satisfies the necessary requirements to be a defendant in the action, or simply the party with the greatest financial resources). A defendant in any such action has a right of recourse against the remaining polluters. Under joint and several and strict liability, we are also responsible for any environmental damage occasioned by third-party service contractors that do not provide services in accordance with applicable regulations. Accordingly, it is vital to have a system of joint risk management in place for all operations in a specific project or activity, as well as to require and enforce the maintenance of environmental policy standards that are appropriate for all involved so as to minimize any risks that may arise.

Additionally, with respect to our mining activities, we are required to submit a Recovery Plan for Degraded Area (*Plano de Recuperação de Áreas Degradadas*, or PRAD), which includes the recovery activities after the closure of the mine, to the environmental authorities. Once this plan is presented to and approved by the environmental agency, we are supposed to follow and undertake the measures and plans described therein. Under Decree No. 6.514, of July 22, 2008, if we do not undertake recovery activities as set forth in the environmental license, we will be subject to a fine ranging from R$1,500 to R$3,000, for each irregular hectare or fraction, amongst other penalties.

Environmental Permitting

Under Law No. 6,938 dated August 31, 1981, in conjunction with CONAMA Resolution No. 237 dated December 19, 1997, companies are required to obtain environmental licenses for any undertaking that uses environmental resources or can potentially pollute the environment. Consequently, we are required to obtain environmental licenses to install and operate our production and mining facilities, and as part of the regulation, we are required to prepare an environmental impact assessment. Additionally, Decree No. 97,632 dated April 10, 1989 requires the restoration of mined areas to their original state, according to PRAD.

The environmental licensing process involved three phases of approval, in which each license remains subject to the approval of the prior license, in the following order: a preliminary license, an installation license and an operating license. The preliminary license, issued during the planning phase of the project, authorizes the location and basic development of the undertaking or activity. The installation license authorizes the facility's construction. The operating license authorizes the commencement and continuation of operational activities. Operating licenses are subject to compulsory renewal depending on their validity. We are currently awaiting a response regarding a renewal request for the operational licenses No. 281/97 and No. 282/97 for the operation of a cement factory and slag deposit in Volta Redonda, in the State of Rio de Janeiro.

All renewal requests for environmental licenses must be submitted for consideration by the environmental agency at least 120 days prior to expiration. Under these circumstances, the validity of the license will be extended automatically until the environmental agency has rendered a decision on renewal. In contrast, there is no guarantee of automatic extension if a request is submitted outside this period. The same rationale applies to other environmental authorizations usually required for our activities, such as water use grants, which must be periodically renewed according to the terms established in the legislation as to remain valid during the renewal process.

Failure to maintain licenses or authorizations from the necessary environmental agencies valid for the construction, implementation, modification, expansion and operation of potentially pollutant activities will subject the violator to criminal and administrative sanctions that may result in fines ranging from R$500 to R$10 million. Typically, maximum fines are only imposed when the absence of the appropriate license triggers a high environmental risk or may cause severe environmental damages. In addition to fines, violators may also be subject to penalties such as suspension of activities, deactivation and demolition, among others. These penalties are also applicable if a project developer fails to fulfill the conditions established in its environmental license. In light of this, we seek to obtain and renew all environmental licenses required to the regular exercise of our activities.

Waste Management

Under Law No. 12,305 dated August 2, 2010, mining and industrial waste generators must present a waste management plan to the environmental authorities. Additionally, to obtain an operating license a company must prove that all equipment to be covered by the license is in compliance with the requisite standards and regulations.

The Brazilian legislation establishes that the transportation, management and final disposal of waste must not harm the environment or the public health and welfare. Specific kinds of residues, such as construction by-products, require special disposal, and improper disposal can lead to civil, criminal and administrative liability. Additionally, parties that outsource these activities are jointly and severally liable with the contracted third parties. Therefore, hiring third parties will not shield us from civil liability.

Improper disposal of solid waste produced by our activities, as well as accidents resulting from the transportation of such waste, may cause soil and groundwater contamination, and give rise to administrative and criminal sanctions. Administrative penalties applicable to any such improper disposal, whether it ultimately causes pollution or not, may include suspension of work and fines up to R$50 million, among others. In general, the maximum pecuniary penalty is only imposed in case of severe damage to the environment. Notably, Brazilian law states that parties outsourcing disposal activities are jointly and severally liable for damages caused by third parties.

Adequate transportation, treatment and final disposition of waste depend on its classification, and such projects are subject to prior approval by the necessary environmental agency. Waste treatment activities are subject to licensing, and companies contracted to perform these activities must demonstrate licenses in good standing.

In addition to petcoke and charcoal residue, we use industrial waste as a source of thermal energy. We currently have contracts with two companies pursuant to which these companies pay us a specified amount depending on the quantity of residues we use. We have all of the necessary licenses to burn waste, and we must comply at all times with air emission standards established by federal, state and municipal authorities. State and federal regulations also control the use, production and transportation of hazardous substances.

Contaminated Areas

The contamination of soil and/or groundwater represents environmental liabilities that must be handled with caution, once the claim for the recovery of an environmental damage is not subject to status of limitation. Areas considered “contaminated” include those where pollution is proven to be caused by the disposition, accumulation, storage or infiltration of substances or wastes, with a negative impact on the property.

The owner of a contaminated property automatically undertakes the obligation to redress any environmental damages or to correct adverse impacts, regardless of the causes of the contamination. In this sense, the owner of a property where the soil or groundwater is contaminated by hazardous materials shall be subject to a notice of violation issued by an environmental authority demanding the cleaning of the land, a circumstance that may entail significant expenditures. Nevertheless, should such liability reach the new owner, it may exercise its right of recourse against the person that has caused the environmental damage.

We have complied with environmental agencies requests regarding the identification and investigation of possible contaminated areas in our properties, and if contamination is confirmed, the results of such assessments may trigger the need for us to support and implement further remedial actions.

Protected Areas

The Legal Reserve Area (*Reserva Legal*) from the Brazilian Forest Code (Federal Law No. 12,651/12) is an area inside rural properties that must be preserved for the following purposes: the sustainable use of natural resources, the conservation and rehabilitation of the biodiversity and the protection of native fauna and flora. We must register or request the land owners to register, as applicable, the Legal Reserve Areas of all properties we possess within the Rural Environmental Registry (*Cadastro Ambiental Rural* – CAR). In case there is not sufficient vegetation to be used for legal reserve purposes, landowner can adopt one of the compensation measures foreseen in the Forest Code, to wit: (i) use of a protected area inside another owned or leased property; (ii) acquisition o Environmental Reserve Quotas; (iii) donation of areas located within Conservation Units pending regularization. These measures are only applicable when the vegetation removal occurred prior to July 2008.

Pursuant to Federal Decree No. 6,514/08, unauthorized removal of legal reserve vegetation may subject the landowner to fines of R$5,000.00 per hectare or fraction of land.

The Federal Law No. 12,651/12 also specifies certain areas as Areas of Permanent Preservation (APP), where human intervention is only permitted based on public necessity, social interest and low environmental impact. Previous authorizations are required from the environmental authorities to prove public necessity and social interest. Pursuant to Federal Decree No. 6,514/08, interference with or damage of any kind to vegetation in an APP area may subject the wrongdoer to a fine of R$5,000.00 to R$50,000.00 for each hectare or fraction of land. Additionally, the removal of trees in an APP may also subject the wrongdoer to a fine of R$5,000.00 to R$20,000.00.

Meanwhile, conservation areas (Unidades de Conservação), or UCs, are territorial reserves created by federal, state and municipal governments. UCs may serve either purely conservational purposes by prohibiting any human interference, or may authorize sustainable use of natural resources. Examples of UCs include: ecological stations, biological reserves, national parks and national forests, among others.

Any development within UCs must comply with the provisions of the legal instrument creating them, as well as those of their respective management plans. Moreover, such development in environmentally protected areas depends on the prior consent of their managing agencies. Absence of such consent and failure to comply with rules governing the use of a UC, in addition to damaging it, is subject to several administrative and criminal sanctions, including fines.

We are also required under the Decree No. 6,640, of November 7, 2008, to offset any environmental damage caused to the existing caves in the area we mine by adopting measures to ensure the preservation of other environmentally relevant caves. We may not have sufficient caves to offset all of the eventual exploration in our mines. If we choose to use our non-operational mines in the future, we cannot guarantee that we will be able to ensure the preservation of all needed caves. Additionally, even if we do find sufficient areas with caves to offset the environmental damage, we may have to purchase them for a higher price. The inability to purchase the new areas or to adopt measures to ensure the preservation of caves could prevent us from obtaining environmental licenses necessary for our mining activities, which could result in a material adverse effect on our business, results of operations, financial condition and prospects.

Water Resources

Pursuant to Federal Law No. 9,433/1997, the following activities require a water use grant from public authorities: (i) deviation or abstraction of water for the purpose of consumption, including public supply or production processes; (ii) abstraction of groundwater for final consumption or production process; (iii) disposal of sewage waste and other liquid or gaseous residues, whether treated or not, into a body of water for dilution, transportation or final disposal; (iv) utilization of hydroelectric resources; and (v) other uses that alter the system, quantity or quality of the water existing in a body of water.

The absence of water use grants is considered an administrative infraction subject to sanctions such as warning, suspension of activities, or fines (one-time or daily) ranging from R$100 to R$10,000. Activities which do not require significant use, such as for household use, do not require authorization from the relevant environmental authorities.

Environmental Policy

We are committed to strict compliance with all environmental laws, whether federal, state or municipal, including maintaining our licenses in full force and effect. To control the environmental impact of our operations, we maintain a preventive maintenance process for our equipment and filters, as well as programs for the efficient use of water and continuous monitoring of noise and dust levels as well as effluent quality parameters. We are additionally required by environmental laws and regulations to regularly monitor the kiln air quality and plant emissions to determine if we are in compliance with the permitted emissions levels.

We periodically evaluate the environmental impact of our products, processes, operations, and services, in order to determine those that cause or could cause material environmental damages. Through our environmental management programs, we seek to identify opportunities for improving our production process, as well as to prevent the occurrence of environmental impacts and/or legal claims. Currently, we monitor the levels of carbon dioxide, nitrogen oxide and other metals in Pedra do Sino on a quarterly basis. We measure the cement mills, kiln and cooler on a semi-annual basis.

Environmental Control Program

We observe strict environmental control standards which include the following principles: reduce, reuse and recycle residues; perform environmental audits in our factory equipment and maintain an environmental management committee in each of our plants.

We invested approximately R$6.6 million in environmental and social programs in the past three years, which includes funding for educational programs in relation to environmental protection for our employees and an "environment week" each of those years.

Property

Our headquarters and principal executive office is located in the city of Rio de Janeiro, in the state of Rio de Janeiro. We currently rent our headquarters. We own three major factories: a fully integrated production plant in Pedra do Sino in the State of Minas Gerais, a grinding plant in Volta Redonda in the State of Rio de Janeiro, and a mixing plant in Mogi das Cruzes in the State of São Paulo.

In addition, we own three distribution centers in the south-east region, located in Juiz de Fora in the State of Minas Gerais, in the city of Rio de Janeiro in the State of Rio de Janeiro and in the city of Queimados in the State of Rio de Janeiro

We also own 81 bulk cement railroad cars and rent 91 additional cars to transport both bulk and bagged cement among our facilities.

In addition, we, through our subsidiaries, own properties, plants and land in Rio de Janeiro, Minas Gerais, Paraná, São Paulo, Goias and Rio Grande do Norte. As of June 30, 2014, our property, plant and equipment totaled R$605.9 million.

Some of our properties are subject to mortgages and/or fiduciary liens granted as guarantees in some loan agreements. For further information, see – "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

Intellectual Property

The Brazilian Intellectual Property Office (*Instituto Nacional de Propriedade Industrial*), or INPI, is the government agency responsible for the granting and registration of patent and trademark rights in Brazil. We have a large number of registered trademarks (*marcas nominativas* and *marcas mistas*) including the following: "*Pozmix*," "*Tupi*," "*Tupilaje*," "*Tupicola*," "*T Cimento Tupi*," and "*T Tupi Concreto.*"

Legal Proceedings

Antitrust

Pursuant to Law No. 12,529, from December 2, 2011, companies, individuals and associations whose practices are deemed to be anticompetitive (i.e., behavior that lessens competition, such as cartels and monopolies) are subject to substantial fines and other ancillary penalties. Decisions from the antitrust authorities can be challenged in court.

In addition, since 2003, we and several other major cement companies have been involved in an investigation conducted by the Brazilian antitrust (competition) authority concerning an alleged anti-competitive behavior which restricted the supply of certain types of cement to independent ready mix companies. The competition authority has conducted an investigation and as of the date of this offering memorandum, the decision is still pending. If the competition authority finds we were involved in an infringement of the relevant competition rules, we may be subject to a fine of up to 20% of our revenues in 2002, as well as to ancillary penalties. Additionally, an unfavorable decision from the competition authority may be subject to a court challenge. However, a court ruling that upholds the authority's decision in respect of the alleged infringement could materially and adversely affect our business, results of operations, financial condition and prospects. According to our external legal counsel, there is a possible chance that we will obtain a favorable judgment on this proceeding.

Environmental Proceedings

We are involved in one investigative proceeding brought by the Federal Public Attorney's Office of Rio de Janeiro regarding potential groundwater contamination. We signed a Consent Agreement with the Minas Gerais State Forest Institute (IEF) on July 9, 2007 related to activities in a permanent preservation area and an area with Atlantic forest vegetation. One of our main obligations under the Consent Agreement is to conduct a reforestation project, which is still ongoing. Management does not believe that neither the investigative proceedings nor the Consent Agreement will have any material adverse effect on our financial conditions or results of operations. Therefore, no provision has been made for these proceedings as of June 30, 2014.

Civil and Labor Proceedings

We are party to several lawsuits and administrative proceedings in the normal course of our business, including civil and labor proceedings.

We are defendants along with Companhia de Desenvolvimento Econômico de Minas Gerais, or Codemig, a state-owned company, in a boundary dispute related to our alleged improper occupation of a real estate acquired from Codemig. The lower court ruled against us, and the appellate court of the State of Minas Gerais and the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) upheld the decision. On April 3, 2009, we agreed to pay the plaintiffs R$15.0 million in 30 monthly installments of R$0.5 million. As of September 30, 2011, we had paid the final installment. We are currently requesting indemnification of approximately R$35 million from Codemig through a separate lawsuit to recover these paid funds as well as lawyer fees and other expenses. We are arguing that Codemig is the responsible party because we acquired the real estate from Codemig in good faith. According to our external legal counsel, there is a probable chance that we will obtain a favorable judgment in the indemnification suit.

Management does not believe that the resolution of any civil or labor lawsuits will have a material adverse effect on our financial conditions or results of operations. As of June 30, 2014, according to our management and external legal counsel, we were party to labor proceedings, which have a possible likelihood of loss totaling R$6.9 million. As of June 30, 2014, we had a provision of R$0.5 million in connection with labor proceedings involving probable chances of loss.

Tax Matters

As of the date of this offering memorandum, we were party to six judicial proceedings related to ICMS (value-added tax) debts allegedly owed with respect to: (i) the interstate transfers of goods, in the amount of R$ 22.6 million (we are currently considering a possible participation in the State tax amnesty program under Decree No. 44,780, issued by the State of Rio de Janeiro on May 8, 2014); (ii) unconditional discounts granted on prices subject to ICMS, in the amount of R$ 10.3 million, (iii) the price of goods shipped without the required tax documentation and at an inaccurate cost in the amount of R$ 4.6 million and (iv) taxes owed by us as a substitute taxpayer (*substituição tributária*), in the amount of R$ 9.2 million. As of the date of this offering memorandum, the total amount involved in these proceedings was approximately R$ 46.7 million. According to our external legal counsel, there is a possible chance that we will obtain a favorable judgment in these cases.

Additionally, we have received one notice of assessment for allegedly underpaying certain COFINS amounts (Social Security Financing Contribution, a tax on gross revenues) in the first and second quarters of 1998, totaling approximately R$10.2 million, updated to the date of this offering memorandum. We presented our defense at the administrative level, and as of the date of this offering memorandum, the decision is still pending. According to our external legal counsel, the risk of loss in connection with this proceeding is possible. Therefore, no provision against potential losses had been made in connection thereto.

We have participated in federal tax amnesty programs under Law No. 10,684 (PAES) from August 2003 and under Law No. 11,941 (REFIS IV for IOF, PIS, COFINS and social contribution) from November 2009. We are paying our ICMS tax payments in installments under Decree No. 25,228 and Normative Resolution No. 3,025, issued by the State of Rio de Janeiro. As of June 30, 2014, the total amount involved in the amnesty programs and installment payments was R$ 28.6 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Non-Recurring Events—Tax amnesty" for more information.

In August 2014 we applied to participate in federal tax amnesty program under Law No. 12,996, of June 18, 2014, for debts related to federal taxes, involving the total amount of R$ 1.9 million.

Pursuant to Decree No. 42,646, issued by the State of Rio de Janeiro on October 5, 2010, we entered into an agreement to have the right to acquire an ICMS tax credits in order to offset our ICMS tax payments. Once this acquisition of tax credits is approved by the Treasury of the State of Rio de Janeiro, we will be able to offset our ICMS tax payments and we will have to pay 55% of the total amount of credits accepted and recognized by the State of Rio de Janeiro to the seller of these tax credits.

Employees

As of June 30, 2014, we had 641 active employees, including Directors and Executive Officers, of which 515 were involved in the production and sale of cement. According to Brazilian law, all of our employees are covered by union agreements, which are renegotiated annually. Historically, we have had a good relationship with our employees' union, and management currently believes that it has a good relationship with its employees. We have not faced any work stoppage or other major labor disputes in more than 15 years. We use independent sub-contractors for the performance of certain activities including surveillance, cleaning, food service (restaurant) and personal transportation. Additionally, we have a training and development program through which we offer technical courses to our employees. We also offer our employees additional benefits including health, life and disability insurance and a pension plan.

MANAGEMENT

We are managed by a Board of Directors (*Conselho de Administração*), currently composed of nine members (each a Director of the Board, and collectively the Directors), and by the board of Executive Officers (*Diretoria*), currently composed of five members (a Chief Executive Officer, an Investor Relations Executive Officer and Executive Officers, collectively the Executive Officers).

Board of Directors

The Board of Directors is responsible for establishing our general business policies, long-term strategy and monitoring the board of Executive Officers. According to our by-laws and the Brazilian Corporate Law, our Board of Directors has strategic, monitoring and supervisory responsibilities, but does not have a direct role in operating or executive activities.

The Board of Directors may be composed of three to ten members, who are all shareholders and are elected at our general shareholders meeting for a term of office of two years, with reelections being permitted. In accordance with our by-laws, at least 20% of our Directors are independent. The meetings of the Board of Directors are held once a quarter but can also be convened upon the request of its chairman, its vice-chairman or two of its officers. The meetings require the presence of at least the majority of the members and decisions are made by a majority of votes, with the chairman (or his replacement) casting any tie-breaking vote.

The business address of the members of our Board of Directors is Rua Lauro Müller, 116 – Salas 1906 e 1907, Rio de Janeiro 22290-160.

The Board of Directors is currently composed of the following nine members, each of whom was appointed by our shareholders on April 29, 2014:

Name	Date of Birth	Position
Carlos Alberto P. Martins Ribeiro	1948	Chairman
Marie Elisabeth Koranyi M. Ribeiro	1948	Vice-Chairman
Alberto Koranyi Ribeiro	1978	Board Member
Flora Koranyi Ribeiro Carramaschi	1977	Board Member
George Eduardo Ripper Vianna	1953	Board Member
Gustavo Krause Gonçalves Sobrinho	1946	Board Member
José Antonio do Nascimento Brito(1)	1952	Board Member
Manuel Moreira Guerra(1)	1937	Board Member
Márcio João Andrade Fortes(1)	1944	Board Member

(1) Independent members.

Carlos Alberto P. Martins Ribeiro: Mr. Ribeiro is the Chairman of our Board. He joined our company in 1975, and he retired from daily operations as CEO in 2007. Mr. Ribeiro holds a bachelor’s degree in Business Administration from Fundação Getúlio Vargas in the State of São Paulo.

Marie Elisabeth Koranyi M. Ribeiro: Mrs. Ribeiro is the Vice-Chairman of our Board. She joined our company in 1982, and she holds a bachelor’s degree in Business Administration from Fundação Getúlio Vargas in the State of São Paulo.

Alberto Koranyi Ribeiro: Mr. Ribeiro is a member of our Board and our Chief Executive Officer. He has previous experience in finance, and he joined our company in 2002. Mr. Ribeiro holds a bachelor’s degree in Economics and Business Administration from Boston University in the United States.

Flora Koranyi Ribeiro Carramaschi: Mrs. Carramaschi is a member of our Board and one of our Executive Officers. She has previous experience in finance, and she joined our company in 2002. Mrs. Carramaschi holds a bachelor’s degree in Economics and Political Science from the University of Pennsylvania and a master’s degree from Stanford University, both in the United States.

George Eduardo Ripper Vianna: Mr. Vianna has been a member of our Board since 2003. He has been a partner at Garcia & Keener Advogados since 1973, and he holds a bachelor's degree in Law from the University of Rio de Janeiro in the State of Rio de Janeiro.

Gustavo Krause Gonçalves Sobrinho: Mr. Krause was a Board member of CP Cimento's Board starting in 1999, and he joined our Board in the last Board elections. He has held different political positions in municipal, state and federal bodies, and he served as Finance, Environment, Water Resources and Legal Amazon Minister under Fernando Henrique Cardoso's presidency (1995-2003). Mr. Krause holds a bachelor's degree in Law from the University of Recife in the State of Pernambuco.

José Antonio do Nascimento Brito: Mr. Nascimento Brito was a Board member of CP Cimento starting in 1996, and he joined our Board on April 29, 2014. He holds a bachelor's and master's degree from George Washington University in the United States.

Manuel Moreira Guerra: Mr. Guerra is a member of our Board. He joined our company in 1952, and he retired as Chief Financial Officer in 1996. Mr. Guerra holds a bachelor's degree in Economics and Accounting from University of Economics and Finance of Rio de Janeiro in the State of Rio de Janeiro.

Márcio João Andrade Fortes: Mr. Fortes has been a member of our Board since 1977. He has previously held positions in private and public administration, and he has worked as Chairman of BNDES. Mr. Fortes holds a bachelor's degree in Civil Engineering from Pontifícia Universidade Católica in the State of Rio de Janeiro.

Executive Officers

Our board of Executive Officers is composed of: a Chief Executive Officer, an Investor Relations Executive Officer and up to four other Executive Officers, who are responsible for our management. Pursuant to our by-laws, the Board of Directors is responsible for electing the Executive Officers, all of whom must be domiciled in Brazil. The Executive Officers are elected for two-year terms, and they may be re-elected for an unlimited number of terms. The Board of Directors may dismiss any Executive Officer at any time without cause. The Executive Officers may hold extraordinary meetings whenever necessary. The address of our board of Executive Officers is Rua Lauro Müller 116, offices 1906 and 1907, in the city of Rio de Janeiro, State of Rio de Janeiro, CEP 22290-160.

The Executive Officers are responsible for the execution of the Board of Director's resolutions and for our day-to-day management. The current Executive Officers were appointed by the Board of Directors at the Board of Director's meetings held on May 5, 2014, except for Cesar Lage da Silva, who was appointed on June 5, 2014.

Below is a list of our current Executive Officers with a brief biographical description of each:

Name	Date of Birth	Position
Alberto Koranyi Ribeiro	1978	Chief Executive Officer
Cesar Lage da Silva	1964	Investor Relations Executive Officer
Flora Koranyi Ribeiro Carramaschi	1977	Executive Officer
Merck Marra Júnior	1965	Executive Officer
Rodrigo Martins Frazão	1976	Executive Officer

Alberto Koranyi Ribeiro: Mr. Ribeiro is currently our Chief Executive Officer. Please refer to his biography above.

Cesar Lage da Silva: Mr. Lage is our Investor Relations Executive Officer. He has previously held positions in a number of companies, and joined us in June 2014. Mr. Lage holds a bachelor's degree in Production Engineering from Federal University of Rio de Janeiro in the State of Rio de Janeiro and has a postgraduate degree in Finance as well as a MBA from Pontifícia Universidade Católica in the State of Rio de Janeiro.

Flora Koranyi Ribeiro Carramaschi: Mrs. Carramaschi is one of our Executive Officers. Please refer to her biography above.

Merck Marra Júnior: Mr. Marra is one of our Executive Officers. He has previously worked as a Mining Engineer, and he joined our company in 1995. Mr. Marra holds a bachelor's degree in Mining Engineering from Federal University of Minas Gerais in the State of Minas Gerais and has a Senior Executive MBA from Ibmec in the State of São Paulo.

Rodrigo Martins Frazão: Mr. Frazão is one of our Executive Officers. He joined our company in 2014. Mr. Frazão holds a bachelor's degree in Marketing from Universidade Estácio de Sá in the State of Rio de Janeiro and holds a degree in Strategic Marketing from Stanford University.

Fiscal Council

Under the Brazilian Corporate Law, the fiscal council is a corporate body that supervises the management, audits the financial statements and management reports and provides financial and related information to the shareholders at their meetings. The fiscal council is only convened when requested by the shareholders at the regular general shareholders meetings, and it is not currently in place. According to our by-laws, the fiscal council is composed of three to five members. The members compensation is determined at the shareholders' meetings.

Shares Owned by the Members of Our Board of Directors and Board of Executive Officers

The following table indicates the shares owned by each member of our Board and Board of Executive Officers, as of June 30, 2014:

Member/Alternate of the board of directors	Common shares	Preferred shares	Total	% of total share capital
Carlos Alberto P. Martins Ribeiro	82	1,190,513	1,190,595	0.55%
Marie Elisabeth Koranyi M. Ribeiro	8,548	1,352	9,900	0.0%
Alberto Koranyi Ribeiro	1	—	1	0.0%
Flora Koranyi Ribeiro Carramaschi	1	—	1	0.0%
George Eduardo Ripper Vianna	1	—	1	0.0%
Gustavo Krause Gonçalves Sobrinho	1	—	1	0.0%
José Antonio do Nascimento Brito	1	—	1	0.0%
Manuel Moreira Guerra	1	—	1	0.0%
Márcio João Andrade Fortes	1	—	1	0.0%
Total	**8,637**	**1,191,865**	**1,200,495**	**0.55%**

Member of the board of executive officers	Title	Common shares	Preferred shares	Total	% of total share capital
Alberto Koranyi Ribeiro	Chief Executive Officer	1	—	1	0.0%
Cesar Lage da Silva	Investor Relations Executive Officer	—	—	—	0.0%
Flora Koranyi Ribeiro Carramaschi	Executive Officer	1	—	1	0.0%
Merck Marra Júnior	Executive Officer	—	—	—	0.0%
Rodrigo Martins Frazão	Executive Officer	—	—	—	0.0%
Total		**2**	—	**2**	**0.0%**

Compensation

According to our by-laws, our shareholders are responsible for establishing the aggregate compensation we pay to the members of our Board and to our Executive Officers. Our shareholders determine this compensation at the shareholders' meeting each year. In 2013, we paid the members of our Board of Directors an aggregate annual compensation of R$2.3 million and we paid our Executive Officers an aggregate annual compensation of R$7.4 million. For the year of 2014 we have approved the payment to the members of our Board of Directors and to our Executive Officers of an aggregate annual compensation of up to R$12.0 million.

Stock Option Plan

On June 28, 2011, our shareholders approved our stock option plan, which gives our Board of Directors the power to establish stock option programs for members of our management, our employees and our service providers. The options granted under this plan will represent a maximum of 10,000,000 common or preferred shares. As of the date of this offering memorandum, the stock option plan has not been implemented as the terms are pending approval by our Board of Directors.

RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we engage in a variety of transactions with our wholly-owned subsidiaries including Mape Incorporação e Empreendimentos Ltda., Tupimec Indústria Mecânica Ltda., Cimento Tupi do Nordeste Ltda. and Tupi Mineradora de Calcário Ltda. The Tupimec Indústria Mecânica Ltda related party transactions are for mechanical repairs for our plant machinery, and the remainder of the transactions are for intercompany loans and financing, which are eliminated in our consolidated financial statements. See financial information with respect to certain material related party transactions as of and for the years ended December 31, 2013, 2012, and 2011 and as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 in Note 14 in our audited financial statements as of and for the years ended December 31, 2013 and 2012; Note 14 in our audited financial statements as of and for the years ended December 31, 2012 and 2011; and in Note 14 in our unaudited interim condensed financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013.

On August 31, 2012, Cimento Brasília Ltda., a limited liability company organized in accordance with the laws of Brazil, was merged by our controlling shareholder, Cimento Santo Estevão e Participações S.A. In connection with the merger, all of Cimento Brasília Ltda.'s rights and obligations were transferred to Cimento Santo Estevão e Participações S.A., including Cimento Brasília Ltda.'s debt owed to us in the amount of R$26.9 million. In order to settle the debt, we executed an agreement with Cimento Santo Estevão e Participações S.A., by means of which Cimento Santo Estevão e Participações S.A. transferred us certain mining rights.

Certain of our bank finance debts are guaranteed by Cimento Santo Estevão e Participações S.A. (*aval*) and by MAPE (by way of fiduciary assignment, mortgage and guarantee). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness" for more information.

PRINCIPAL SHAREHOLDERS

As of June 30, 2014, the aggregate amount of our issued and outstanding capital stock was R$279.9 million, all of which was fully subscribed and paid in and which is represented by 107,336,023 outstanding common shares and 107,336,023 outstanding preferred shares, all without par value.

On March 4, 2011, we entered into a reorganization agreement (*Protocolo e Justificação de Incorporação*) to simplify our corporate structure and reduce our operational expenses. This transaction was approved at our general shareholders' meeting held on March 21, 2011. See "—Withdrawal Rights."

Our shareholding as of the date of this offering memorandum is:

Shareholders	Common shares	%	Preferred shares	%	Total	%
Cimento Santo Estevão e Participações S.A.[1]	89,890,227	83.74	42,138,148	39.26	132,028,375	61.50
Latcem S.A.[2]	17,437,159	16.25	32,860,297	30.61	50,297,456	23.43
Treasury shares	—	—	19,426,917	18.10	19,426,917	9.05
Others[3]	8,637	0.01	12,910,661	12.03	12,919,298	6.02
Total	**107,336,023**	**100.00**	**107,336,023[4]**	**100.00**	**214,672,046**	**100.00**

(1) Cimento Santo Estevão e Participações S.A., previously called Santo Estevão Empreendimentos e Participações S.A., is a corporation incorporated under the laws of the Federative Republic of Brazil, which is controlled by the Koranyi Ribeiro family.
(2) Latcem S.A. is a corporation incorporated under the laws of Luxembourg.
(3) Itaú Unibanco S.A. and other minority shareholders.
(4) 25,112,413 preferred shares (representing an 11.7% interest in our capital stock) are pledged in favor of Bradesco Vida e Prevedência S.A.

Each of our common shares entitles its holder to one vote at our annual and extraordinary shareholders' meetings. Preferred shares have no voting rights. Preferred shareholders are entitled to receive dividends per share 10% higher than those paid to common shareholders.

In April 2005, Cimento Santo Estevão e Participações S.A. acquired, from Bradesco Vida e Previdência S.A., a 13% interest in the capital stock of CP Cimento. As security in connection therewith, Cimento Santo Estevão e Participações S.A. has pledged over 25,112,413 preferred shares of CP Cimento (representing an 11.7% interest in the capital stock of CP Cimento) to Bradesco. After our Shareholder Restructuring, 25,112,413 preferred shares (representing an 11.7% interest in our capital stock) remain pledged to Bradesco.

Payments of Dividends to Shareholders

Minimum Dividend Payment required by Law

Under Brazilian Corporate Law the shareholders of a company have the right to receive a minimum dividend payment during each fiscal year from the company's net income. The by-laws of a corporation (*sociedade por ações)* may establish that the dividend be a percentage of the profit or the shareholders' equity. Alternatively, under Brazilian Corporate Law, if the by-laws do not establish a minimum dividend payment, the compulsory dividends may not be less than 25% of net income.

According to our corporate by-laws, we must declare and pay dividends in an amount equal to or greater than 25% of the adjusted net income for the previous fiscal year.

Payment of Dividends and Interest on Shareholders' Equity

Under Brazilian Corporate Law, dividends are generally required to be paid within 60 days after being declared, unless a shareholders' resolution provides an alternative payment date. Accordingly, the payment date might occur after the end of the fiscal year in which such dividend is declared. We must pay dividends of shares in bank custody or on deposit to the appropriate depositary financial institution.

In addition to the minimum dividend payment, the Board of Directors may recommend the payment of interim dividends at the shareholders' meeting. The Board of Directors may also approve the payment of dividends, including interim dividends, and interest on shareholders' equity. Any payment of interim dividends may be set off against the amount of year-end dividends required paid.

Since 2001, we have made seven payments of dividends and interest on shareholders' equity, as set forth in the table below.

Type	Date of Approval	Fiscal Year	Payment Date	Amount
				(in thousands of R$)
Interest on shareholders' equity	4/20/2001	2000	6/29/2001	10,000
Interest on shareholders' equity	4/28/2002	2001	6/30/2002	11,000
Interest on shareholders' equity	4/24/2003	2002	4/30/2003	8,792
Interest on shareholders' equity	12/15/2010	2010	1/1/2011	12,870
Interest on shareholders' equity	12/26/2011	2011	50% paid on 12/26/2011 and the rest to be paid in 2012	16,500
Dividends...	4/26/2013	2012	5/28/2013	7,405
Interest on shareholders' equity	6/5/2014	2014	6/30/2014	5,000

Our subsidiaries are also subject to mandatory distribution requirements and, to the extent that they have distributable profits and reserves, they are required to pay dividends to us and to the minority shareholders. All of the aforementioned distributions may be made as dividends or, subject to certain limitations, as tax-deductible interest on shareholders' equity.

Withdrawal rights

The total number of our shares that are outstanding is the same as CP Cimento's, but we have different numbers of common and preferred shares. In order to maintain the same participation in CP Cimento, CP Cimento's shareholders were entitled to (i) one preferred share of our capital stock for each preferred share of CP Cimento's capital stock and (ii) 0.8634 common shares and 0.1366 preferred shares of our capital stock for each common share of CP Cimento's capital stock.

At our extraordinary shareholders' meetings on March 21, 2011, our shareholders and the shareholders of our parent, CP Cimento, approved the downstream merger of CP Cimento into us, or the Shareholder Restructuring. According to the Brazilian Corporate Law, CP Cimento's shareholders who did not approve the Shareholder Restructuring had the option to exercise their rights to withdraw (*direito de retirada*) up to 30 days after publication of the minutes of the extraordinary shareholders' meetings held on March 21, 2011 in the Official Gazette of the State of Rio de Janeiro on April 7, 2011. As a result, on May 19, 2011 we acquired their shares in CP Cimento (totaling 9.05% of the total capital stock of CP Cimento) and paid them the amount equivalent to the book value of their shares (R$26.0 million). We recorded these payments in shares in treasury in our financial statement as of and for the year ended December 31, 2011.

DESCRIPTION OF THE NOTES

The following summary describes certain material provisions of the notes and the indenture. This summary is subject to and qualified in its entirety by reference to the provisions of the indenture and notes. Capitalized terms used in the following summary and not otherwise defined herein shall have the meaning ascribed to them in the indenture. Copies of the indenture may be obtained, upon written request, from the Issuer, The Bank of New York Mellon, as the trustee, or any paying agent.

The 9.75% Senior Unsecured Notes due 2018 offered hereby, or the additional notes, are an additional issuance of our U.S.$150.0 million of 9.75% Senior Unsecured Notes due 2018 issued on May 11, 2011 and re-opened on February 7, 2012, or the original notes, and will be treated as a single series with the original notes and will vote together as one class on all matters with respect to the notes. The additional notes and the original notes are collectively referred to as the notes. Cimento Tupi S.A., or the "Issuer," will issue the additional notes in an initial aggregate principal amount of U.S.$35.0 million under the indenture dated as of May 11, 2011 among the Issuer, The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent (the "Trustee") and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent and transfer agent as supplemented by a supplemental indenture dated April 26, 2012. The terms of the notes include those stated in the indenture.

The original notes and the additional notes will share the same ISIN and CUSIP numbers and be fungible, except that the additional notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period.

Basic Terms of Notes

The notes:

- are unsecured unsubordinated obligations of the Issuer, ranking equally in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuer;
- are issued in minimum denominations of U.S.$2,000 and integral multiples of U.S.$1,000 above such amount;
- mature on May 11, 2018;
- bear interest from May 11, 2014 at 9.75% per annum, payable semi-annually on each May 11 and November 11 of each year, commencing on November 11, 2014 to holders of record on April 26 or October 26, as applicable, immediately preceding the interest payment date; and
- bear interest on overdue principal, and pay interest on overdue interest, at 1% per annum higher than the per annum rate set forth on the cover of this offering memorandum.

Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payment of interest on the notes will be paid in immediately available funds by check or, if requested, for holders of more than U.S.$1.0 million of notes, by wire transfer to the account specified by such holder. Claims against the Issuer (if any) for payment in respect of the Notes shall be prescribed and become void unless made within a period of six years from the appropriate payment date.

Additional Notes

Subject to the covenants described below, the Issuer may, from time to time and without your consent as a holder of the notes, issue notes under the indenture having the same terms in all respects as the notes except that interest will accrue on the additional notes from their date of issuance; provided, however, that unless such notes are issued under a separate CUSIP, either such additional notes are part of the same "issue" for U.S. federal income tax purposes or neither the notes nor such additional notes are treated as issued with original issue discount for U.S. federal income tax purposes. The notes offered hereby and any additional notes will be treated as a single class for all purposes under the indenture and will vote together as one class on all matters with respect to the notes.

Payment of Additional Amounts

All payments by the Issuer in respect of the notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Brazil or any other jurisdiction or political subdivision thereof in which the Issuer is organized or is a resident for tax purposes having power to tax or by the jurisdictions in which any paying agents appointed by the Issuer are organized or the location where payment is made, or any political subdivision or any authority thereof or therein having power to tax (a "Relevant Jurisdiction"), unless the Issuer is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction ("Additional Amounts"). No such Additional Amounts shall be payable:

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, a limited liability company or a corporation) and the Relevant Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights and the receipt of payments with respect to the note;

- in respect of notes presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of such note would have been entitled to such Additional Amounts, on surrender of such note for payment on the last day of such period of 30 days;

- where such Additional Amount is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000;

- to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder's failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, if (1) compliance is required by the Relevant Jurisdiction, as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Issuer has given the holders at least 30 days' notice that holders will be required to provide such certification, identification or other requirement;

- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

- in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note or by direct payment by the Issuer in respect of claims made against the Issuer; or

- in respect of any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

"Relevant Date" means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the Trustee. Except as specifically provided above, the Issuer shall not be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that Additional Amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture, payment of the notes and/or the resignation or removal of the Trustee or any agent hereunder.

Optional Redemption

The Issuer, The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, entered into a supplemental indenture, dated April 26, 2012, pursuant to which the indenture was amended to exclude in its entirety the optional redemption with a make-whole premium clause and to amend the terms of the clause related to the optional redemption without a make-whole premium, which, as amended, is set forth below in "—Optional Redemption without a Make-Whole Premium."

Optional Redemption without a Make-Whole Premium

On and after May 11, 2017, the Issuer may redeem the notes, at its option, in whole, at 100% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Redemption for Taxation Reasons

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment or change in official position becomes effective on or after the issue date of the notes or on or, with respect to a successor, after the date a successor assumes the obligations under the notes, the Issuer has or the successor will become obligated to pay Additional Amounts as described above under "—Payment of Additional Amounts" in excess of the Additional Amounts that the Issuer would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% as a result of the taxes, duties, assessments and other governmental charges described above (the "Minimum Withholding Level"), the Issuer may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with interest accrued to the date fixed for redemption, upon publication of irrevocable notice not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would, but for such redemption, be obligated to pay the Additional Amounts above the Minimum Withholding Level were a payment due then. Notwithstanding the foregoing, the Issuer shall not have the right to so redeem the notes unless: (i) it has taken reasonable measures to avoid the obligation to pay Additional Amounts (including, without limitation, taking reasonable measures to change the paying agent); and (ii) it has complied with all applicable regulations to legally effect such redemption; provided, however, that for this purpose reasonable measures shall not include any change in the Issuer's or any successor's jurisdiction of incorporation or organization or location of its principal executive or registered office.

In the event that the Issuer elects to so redeem the notes, it will deliver to the Trustee: (1) a certificate, signed in the name of the Issuer by two of its directors or by its attorney in fact in accordance with its articles of association, stating that the Issuer is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer to so redeem have occurred or been satisfied; and (2) an Opinion of Counsel to the effect that the Issuer has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level as a result of the change or amendment and that all governmental approvals necessary for the Issuer to effect the redemption have been obtained and are in full force and effect.

Optional Redemption Procedures

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which notes are listed or if such securities exchange has no requirement governing redemption or the notes are not then listed on a securities exchange, on a *pro rata* basis or by lot (or, in the case of notes issued in global form, based on a method that most nearly approximates a *pro rata* selection in accordance with the procedures of the depositary). If notes are redeemed in part, the remaining outstanding amount must be at least equal to U.S.$2,000 and be an integral multiple of U.S.$1,000.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to holders of notes to be redeemed at their respective registered addresses or otherwise in accordance with the procedures of the Depository Trust Company (or "DTC"). If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the exchange require, the Issuer will cause notices of redemption to also be published as described in "—Notices" below. A new note in a principal amount equal to the unredeemed portion thereof, if any, will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

Notes called for redemption will become due on the date fixed for redemption. The Issuer will pay the redemption price for any note together with accrued and unpaid interest thereon through, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the indenture. Upon redemption of any notes by the Issuer, such redeemed notes will be cancelled.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the notes.

Ranking

The notes will be unsecured and unsubordinated obligations of the Issuer and will rank equally with any and all other existing and future unsecured and unsubordinated obligations of the Issuer. The notes will effectively rank junior to all secured debt of the Issuer to the extent of the value of the assets securing that debt and will be structurally junior to the debt of the Issuer's subsidiaries.

Although the indenture will limit the incurrence of Debt and Disqualified Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the indenture will not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Debt or Disqualified Stock under the indenture. See "—Certain Covenants—Limitation on Debt and Disqualified Stock."

As of June 30, 2014, the Issuer had R$644.0 million of outstanding consolidated indebtedness (current and noncurrent loans and financing), of which R$193.2 million was secured indebtedness.

Open Market Purchases

The Issuer or its affiliates may at any time purchase the notes in the open market or otherwise at any price.

Certain Covenants

The indenture will contain covenants that impose limitations and restrictions on the Issuer and its Subsidiaries, including, among others, the following:

Limitation on Debt and Disqualified Stock

(a) The Issuer

(1) will not, and will not permit any of its Restricted Subsidiaries to, Incur any Debt (including Acquired Debt); and

(2) will not, and will not permit any Restricted Subsidiary to, Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Issuer or a Restricted Subsidiary, so long as it is so held), provided that the Issuer or any of its Restricted Subsidiaries may Incur Debt and Disqualified Stock if, on the date of the Incurrence, after giving pro forma effect to the Incurrence and the receipt and the application of the proceeds therefrom, the Net Debt to EBITDA Ratio shall not exceed (i) 4.25 to 1.0 if such Incurrence occurs after the Issue Date and on or prior to December 31, 2014 and (ii) 3.75 to 1.0 if such Incurrence occurs on or after January 1, 2015.

(b) Notwithstanding the foregoing, the Issuer and, to the extent provided below, any Restricted Subsidiary may Incur the following ("Permitted Debt"):

(1) Debt of the Issuer or a Restricted Subsidiary so long as such Debt is owed to the Issuer or a Restricted Subsidiary and which, if the obligor is the Issuer, is subordinated in right of payment to the notes;

(2) Debt of the Issuer pursuant to the notes (other than relating to additional notes);

(3) Debt of the Issuer or a Restricted Subsidiary ("Permitted Refinancing Debt") constituting an extension or renewal of, replacement of, or substitution for, or issued in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance or refund, including by way of defeasance (all of the above, for purposes of this clause, "refinance") then outstanding Debt in an amount not to exceed the principal amount of the Debt so refinanced, plus premiums, fees and expenses; provided that:

(A) in case the Debt to be refinanced is subordinated in right of payment to the notes, the new Debt, by its terms or by the terms of any agreement or instrument pursuant to which it is outstanding, is expressly made subordinate in right of payment to the notes at least to the extent that the Debt to be refinanced is subordinated to the notes,

(B) the new Debt does not have a Stated Maturity prior to (i) the Stated Maturity of the Debt to be refinanced, and the Average Life of the new Debt is at least equal to the remaining Average Life of the Debt to be refinanced, or (ii) the 91st day after the Stated Maturity of the notes and does not have any scheduled principal payments prior to such date; and

(C) Debt Incurred pursuant to clauses (1), (4), (5), (9), (10), (13) and (14) may not be refinanced pursuant to this clause;

(4) Hedging Agreements of the Issuer or any Restricted Subsidiary entered into in the ordinary course of business or directly related to Debt permitted to be Incurred by the Issuer or any Restricted Subsidiary pursuant to the indenture, and in each case not for speculative purposes;

(5) Debt of the Issuer or any Restricted Subsidiary in respect of performance bonds, reimbursement obligations with respect to letters of credit, bankers' acceptances, completion guarantees and surety or appeal bonds provided by the Issuer or any of its Restricted Subsidiaries in the ordinary course of their business or Debt with respect to reimbursement type obligations regarding workers' compensation claims;

(6) Debt incurred under a USD/*reais* revolving credit facility an aggregate amount not to exceed at any one time U.S.$15 million.

(7) Debt of the Issuer or any Restricted Subsidiary outstanding on the Issue Date;

(8) Debt of the Issuer or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, however, that such Debt is extinguished within five Business Days of its Incurrence;

(9) Debt of the Issuer or any Restricted Subsidiary, including but not limited to obligations under Capital Leases, mortgage financings or purchase money obligations, incurred for the purpose of financing (whether prior to or within 365 days after) all or any part of the purchase price or cost of construction or improvement of property or assets, whether through direct purchase of assets or the Capital Stock of any Person owning those assets, or Incurred to refinance any such purchase price or cost of construction or improvement, and refinancings thereof, in an aggregate amount not to exceed at any one time U.S.$5 million;

(10) Debt of the Issuer or any Restricted Subsidiary to the extent that the net proceeds thereof are promptly deposited to defease or to satisfy and discharge the notes in accordance with the indenture;

(11) Debt of the Issuer or any Restricted Subsidiary with a maturity of less than 365 days Incurred on or after the Issue Date in the ordinary course of business for working capital purposes up to an amount not to exceed U.S.$15 million outstanding at any one time;

(12) Debt of another Person Incurred and outstanding on or prior to the date on which such Person was acquired by, consolidates with or merges with or into the Issuer in accordance with the terms of the indenture (other than Debt Incurred as consideration for, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Person consolidates with or merges with or into the Issuer); provided, however, that on the date that such transaction is consummated, the Issuer would have been able to Incur $1.00 of additional Debt pursuant to paragraph (a) above after giving effect to the Incurrence of such Debt pursuant to this paragraph 12;

(13) Debt Incurred by the Issuer or any Restricted Subsidiary Debt in the ordinary course of business in connection with any loans from (a) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* (including loans from *Financiadora de Estudos e Projetos— FINEP*), FINAME – *Financiamento à Fabricante-Comercialização, Banco do Nordeste do Brasil S.A.*, or BNB, SUDENE – *Superintendência do Desenvolvimento do Nordeste, Banco de Desenvolvimento de Minas Gerais—BDMG* or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer, in an aggregate amount not to exceed at any one time U.S.$15 million;

(14) Debt of the Issuer or any Restricted Subsidiary Incurred on or after the Issue Date not otherwise permitted in an aggregate principal amount not to exceed at any one time outstanding the greater of (i) U.S.$15 million and (ii) 10% of the Issuer's Consolidated Net Tangible Assets.

(c) Notwithstanding anything to the contrary in this covenant, the maximum amount of Debt that the Issuer and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Debt, solely as a result of fluctuations in the exchange rate of currencies.

(d) For purposes of determining compliance with this covenant, in the event that any proposed Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (10) of paragraph (b) above, or is entitled to be Incurred pursuant to paragraph (a) above, the Issuer and its Restricted

Subsidiaries will be permitted, in their sole discretion, to classify such item of Debt at the time of its Incurrence in any manner that complies with this covenant or to later divide and reclassify all or a portion of such item of Debt.

(e) The Issuer may not Incur any Debt that is subordinate in right of payment to other Debt of the Issuer unless such Debt is also subordinate in right of payment to the notes on substantially identical terms.

(f) The accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Debt of the same instrument or the payment of regularly scheduled dividends on Disqualified Stock in the form of additional Disqualified Stock with the same terms will not be deemed to be an Incurrence of Debt for purposes of this covenant; provided that any such outstanding additional Debt or Disqualified Stock paid in respect of Debt Incurred pursuant to any provision of clause (b) above will be counted as Debt outstanding for purposes of any future Incurrence of Debt pursuant to clause (a) above.

(g) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Debt, the U.S. dollar-equivalent principal amount of Debt denominated in a non-U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Debt was Incurred or, in the case of revolving credit Debt, first committed; provided that if such Debt is Incurred to refinance other Debt denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Debt does not exceed the principal amount of such Debt being refinanced. The principal amount of any Debt Incurred to refinance other Debt, if Incurred in a different currency from the Debt being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Debt is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments and other actions described in the following clauses being collectively "Restricted Payments"):

- declare or pay any dividend or make any distribution on its Equity Interests, including any payment made in connection with any merger or consolidation involving the Issuer or any Subsidiary of the Issuer (other than (A) dividends or distributions paid in the Issuer's Qualified Equity Interests and (B) dividends or distributions by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Issuer, to all holders of any class of Capital Stock of such Restricted Subsidiary a majority of which is held, directly or indirectly, by the Issuer);

- purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Issuer held by Persons other than the Issuer or any of its Restricted Subsidiaries;

- repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt, except (i) a payment of interest and (ii) a repayment, redemption, repurchase, defeasance or acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such repurchase, defeasance or acquisition or retirement; or

- make any Investment (other than Permitted Investments);

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing,

(2) the Issuer could Incur at least $1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption "—Limitation on Debt and Disqualified Stock" and

(3) the aggregate amount expended for such Restricted Payment and all other Restricted Payments made on or after the Issue Date would not, subject to paragraph (c), exceed the sum of:

(A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning on the first day of the fiscal quarter in which the Issue Date occurs and ending on the last day of the Issuer's most recently completed fiscal quarter for which financial statements have been provided (or if not timely provided, required to be provided) pursuant to the indenture, plus

(B) the aggregate net cash proceeds and the fair market value of property other than cash received by the Issuer (other than from a Restricted Subsidiary) after the Issue Date from

(i) the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into or exchanged for Qualified Equity Interests of the Issuer (other than an issuance or sale to a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries), or

(ii) as a contribution to its common equity, plus

(C) without duplication of any amount included in the calculation of Consolidated Net Income, an amount equal to the sum of (x) the aggregate amount of cash and the fair market value of any asset received by the Issuer or any of its Restricted Subsidiaries subsequent to the Issue Date with respect to Investments (other than Permitted Investments) made after the Issue Date by the Issuer or any of its Restricted Subsidiaries in any Person, proceeds realized on the sale of such Investments and proceeds representing the return of capital and (y) in the event that the Issuer redesignates an Unrestricted Subsidiary to be a Restricted Subsidiary of the Issuer, the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Issuer; provided, however, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Issuer or any of its Restricted Subsidiaries in such Person or Unrestricted Subsidiary; plus

(D) without duplication of any amount included above under this clause, 100% of any dividends received by the Issuer or any of its Restricted Subsidiaries from an Unrestricted Subsidiary.

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined, with respect to amounts at or below U.S.$10.0 million, by an Officer of the Issuer, whose determination will be conclusive and evidenced by an Officers' Certificate, and with respect to amounts above U.S.$10.0 million, as determined by the management of the Company, such determination being based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized standing.

(b) The foregoing will not prohibit:

(1) the payment of any dividend or distribution within 60 days after the date of declaration thereof if, at the date of declaration, such payment would comply with paragraph (a);

(2) payments of Subordinated Debt owed to the Issuer or any of its Restricted Subsidiaries, the incurrence of which was permitted under clause (1) of the definition of "Permitted Debt";

(3) the repayment, redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Debt with the proceeds of, or in exchange for, Permitted Refinancing Debt;

(4) any Restricted Payment made in exchange for, or out of the proceeds of a substantially concurrent offering of, Qualified Equity Interests of the Issuer or of a cash contribution to the common equity of the Issuer not representing an interest in Disqualified Stock;

(5) repurchases of Equity Interests of the Issuer deemed to occur upon exercise of warrants, options or rights to acquire Equity Interests if such Equity Interests represent a portion of the exercise price of such warrants, options or rights or nominal cash payments in lieu of issuances of fractional shares;

(6) repurchases of Subordinated Debt at a purchase price not greater than (a) 101% of the principal amount or accreted value, as applicable, of such Subordinated Debt and accrued and unpaid interest thereon in the event of a Change of Control or (b) 100% of the principal amount or accreted value, as applicable, of such Subordinated Debt and accrued and unpaid interest thereon in the event of an Asset Sale, in connection with any change of control offer or asset sale offer required by the terms of such Subordinated Debt, but only if: (i) in the case of a Change of Control, the Issuer has first complied with and fully satisfied its obligations under the covenant described under the caption "—Repurchase of Notes upon a Change of Control"; or (ii) in the case of an Asset Sale, the Issuer has first complied with and fully satisfied its obligations under the covenant described under the caption "—Limitation on Asset Sales";

(7) the declaration and payment of the Minimum Legally Required Dividend; provided, that the payment of such amount is in compliance with the Brazilian corporate law and the Issuer's bylaws and that the Issuer's Board of Directors, with the approval of the fiscal council, if in existence at such time, has not reported to the general shareholders' meeting that the distribution would not be advisable given the financial condition of the Issuer or its Subsidiaries and that the shareholders have agreed with the proposal of the Board of Directors;

(8) Any payments made by the Issuer or any Restricted Subsidiaries to officers and directors as remuneration either in kind or in equity holdings pursuant to any Stock Option Plan up to an amount not exceeding U.S.$5 million per annum;

(9) Any payment made by the Issuer to its shareholders arising from the exercise of appraisal rights (*direito de recesso*) by such shareholders in connection with the merger of CP Cimento e Participações S.A. into the Issuer approved by the shareholders of the Issuer on March 21, 2011; or

(10) Restricted Payments in aggregate amount not to exceed U.S.$10.0 million;

provided that, in the case of clauses (2), (5), (6), (8), (9) and (10) no Default or Event of Default has occurred and is continuing or would occur as a result thereof.

(c) In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date in paragraph (a)(3) above, only amounts expended pursuant to clauses (1), (6), (7), (8) and (10) of paragraph (b) will be included in such calculation.

Ranking

The Issuer will ensure that its obligations under the indenture and the notes will at all times constitute direct and unconditional obligations of the Issuer, ranking at all times at least *pari passu* in priority of payment among themselves and with all other Debt of the Issuer, except to the extent any such other Debt ranks above such obligations by reason of Liens permitted under the covenant described under "—Limitation on Liens."

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur or permit to exist any Lien securing the payment of Debt on any of its properties or assets, whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes, prior to) the obligations so secured for so long as such obligations are so secured.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Property unless the Issuer or such Restricted Subsidiary would be entitled to:

(A) Incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to the covenant described under the heading "—Limitation on Debt and Disqualified Stock," and

(B) create a Lien on such Property or asset securing such Attributable Debt without equally and ratably securing the notes pursuant to the covenant described under the heading "—Limitation on Liens,"

in which case, the corresponding Debt and Lien will be deemed incurred pursuant to those provisions.

Limitation on Designation of Unrestricted Subsidiaries

The Issuer may designate after the Issue Date any Subsidiary of the Issuer as an "Unrestricted Subsidiary" under the indenture (a "Designation") only if:

(1) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Designation;

(2) any transactions between the Issuer or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with "—Limitation on Transactions with Affiliates"; and

(3) the Issuer would be permitted to make an Investment in an Unrestricted Subsidiary at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment in an Unrestricted Subsidiary at the time of Designation) as a Restricted Payment pursuant to clause (a) of "—Limitation on Restricted Payments" in an amount (the "Designation Amount") equal to the amount of the Issuer's Investment in such Subsidiary on such date.

The Issuer may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(4) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and

(5) all Debt and Liens of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the indenture.

The Designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by a resolution of the Board of Directors of the Issuer and an Officers' Certificate delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Issuer will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on any Equity Interests of the Restricted Subsidiary owned by the Issuer or any other Restricted Subsidiary,

(2) pay any Debt or other obligation owed to the Issuer or any other Restricted Subsidiary,

(3) make loans or advances to the Issuer or any other Restricted Subsidiary, or

(4) transfer any of its property or assets to the Issuer or any other Restricted Subsidiary.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(1) existing on the Issue Date as provided for in the indenture or any other agreements in effect on the Issue Date, and any extensions, renewals, replacements or refinancings of any of the foregoing; provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(2) existing under or by reason of applicable law;

(3) existing with respect to any Person, or to the Property of any Person, at the time the Person is acquired by the Issuer or any Restricted Subsidiary, which encumbrances or restrictions: (i) are not applicable to any other Person or the Property of any other Person; and (ii) were not put in place in anticipation of such event, and any extensions, renewals, replacements or refinancings of any of the foregoing; provided the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(4) with respect to any agreement governing Debt of any Restricted Subsidiary that is permitted to be Incurred by the covenant described under the heading "—Limitation on Debt and Disqualified Stock"; provided that (i) the encumbrance or restriction is not materially disadvantageous to the holders of the notes, and (ii) the Issuer determines that on the date of the Incurrence of such Debt, that such encumbrance or restriction would not be expected to materially impair the Issuer's ability to make principal or interest payments on the notes;

(5) of the type described in clause (a)(4) arising or agreed to in the ordinary course of business (i) that restrict in a customary manner the subletting, assignment or transfer of any Property that is subject to a lease or license or (ii) by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any Property of, the Issuer or any Restricted Subsidiary;

(6) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or Property of, the Restricted Subsidiary that is permitted by the covenant described under the heading "—Limitation on Asset Sales";

(7) imposed by the standard loan documentation in connection with loans from (a) *Banco Nacional de Desenvolvimento Econômico e Social—BNDES* (including loans from *Financiadora de Estudos e Projetos— FINEP*), FINAME – *Financiamento à Fabricante-Comercialização, Banco do Nordeste do Brasil S.A.*, or BNB, SUDENE – *Superintendência do Desenvolvimento do Nordeste, Banco de Desenvolvimento de Minas Gerais—BDMG* or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer; and

(8) required pursuant to the indenture.

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer shall make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest to, but excluding, the date of purchase.

An "Offer to Purchase" must be made by written offer, which will specify the principal amount of notes subject to the offer and the purchase price. The offer must specify an expiration date (the "expiration date") not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the "purchase date") not more than five Business Days after the expiration date. The offer must include information concerning the business of the Issuer and its Subsidiaries which the Issuer in good faith believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the minimum denomination requirement and the requirement that any portion of a note tendered must be in a multiple of

U.S.$1,000 principal amount. Holders are entitled to withdraw notes tendered up to the close of business on the expiration date. On the purchase date, the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date provided that payment is made available on that date.

The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws and regulations in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Issuer is only required to offer to repurchase the notes in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, the Issuer would not be required to offer to repurchase the notes. In addition, the Issuer will not be required to make an Offer to Purchase upon a Change of Control if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Issuer and purchases all notes properly tendered and not withdrawn under the Offer to Purchase, or (2) notice of redemption for all outstanding notes has been given pursuant to the indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

Future debt of the Issuer may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the notes could cause a default under other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer. In addition, any remittance of funds outside of Brazil to noteholders or the Trustee may require the consent of the Central Bank, which may not be granted. The Issuer's ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See "Risk Factors—Risks Relating to the Notes—We may be unable to purchase the notes upon a specified change of control event, which would result in a default under the indenture governing the notes."

The phrase "all or substantially all," as used with respect to the assets of the Issuer in the definition of "Change of Control," is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Issuer has occurred in a particular instance, in which case a holder's ability to obtain the benefit of these provisions could be unclear.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holder of the notes to require that the Issuer purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the indenture relating to the Issuer's obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or amended as described in "—Amendments and Waivers."

Limitation on Asset Sales

The Issuer will not, and will not permit any Restricted Subsidiary to, make any Asset Sale unless the following conditions are met:

(1) The Asset Sale is for fair market value.

(2) At least 75% of the consideration consists of cash or Cash Equivalents received at closing. (For purposes of this clause (2), the assumption by the purchasers of Debt or other obligations (other than Subordinated Debt) of the Issuer or a Restricted Subsidiary pursuant to a customary novation agreement, and instruments or

securities received by the Issuer or any of its Restricted Subsidiaries from the purchasers that are converted into cash within 180 days of the closing shall be considered to be cash received at closing).

(3) Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used:

(A) to permanently repay Debt other than Subordinated Debt of the Issuer or any Restricted Subsidiary (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a Person other than the Issuer or any Restricted Subsidiary, or

(B) to acquire (or within such 365-day period, the Board of Directors shall have made a good faith determination to acquire, which acquisition shall be consummated prior to the second anniversary of such Asset Sale) (i) Productive Assets or (ii) all or substantially all of the assets of a Permitted Business, or a majority of the Voting Stock of another Person that thereupon becomes a Restricted Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business.

(4) Notwithstanding clauses (2) and (3) above, the Issuer and its Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with such clauses to the extent at least 75% of the consideration for such Asset Sale constitutes Productive Assets, cash, Cash Equivalents and/or Marketable Securities; provided that any consideration not constituting Productive Assets received by the Issuer or any Restricted Subsidiary in connection with any Asset Sale permitted to be consummated under this clause shall be applied (in the case of cash, Cash Equivalents and Marketable Securities within 365 days after the receipt thereof) in accordance with the provisions of clause (3) above.

(5) Notwithstanding clause (2) above, the Issuer and its Restricted Subsidiaries will be permitted to consummate an Asset Sale of any assets or *real* property at the Issuer's Mogi das Cruzes or Volta Redonda plants without complying with such clause to the extent the proceeds received in any Asset Sale are not in the form of cash or Cash Equivalents; provided that at the time such non-cash or non-Cash Equivalent proceeds are converted into cash or Cash Equivalents, the Issuer or any Restricted Subsidiary will apply such cash or Cash Equivalents in accordance with the provisions of clause (3) above.

(6) The Net Cash Proceeds of an Asset Sale not applied (or determined by the Board of Directors to be applied) pursuant to clause (3) within 365 days of the Asset Sale constitute "Excess Proceeds." Excess Proceeds of less than U.S.$30 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds such amount, the Issuer must, within 30 days, make an Offer to Purchase notes having a principal amount equal to:

(A) accumulated Excess Proceeds, multiplied by

(B) a fraction (x) the numerator of which is equal to the outstanding principal amount of the notes and (y) the denominator of which is equal to the outstanding principal amount of the notes and all *pari passu* Debt similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest U.S.$1,000.

The purchase price for the notes will be 100% of the principal amount plus accrued and unpaid interest to, but excluding, the date of purchase. If the Offer to Purchase is for less than all of the outstanding notes and notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer will purchase notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only notes in multiples of U.S.$1,000 principal amount will be purchased, provided that after a purchase from a holder in part, such holder shall hold U.S.$2,000 in principal amount of notes or a multiple of U.S.$1,000 in excess thereof. Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero.

Pending application in accordance with this covenant, Net Cash Proceeds may be applied to temporarily reduce revolving credit borrowings, if any, or invested in Cash Equivalents. The fair market value for any Asset Sale with consideration at or below U.S.$10.0 million will be determined by an Officer of the Issuer, whose determination will be conclusive and evidenced by an Officers' Certificate, and with consideration above U.S.$10.0 million, as determined by the Board of Directors of the Issuer, whose determination shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized standing.

Limitation on Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service with any Affiliate of the Issuer (a "Related Party Transaction"), except upon fair and reasonable terms no less favorable to the Issuer or the Restricted Subsidiary than could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer.

(a) In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of U.S.$5.0 million (or the equivalent thereof at the time of determination), the Issuer must first deliver to the Trustee an Officers' Certificate to the effect that such transaction or series of related transactions are on fair and reasonable terms no less favorable to the Issuer or such Restricted Subsidiary than could be obtained in a comparable arm's-length transaction and is otherwise compliant with the terms of the Indenture.

(b) In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of U.S.$15.0 million (or the equivalent thereof at the time of determination), the Issuer must first deliver to the Trustee an opinion or resolution of the majority of independent directors of the Board of Directors that such transaction or series of related transactions are on fair and reasonable terms no less favorable to the Issuer or such Restricted Subsidiary than could be obtained in a comparable arm's-length transaction.

(c) In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of U.S.$25.0 million (or the equivalent thereof at the time of determination), the Issuer must first deliver to the Trustee an opinion issued by an investment banking firm of recognized standing that such transaction or series of related transactions are on fair and reasonable terms no less favorable to the Issuer or such Restricted Subsidiary than could be obtained in a comparable arm's-length transaction.

(d) The foregoing paragraphs do not apply to:

(1) any transaction between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(2) Permitted Investments and any Restricted Payments that do not violate the provisions under the caption "—Limitation on Restricted Payments";

(3) transactions pursuant to agreements in effect on the Issue Date and described in the offering memorandum, as amended, modified or replaced from time to time so long as the amended, modified or new agreements, taken as a whole, are no less favorable to the Issuer and its Restricted Subsidiaries than those in effect on the date of the indenture;

(4) any Sale Leaseback Transaction otherwise permitted under the caption "—Limitation on sale and Leaseback Transactions" if such transaction is on market terms; and

(5) any merger between the Issuer and Cimento Santo Estevão e Participações S.A. (or any subsidiary of or successor to Cimento Santo Estevão e Participações S.A.) that is in compliance with the covenant under "Consolidation, Merger or Sale of Substantially All Assets."

Financial Reports

The Issuer, shall provide to the Trustee and, upon request, the holders of the notes:

(1) an English language version of its annual audited consolidated financial statements (including the notes thereto and a report thereon by the Issuer's certified independent accountants) in a form substantially similar to the financial statements included in this offering memorandum, prepared in accordance with Brazilian GAAP,

promptly upon such financial statements becoming available but no later than 120 days after the close of its fiscal year; and

(2) an English language version of its unaudited quarterly financial statements (including the notes thereto and a review report thereon by the Issuer's certified independent accountants) prepared in accordance with Brazilian GAAP, promptly upon such financial statements becoming available but no later than 60 days after the close of each of the first three fiscal quarters of each fiscal year.

So long as the notes are outstanding, the Issuer will make available the information specified in the preceding paragraphs at the specified office of each paying agent for the notes.

In addition, the Issuer will furnish to the holders of the notes and to prospective investors, upon request of such holders or investors, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely tradable under the Securities Act.

Delivery of such reports and information to the Trustee is for informational purposes only and the Trustee's receipt thereof will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its respective covenants under the indenture (as to which the Trustee is entitled to rely conclusively on Officers Certificates).

Reports to Trustee

The Issuer will deliver to the Trustee:

(1) within 120 days after the end of each fiscal year (or 180 days if the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act) an Officers' Certificate stating that the Issuer has fulfilled its obligations under the indenture or, if there has been a Default, specifying the Default and its nature and status; and

(2) as soon as possible and in any event within 10 days after it becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Issuer proposes to take with respect thereto.

Consolidation, Merger or Sale of Substantially All Assets

(a) The Issuer will not, in a single transaction or a series of related transactions:

- consolidate with or merge with or into any Person, or
- sell, convey, transfer, assign, or otherwise dispose of all or substantially all of its assets (determined on a consolidated basis for the Issuer and its Restricted Subsidiaries) as an entirety or substantially an entirety, in one transaction or a series of related transactions, to any Person or
- permit any Person to merge with or into the Issuer; unless

(1) either: (x) the Issuer is the continuing Person; or (y) the resulting, surviving or transferee Person (the "Successor Company") is a corporation organized and validly existing under the laws of the Federative Republic of Brazil or any political subdivision thereof, the United States of America or any state thereof or the District of Columbia or any other country member of the Organization for Economic Co-operation and Development (OECD) and expressly assumes by supplemental indenture, executed and delivered to the Trustee, in form as set forth in the indenture or as otherwise satisfactory to the Trustee, all of the obligations of the Issuer under the indenture and the guarantee;

(2) immediately after giving effect to the transaction, no Default or Event of Default has occurred and is continuing;

(3) immediately after giving effect to the transaction on a pro forma basis, the Issuer or the Successor Company (i) could Incur at least U.S.$1.00 of Debt under the covenant described in the first paragraph under the caption "—Limitation on Debt and Disqualified Stock" or (ii) would have a Net Debt to EBITDA Ratio less than or equal to the Issuer immediately prior to such transaction; and

(4) the Issuer, or the Successor Company, as the case may be, delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the indenture;

provided, that clauses (2) and (3) do not apply to the consolidation or merger of the Issuer with or into a Restricted Subsidiary or the consolidation or merger of a Restricted Subsidiary with or into the Issuer.

(b) The Issuer shall not lease all or substantially all of its assets, whether in one transaction or a series of transactions, to one or more other Persons, except to the extent permitted under "—Limitation on Sale and Leaseback Transactions."

(c) Upon the consummation of any transaction effected in accordance with these provisions, if the Issuer is not the continuing Person, the Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the indenture and the notes with the same effect as if such successor Person had been named as the Issuer in the indenture. Upon such substitution, unless the successor is one or more of the Issuer's Restricted Subsidiaries, the Issuer will be released from its obligations under the indenture.

Maintenance of Properties

The Issuer will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Issuer may be necessary so that the business of the Issuer and its Restricted Subsidiaries may be properly and advantageously conducted at all times; provided that nothing shall prevent the Issuer or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Issuer, desirable in the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole.

Other Covenants

In addition, the indenture will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding the performance of the Issuer's obligations under the notes, the maintenance of the Issuer's corporate existence, the compliance with applicable laws, maintenance of the Issuer's and any Significant Subsidiary's governmental approvals, the Issuer's and any Significant Subsidiary's payment of taxes and other claims, the appointment of the Trustee, the maintenance of insurance, the maintenance of the Issuer's and any Significant Subsidiaries books and records, the maintenance of an office or agency in the State of New York, notices of certain events, further actions and the use of proceeds.

Covenant Suspension

From and during any time that:

(a) the notes have an Investment Grade rating from any two Rating Agencies, and

(b) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (a) and (b) being collectively referred to as a "Covenant Suspension Event"), the Issuer and its Restricted Subsidiaries will not be subject to the following provisions of the indenture:

(1) "—Limitation on Debt and Disqualified Stock";

(2) "—Limitation on Restricted Payments";

(3) "—Limitation on Asset Sales";

(4) clause (3) of the first paragraph of "—Consolidation, Merger or Sale of Substantially All Assets"; and

(5) "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries."

Clauses (1) through (5) above are referred to collectively as the "Suspended Covenants".

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date"), the notes cease to have an Investment Grade Rating from any two Rating Agencies, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Debt incurred during the Suspension Period will be classified to have been incurred pursuant to paragraph (a) of "—Limitation on Debt and Disqualified Stock" or one of the clauses set forth in paragraphs (1) through (12) of paragraph (b) of "—Limitation on Debt and Disqualified Stock" (to the extent such Debt would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to the Debt incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Debt would not be permitted to be incurred pursuant to "—Limitation on Debt and Disqualified Stock," such Debt will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (7) of paragraph (b) of "—Limitation on Debt and Disqualified Stock."

The Issuer will give the Trustee prompt written notification upon the occurrence of a covenant suspension or any Reversion Date.

Default and Remedies

Events of Default

An "Event of Default" occurs if:

(1) the Issuer defaults in the payment of the principal or any related Additional Amounts, if any, of any note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise;

(2) the Issuer defaults in the payment of interest or any related Additional Amounts, if any, on any note when the same becomes due and payable, and the default continues for a period of 30 days;

(3) the Issuer fails to comply with the covenant described under the caption "—Certain Covenants—Consolidation, Merger or Sale of Substantially All Assets";

(4) the Issuer defaults in the performance of or breaches any other of its covenants or agreements in the indenture or under the notes and the default or breach continues for a period of 45 consecutive days after written notice to the Issuer by the Trustee acting at the direction of holders of 25% or more in aggregate principal amount of the notes, or to the Issuer and the Trustee by the holders of 25% or more in aggregate principal amount of the notes;

(5) there occurs with respect to any Debt of the Issuer or any of its Restricted Subsidiaries having an outstanding principal amount of U.S.$10.0 million (or the equivalent thereof at the time of determination) or more in the aggregate for all such Debt of all such Persons (i) an event of default that results in such Debt being due and payable prior to its scheduled maturity; provided, however, that any acceleration of the Issuer's outstanding Debt as a result of the Restructuring will not be an event default pursuant to this clause 5(i) provided such Debt is paid in full within 15 days of a notice of acceleration being received by the Issuer or (ii) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(6) one or more final and non-appealable judgments (*res judicata*) or orders for the payment of money are rendered against the Issuer or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 45 consecutive days following entry of the final and non-appealable judgment or order that causes the aggregate amount for all such final and non-appealable judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.$10.0 million or the equivalent thereof at the time of determination (in excess of amounts which the Issuer's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Issuer or any of its Significant Subsidiaries with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, judicial administrator (*administrador judicial*), liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or a final order for relief is entered against the Issuer or such Restricted Subsidiaries under relevant bankruptcy laws as now or hereafter in effect;

(8) the Issuer or any of its Significant Subsidiaries (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, *recuperação judicial ou extrajudicial* or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *administrador judicial*, liquidator, assignee, custodian, trustee, or similar official of the Issuer or any such Restricted Subsidiaries or for all or substantially all of the Property of the Issuer or any such Restricted Subsidiaries or (iii) effects any general assignment for the benefit of creditors (an event of default specified in clause (7) or (8) a "bankruptcy default");

(9) any event occurs that under the laws of Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (7) or (8);

(10) the Issuer denies or disaffirms its obligations under the indenture or the notes; or

(11) all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Significant Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or the Issuer or any of its Significant Subsidiaries is prevented by any such Person for a period of 60 consecutive days or longer from exercising normal control over all or substantially all of its undertaking, assets and revenues.

Consequences of an Event of Default

If an Event of Default, other than a bankruptcy default with respect to the Issuer or any of its Significant Subsidiaries, occurs and is continuing under the indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to the Issuer (and to the Trustee if the notice is given by the holders), may, and the Trustee at the request of such holders shall, declare the unpaid principal of and accrued interest on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default occurs, the unpaid principal of and accrued interest on the notes then outstanding will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder. In this case, the Issuer will be required, and will agree in the indenture, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Brazil.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Except as otherwise provided in "—Consequences of an Event of Default" or "—Amendments and Waivers— Amendments with Consent of Holders" the holders of a majority in principal amount of the outstanding notes may, by notice to the Trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The holders of a majority in principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the indenture or the notes, or for the appointment of a receiver or trustee, or for any other remedy under the indenture or the notes, unless:

(1) the holder has previously given to the Trustee written notice of a continuing Event of Default;

(2) holders of at least 25% in aggregate principal amount of outstanding notes have made written request to the Trustee to institute proceedings in respect of the Event of Default in its own name as Trustee under the indenture;

(3) holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liabilities or expenses to be incurred in compliance with such request;

(4) the Trustee within 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding notes have not given the Trustee a direction that is inconsistent with such written request.

Notwithstanding anything to the contrary, the right of a holder of a note to receive payment of principal of or interest on its note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such dates, may not be impaired or affected without the consent of that holder.

If any Event of Default occurs and is continuing and is known to a responsible officer of the Trustee, the Trustee will send notice of the Event of Default to each holder within 90 days after it occurs, unless the Event of Default has been cured; provided that, except in the case of a default in the payment of the principal of or interest on any note, the Trustee may withhold the notice if and so long as a trust committee of trust officers of the Trustee in good faith determines that withholding the notice is in the interest of the holders.

No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer, as such, will have any liability for any obligations of the Issuer under the notes or the indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. This waiver may not be effective to waive liabilities under U.S. securities laws or under the Brazilian Corporate Law, and it is the view of the U.S. Securities and Exchange Commission that such a waiver is against public policy.

Amendments and Waivers

Amendments Without Consent of Holders. The Issuer and the Trustee may amend or supplement the indenture or the notes without notice to or the consent of any noteholder:

(1) to cure any ambiguity, defect or inconsistency in the indenture or the notes;

(2) to comply with the covenant described under the caption "—Certain Covenants—Consolidation, Merger or Sale of Substantially All Assets";

(3) to evidence and provide for the acceptance of an appointment by a successor trustee;

(4) to provide for uncertificated notes in addition to or in place of certificated notes;

(5) to provide for any guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the indenture;

(6) to provide for or confirm the issuance of additional notes; or

(7) to make any other change that does not materially, adversely affect the rights of any holder or to conform the indenture to this "Description of Notes."

Amendments With Consent of Holders. (a) Except as otherwise provided in "—Default and Remedies—Consequences of an Event of Default" or paragraph (b), the Issuer and the Trustee may amend the indenture and the notes with the written consent of the holders of a majority in principal amount of the outstanding notes and the holders of a majority in principal amount of the outstanding notes may waive future compliance by the Issuer with any provision of the indenture or the notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each holder affected, an amendment or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of or change the Stated Maturity of any installment of principal of any note;

(2) reduce the rate of or change the Stated Maturity of any interest payment on any note;

(3) reduce the amount payable upon the redemption of any note in respect of an optional redemption, the times at which any note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed;

(4) after the time an Offer to Purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder;

(5) make any note payable in currency or at any place other than that stated in the note;

(6) impair the right of any holder of notes to receive any principal payment or interest payment on such holder's notes, on or after the Stated Maturity thereof, or to institute suit for the enforcement of any such payment;

(7) make any change in the percentage of the principal amount of the notes required for amendments or waivers; or

(8) modify or change any provision of the indenture affecting the ranking of the notes in a manner adverse to the holders of the notes.

In the event that consent is obtained from some of the holders but not from all of the holders with respect to any of the amendments or modifications in paragraph (b) above, new notes with such modifications will be issued to those consenting holders. Such new notes shall have separate CUSIP numbers and ISINs from those notes held by the non-consenting holders.

It is not necessary for holders of the notes to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

The Luxembourg Stock Exchange will be notified of any amendment regardless of whether noteholders' approval is required.

Neither the Issuer nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid or agreed to be paid to all holders of the notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) (a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all notes that have not been delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of a redemption by the Trustee, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee as funds in trust solely for the benefit of the holders, U.S. dollars or U.S. Government Obligations, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and will continue after the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(3) the Issuer or any Restricted Subsidiary has paid or caused to be paid all other sums payable by it under the indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Defeasance

The Issuer may elect to:

(1) discharge most of its obligations in respect of the notes and the indenture, not including obligations related to the defeasance trust or to the replacement of notes or its obligations to the Trustee ("legal defeasance") or

(2) discharge its obligations under most of the covenants and under clauses (3) and (4) of the covenant described under the caption "—Certain Covenants—Consolidation, Merger and Sale of Assets" (and the events listed in clauses (4), (5), (6), (9) and (11) under "—Default and Remedies—Events of Default" will no longer constitute Events of Default) ("covenant defeasance")

by irrevocably depositing in trust with the Trustee U.S. dollars or U.S. Government Obligations sufficient to pay principal of and interest on the notes to maturity or redemption and by meeting certain other conditions, including delivery to the Trustee of either a ruling received from the Internal Revenue Service or an Opinion of

Counsel to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case. In the case of legal defeasance, such an opinion could not be given absent a change of law after the date of the indenture. In addition, in the case of any legal defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel in each of the Federative Republic of Brazil, any other jurisdiction in which the Issuer is organized or is resident for tax purposes, and any other jurisdiction in which the Issuer is conducting business in a manner which causes the holders of the notes to be liable for taxes on payments under the notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, to the effect that holders of the applicable notes will not recognize income, gain or loss in the relevant jurisdiction (as applicable) as a result of such deposit and defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) (as applicable) on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of any legal defeasance, the defeasance would in each case be effective when 90 days have passed since the date of the deposit in trust.

Concerning the Trustee

The Bank of New York Mellon is the Trustee under the indenture, with its corporate office at 101 Barclay Street, Floor 7 East, New York, New York 10286, United States of America.

Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives security and indemnity satisfactory to it against any loss, liability or expense.

The holders may have access to the indenture at the corporate trust office of the Trustee.

Replacement of Trustee

The Trustee may resign at any time by written notice to the Issuer.

The holders of a majority in principal amount of the outstanding notes may remove the Trustee by written notice to the Trustee.

If the Trustee is no longer eligible pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), any holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee.

The Issuer shall remove the Trustee if: (i) the Trustee is no longer eligible pursuant to the Trust Indenture Act; (ii) the Trustee is adjudged a bankrupt or an insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of acting. In addition, the Issuer may remove the Trustee at any time for any reason to the extent the Issuer has given the Trustee at least 30 days' written notice and as long as no Default or Event of Default has occurred and is continuing.

A resignation or removal of the Trustee and appointment of a successor trustee will become effective only upon the successor trustee's acceptance of appointment as provided in this Section.

If the Trustee has been removed by the holders, holders of a majority in principal amount of the notes may appoint a successor trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer will promptly appoint a successor trustee, provided, however, that in case of a bankruptcy, the resigning Trustee will have the right to appoint a successor trustee within 10 Business Days after giving of such notice of resignation if the Issuer has not already appointed a successor trustee. If the successor trustee does not deliver its written acceptance within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the holders of a majority in principal amount of the outstanding notes may appoint a successor trustee or may petition any court of competent jurisdiction for the appointment of a successor trustee.

Upon delivery by the successor trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee will, upon payment of its charges, transfer all property held by it as Trustee to the successor trustee, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor trustee will have all the rights, powers and duties of the Trustee under the indenture. Upon request of any successor trustee, the Issuer will execute any and all instruments for fully vesting in and confirming to the successor trustee all such rights, powers and trusts. The Issuer will give notice of any resignation and any removal of the Trustee and each appointment of a successor trustee to all holders, and include in the notice the name of the successor trustee and the address of its corporate trust office.

Paying Agent

The Trustee will initially act as the paying agent for the notes. The Bank of New York Mellon (Luxembourg) S.A. will initially act as the Luxembourg paying agent and transfer agent. The Issuer may appoint other paying agents in addition to the paying agent and Luxembourg paying agent.

Transfer and Exchange

The Trustee will initially act as the transfer agent and registrar for the notes. A holder may transfer or exchange notes at the office designated by the Issuer for such purposes, which initially will be the corporate trust office of the Trustee in New York, New York. The registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents in the form provided and as specified in the indenture. See "Book Entry, Delivery and Form" for a description of additional transfer restrictions applicable to the notes. Upon any change in the registrar, the Issuer will publish a notice in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

No service charge will be imposed in connection with any transfer or exchange of any note, but the Issuer may in general require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

Listing

In the event that the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Issuer will use its commercially reasonable efforts to maintain such listing; provided, that if such listing of the notes shall be obtained and it subsequently becomes impracticable or unduly burdensome, in the good faith determination of the Issuer, to maintain, due to changes in listing requirements occurring subsequent to the Issue Date, the Issuer may de-list the notes from the Luxembourg Stock Exchange; and, in the event of any such de-listing, the Issuer shall use commercially reasonable efforts to obtain an alternative admission to listing, trading and/or quotation of the notes by another listing authority, exchange or system within or outside the European Union as it may reasonably decide, provided, that if such alternative admission is not available or is, in the Issuer's reasonable opinion, unduly burdensome, the Issuer shall have no further obligation in respect of any listing of the notes.

Notices

As long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If the Issuer issues notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the register maintained by the registrar, and will be deemed given when mailed. For so long as any notes are listed on the Luxembourg Stock Exchange and in accordance with the rules and regulations of the Luxembourg Stock Exchange, the Issuer will publish all notices to holders on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law

The indenture and the notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction

Each of the parties to the Indenture will irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in the City of New York in respect of any suit, action or proceeding arising out of or relating to the Indenture or any note. Each of the parties to the Indenture will irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts, has been brought in an inconvenient forum and any right to which it may be entitled on account of place of residence or domicile. To the extent that the Issuer has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Issuer has irrevocably waived such immunity in respect of (i) its obligations under the Indenture and (ii) any note. Each of the parties to the Indenture will agree that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on them and may be enforced in any court to the jurisdiction of which each of them is subject by a suit upon such judgment, provided, that service of process is effected upon the Issuer in the manner specified in the following paragraph or as otherwise permitted by law.

As long as any of the notes remain outstanding, the Issuer will at all times have an authorized agent in the City of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to the Indenture or any note. Service of process upon such agent and written notice of such service mailed or delivered to the Issuer shall to the extent permitted by law be deemed in every respect effective service of process upon the Issuer in any such legal action or proceeding. The Issuer will appoint CT Corporation System as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 111 Eighth Avenue, 13th Floor, New York, New York 10011, United States (or at such other address or at the office of such other authorized agent as the Issuer may designate by written notice to the Trustee).

Judgment Currency

U.S. dollars are the sole currency of account and payment for all sums due and payable by the Issuer under the Indenture and the notes. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, the Issuer will agree, to the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures a Person could purchase U.S. dollars with such other currency in New York, New York, on the Business Day immediately preceding the day on which final judgment is given.

The obligation of the Issuer in respect of any sum due to any noteholder or the Trustee in U.S. dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than U.S. dollars, be discharged only to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency such noteholder or Trustee may in accordance with normal banking procedures purchase U.S. dollars in the amount originally due to such Person with the judgment currency. If the amount of U.S. dollars so purchased is less than the sum originally due to such Person, the Issuer agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against the resulting loss; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such Person, such Person will, by accepting a note, be deemed to have agreed to repay such excess.

Certain Definitions

"Acquired Debt" means Debt of a Person existing at the time the Person was acquired by the Issuer or the Person merges with or into or becomes a Restricted Subsidiary and not Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary of, or was otherwise acquired by, the Company.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with") with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Asset Sale" means any sale, lease, transfer or other disposition (whether in a single transaction or a series of related transactions) of any assets by the Issuer or any Restricted Subsidiary, including by means of a merger, consolidation or similar transaction or a Sale and Leaseback Transaction and including any sale or issuance of the Equity Interests of any Restricted Subsidiary (each of the above referred to as a "disposition"), provided that the following are not included in the definition of "Asset Sale":

(1) a disposition to the Issuer or a Restricted Subsidiary, including the sale or issuance by the Issuer or any Restricted Subsidiary of any Equity Interests of any Restricted Subsidiary to the Issuer or any Restricted Subsidiary;

(2) the sale, lease, transfer or other disposition by the Issuer or any Restricted Subsidiary in the ordinary course of business of (i) cash, Cash Equivalents and Marketable Securities, (ii) inventory, (iii) damaged, worn out or obsolete equipment or other assets, or (iv) rights granted to others pursuant to leases or licenses;

(3) the lease of assets by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(4) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(5) a transaction covered by the covenant described under the caption "—Certain Covenants—Consolidation, Merger or Sale of Substantially All Assets";

(6) a Restricted Payment permitted under the covenant described under the caption "—Certain Covenants—Limitation on Restricted Payments";

(7) a Sale and Leaseback Transaction otherwise permitted under "—Limitation on Sale and Leaseback Transactions";

(8) any issuance of Disqualified Stock otherwise permitted under "—Limitation on Debt and Disqualified Stock";

(9) the creation of a Lien not prohibited by the indenture (but not the sale or disposition of the property subject to such Lien);

(10) any surrender or waiver of contract rights pursuant to a settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(11) any disposition or a series of related dispositions of assets with an aggregate fair market value of less than U.S.$5 million (or the equivalent thereof at the time of determination).

"Attributable Debt" means, in respect of a Sale and Leaseback Transaction the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (x) the number of years from the date of determination to the dates of each successive scheduled principal payment of such Debt and (y) the amount of such principal payment by (ii) the sum of all such principal payments.

"Board of Directors" means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

"Brazil" means The Federative Republic of Brazil and any branch of power, ministry, department, authority or statutory corporation or other entity (including a trust) owned or controlled directly or indirectly by it or any of the foregoing or created by law as a public entity.

"Brazilian GAAP" means accounting practices adopted in Brazil, which are based on the Brazilian Corporate Law No. 6404, as amended, the rules and regulations of the Brazilian Securities Commission and the accounting standards issued by the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*, CFC) and the Brazilian Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis*) (whether or not the Issuer or any of its Subsidiaries or Affiliates is otherwise subject to such rules) as in effect from time to time.

"Business Day" means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in the City of New York or São Paulo.

"Capital Lease" means, with respect to any Person, any lease of any Property which, in conformity with Brazilian GAAP, is required to be capitalized on the balance sheet of such Person.

"Capital Stock" means, with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person's equity, including any Preferred Stock, entitling the holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

"Cash Equivalents" means:

(1) Brazilian *reais*, United States dollars, or money in other currencies received in the ordinary course of business that are readily convertible into United States dollars;

(2) any evidence of Debt with a maturity of one year or less issued or directly and fully guaranteed or insured by the Federative Republic of Brazil or the United States of America or any agency or instrumentality thereof, provided that the full faith and credit of the Federative Republic of Brazil or the United States of America is pledged in support thereof;

(3) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers' acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with (A) any bank or trust company organized or licensed under the laws of the Federative Republic of Brazil or any political subdivision thereof having capital, surplus and undivided profits in excess of U.S.$500.0 million whose long-term debt is rated equal to or higher than that of the Federal Republic of Brazil or (B) any bank or trust company organized or licensed under the laws of the United States or any state thereof having capital surplus and undivided profits in excess of U.S$500.0 million whose long-term debt is rated "AA-" (or such similar equivalent rating) or higher, in each case by at least one nationally recognized statistical rating organization (as defined under Rule 436 of the Securities Act);

(4) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (2) and (4) above entered into with any financial institution meeting the qualifications specified in clause (4) above;

(5) commercial paper rated at least P-1 by Moody's or A-1 by S&P or commercial paper of an issuer whose long-term debt is rated equal to or better than the long-term debt rating of the Federal Republic of Brazil, and in each case maturing no later than one year after the date of acquisition; and

(6) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (1) through (6) above.

"Central Bank" means the Brazilian Central Bank (*Banco Central do Brasil*).

"Change of Control" means (i) the Permitted Holders cease to own, in the aggregate, directly or indirectly, securities representing more than 50.0% of the aggregate voting rights in the Issuer and another holder or group of related holders (as defined in the Exchange Act) owns more voting rights than the Permitted Holders or (ii) the first day on which the Permitted Holders, together with any Person with whom the Permitted Holders share control over the Issuer pursuant to a written contractual agreement, shall not have the power to elect, or shall not have elected a majority of the Board of Directors of the Issuer.

"Consolidated Gross Revenues" means the total gross sales or revenue of the Issuer and its Restricted Subsidiaries on a consolidated basis (or unconsolidated basis until such time as the Issuer prepares consolidated financial statements) for the most recent twelve month period; all calculated (i) based on the consolidated (or unconsolidated, as applicable) income statements of the Issuer for the fiscal quarter most recently ended for which internal financial statements are available, (ii) in accordance with Brazilian GAAP and (iii) on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Issuer and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"Consolidated Net Income" means, for any period, the aggregate net income (or loss) of the Issuer and its Restricted Subsidiaries for such period determined on a consolidated basis (or unconsolidated basis until such time as the Issuer prepares consolidated financial statements) in conformity with Brazilian GAAP; provided, however, that there shall not be included in such Consolidated Net Income:

(1) any net income of any Person if such Person is not a Restricted Subsidiary;

(2) any gain (but not loss) realized upon the sale or other disposition of any asset of any Restricted Subsidiary (including pursuant to any Sale and Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (but not loss) realized upon the sale or other disposition by any Restricted Subsidiary of any Capital Stock of any person;

(3) any extraordinary or otherwise nonrecurring gain or loss;

(4) any gain or loss related to currency fluctuation; and

(5) the cumulative effect of a change in accounting principles.

"Consolidated Net Tangible Assets" means the total amount of assets of the Issuer and its Restricted Subsidiaries on a consolidated basis (or unconsolidated basis until such time as the Issuer prepares consolidated financial statements), less current liabilities, less depreciation, amortization and depletion, less goodwill, trade names, trademarks, patents and other intangibles, calculated based on the most recent balance sheet for which internal financial statements are available; all calculated in accordance with Brazilian GAAP and calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Issuer and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"Continuing Director" means, as of any date of determination, any member of the board of directors of the Issuer who:

(1) was a member of such board of directors on the date of the indenture; or

(2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election; provided, that, to the extent that the board of directors does not customarily approve the nomination or election of new members to the board of directors, such approval shall be presumed to have been given absent clear evidence to the contrary.

"Debt" means, with respect to any Person, without duplication,

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers' acceptances issued in respect of trade accounts payables to the extent not drawn upon or presented, or, if drawn upon or presented, to the extent the resulting obligation of the Person is paid within 10 Business Days;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, all conditional sale obligations and all obligations of such Person under any title retention agreement, excluding trade payables arising in the ordinary course of business;

(5) all obligations of such Person as lessee under Capital Leases;

(6) all Debt of other Persons guaranteed by such Person to the extent so guaranteed;

(7) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and

(8) all obligations of such Person under Hedging Agreements;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person.

The amount of Debt of any Person will be deemed to be:

(A) with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation;

(B) with respect to Debt secured by a Lien on an asset of such Person but not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached and (y) the amount of such Debt;

(C) with respect to any Debt issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt;

(D) with respect to any Hedging Agreement, the net amount payable if such Hedging Agreement terminated at that time due to default by such Person; and

(E) otherwise, the outstanding principal amount thereof.

The principal amount of any Debt or other obligation that is denominated in any currency other than United States dollars (after giving effect to any Hedging Agreement in respect thereof) shall be the amount thereof, as determined pursuant to the foregoing sentence, converted into United States dollars at the Spot Rate in effect on the date of determination.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Designation" and "Designation Amount" have the meanings set forth under "Certain Covenants — Limitation on Designation of Unrestricted Subsidiaries" above.

"Disqualified Equity Interests" means Equity Interests that by their terms or upon the happening of any event are:

(1) required to be redeemed or redeemable at the option of the holder prior to the Stated Maturity of the notes for consideration other than Qualified Equity Interests, or

(2) convertible at the option of the holder into Disqualified Equity Interests or exchangeable for Debt;

provided that Equity Interests will not constitute Disqualified Equity Interests solely because of provisions giving holders thereof the right to require repurchase or redemption upon an "asset sale" or "change of control" occurring prior to the Stated Maturity of the notes if those provisions:

(A) are no more favorable to the holders than the covenants described under the captions "—Certain Covenants—Limitation on Asset Sales" and "—Repurchase of Notes Upon a Change of Control" and

(B) specifically state that repurchase or redemption pursuant thereto will not be required prior to the Issuer's repurchase of the notes as required by the indenture.

"Disqualified Stock" means Capital Stock constituting Disqualified Equity Interests.

"EBITDA" means, for any period:

(1) consolidated net revenue for sales and services; *minus*

(2) consolidated cost of goods sold and services rendered; *minus*

(3) consolidated administrative and selling expenses; *plus*

(4) consolidated other operating income (expenses), net and non-operating income (expenses), net; *plus*

(5) any (i) depreciation, depletion or amortization and (ii) non-cash or non-recurring losses or expenses, included in any of the foregoing;

as each such item is reported on the most recent consolidated financial statements (or unconsolidated financial statements until such time as the Issuer prepares consolidated financial statements) delivered by the Issuer to the Trustee and prepared in accordance with Brazilian GAAP.

"Equity Interests" means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

"Event of Default" has the meaning given to it under "—Default and Remedies—Events of Default."

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fitch" means Fitch Ratings Inc. and its successors.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; provided that the term "Guarantee" does not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Agreement" means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

"Hedging Obligations" means the obligations of any Person pursuant to any Hedging Agreement.

"Incur" means, with respect to any Debt or Capital Stock, to incur, create, issue, assume or guarantee such Debt or Capital Stock. If any Person becomes a Restricted Subsidiary on any date after the date of the indenture, the Debt and Capital Stock of such Person outstanding on such date will be deemed to have been Incurred by such Person on such date for purposes of the covenant described under the caption "—Certain Covenants—Limitation on Debt and Disqualified Stock" but will not be considered the sale or issuance of Equity Interests for purposes of the covenants described under the captions "—Certain Covenants—Limitation on Restricted Payments" or "Limitation on Asset Sales." The accretion of original issue discount or payment of interest in kind will not be considered an Incurrence of Debt.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person, but excluding (i) any advance, loan or extension of credit to customers in the ordinary course of business and (ii) any advance, loan or extension of credit having a term not exceeding 180 days arising in connection with the sale of inventory, equipment or supplies by that Person in the ordinary course of business,

(2) any capital contribution to another Person, by means of any transfer of cash or other property or in any other form,

(3) any purchase or acquisition of Equity Interests, bonds, notes or other Debt, or other instruments or securities issued by another Person, any acquisitions of assets or substantially all the assets of a Person, including the receipt of any of the above as consideration for the disposition of assets or rendering of services, or

(4) any guarantee of any obligation of another Person.

For purposes of this definition, the term "Person" shall not include the Issuer or any Restricted Subsidiary or any Person who would become a Restricted Subsidiary as a result of any Investment. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary so that, after giving effect to that sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, all remaining Investments of the Issuer and the Restricted Subsidiaries in such Person shall be deemed to have been made at such time.

For purposes of the "—Limitation on Restricted Payments" covenant, the Issuer will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the fair market value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Debt of such Unrestricted Subsidiary owed to the Issuer or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer.

"Investment Grade" means BBB- or higher by S&P, Baa3 on higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody's or Fitch.

"Issue Date" means the date on which the Notes were originally issued under the Indenture.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or Capital Lease).

"Marketable Securities" means publicly traded debt or equity securities that are listed for trading on a national securities exchange and that were issued by a U.S. corporation with debt securities rated at least "AA-" from S&P or "Aa3" from Moody's or that were issued by a Brazilian corporation with debt securities rated equal to or higher than the long-term debt rating of the Federal Republic of Brazil.

"Minimum Legally Required Dividend" means, for any Brazilian Person and any period, an amount equal to the sum of (a) the minimum dividend required to be distributed under applicable Brazilian law by such Person to holders of its Capital Stock during such period and (b) the minimum dividend required to be distributed to holders of Preferred Stock in such Person during such period so as to avoid such holders from acquiring or maintaining any voting rights under Brazilian law.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Cash Equivalents (including (i) payments in respect of deferred payment obligations to the extent corresponding to, principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of:

(1) brokerage commissions and other fees and expenses related to such Asset Sale, including fees and expenses of counsel, accountants and investment bankers;

(2) provisions for taxes as a result of such Asset Sale taking into account the consolidated results of operations of the Issuer and its Restricted Subsidiaries;

(3) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Asset Sale that is secured by a Lien on the property or assets sold; and

(4) appropriate amounts to be provided as a reserve against liabilities associated with such Asset Sale, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Asset Sale, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash.

"Net Debt" means, as of any date of determination, the aggregate amount of Debt of the Issuer and its Restricted Subsidiaries less the sum of consolidated cash and cash equivalents and consolidated marketable securities recorded as current assets in all cases determined in accordance with Brazilian GAAP and as set forth in the most recent consolidated balance sheet of the Issuer.

"Net Debt to EBITDA Ratio" means, on any date (the "transaction date"), the ratio of:

(x) the aggregate amount of Net Debt at that time to

(y) EBITDA for the four fiscal quarters immediately prior to the transaction date for which internal financial statements are available (the "reference period").

In making the foregoing calculation,

(1) pro forma effect will be given to any Debt Incurred (and the application of proceeds thereof) during or after the reference period to the extent the Debt is outstanding or is to be Incurred on the transaction date as if the Debt had been Incurred on the first day of the reference period; and

(2) pro forma effect will be given to:

(A) the acquisition or disposition of companies, divisions or lines of businesses by the Issuer and its Restricted Subsidiaries, including any acquisition or disposition of a company, division or line of business since the beginning of the reference period by a Person that became a Restricted Subsidiary after the beginning of the reference period, and

(B) the discontinuation of any discontinued operations that have occurred since the beginning of the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period.

To the extent that pro forma effect is to be given to an acquisition or disposition of a company, division or line of business, the pro forma calculation will be (i) based upon the most recent four full fiscal quarters for which the relevant financial information is available and (ii) determined in good faith by the chief financial officer or the treasurer of the Issuer.

"Officer" means any of the chief executive officer, the chief operating officer, the chief financial officer, the chief accounting officer, the treasurer, a director, the general counsel or any vice president of the Issuer.

“Officers’ Certificate” means a certificate signed by any two Officers of the Issuer.

“Opinion of Counsel” means a written opinion of counsel, who may be an employee of or counsel for the Issuer (except as otherwise provided in the indenture).

“Permitted Business” means any of the businesses in which the Issuer and its Restricted Subsidiaries are engaged on the Issue Date, and any business reasonably related, incidental, complementary or ancillary thereto.

“Permitted Debt” has the meaning set forth under the second paragraph of “—Certain Covenants — Limitation on Debt and Disqualified Stock.”

“Permitted Holders” means each of Marie Elisabeth Koranyi M. Ribeiro and Carlos Alberto Palhano M. Ribeiro, their respective sons, daughters, sons-in-law, daughters-in-law or any of their respective heirs or any Affiliate of any of the foregoing Persons.

“Permitted Investment” means:

(1) an Investment by the Issuer or any Restricted Subsidiary in the Issuer or any Restricted Subsidiary;

(2) an Investment by the Issuer or any Restricted Subsidiary in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary or becomes a Restricted Subsidiary; provided, however, that such Person’s primary business is a Related Business;

(3) Investments in cash and cash equivalents and marketable securities as determined in accordance with Brazilian GAAP;

(4) any Investment acquired from a Person which is merged with or into the Issuer or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;

(5) stocks, obligations or securities received in settlement of (or foreclosure with respect to) debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(6) any Investment existing on, or made pursuant to written agreements existing on, the Issue Date;

(7) Hedging Obligations permitted under clause (b)(4) of the covenant described under “—Certain Covenants—Limitation on Debt and Disqualified Stock”;

(8) Investments which are made exclusively with Capital Stock of the Issuer (other than Disqualified Stock);

(9) any acquisition and holding of (a) Brazilian federal and state tax credits acquired solely to pay amounts owed by the Issuer to Brazilian tax authorities and (b) discounted obligations of any Brazilian governmental authority acquired solely to pay tax amounts owed by the Issuer to such Brazilian governmental authority;

(10) Investments made as a result of the receipt of non-cash consideration from an Asset Sale that was made in compliance with the covenant described in “—Certain Covenants—Limitation on Asset Sales”;

(11) prepayments and other credits to suppliers made in the ordinary course of business;

(12) Investments in connection with pledges, deposits, payments or performance bonds made or given in the ordinary course of business in connection with or to secure statutory, regulatory or similar obligations, including obligations under health, safety or environmental obligations;

(13) repurchases of the notes; and

(14) additional Investments by the Issuer or any of its Restricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding, not to exceed U.S.$10.0 million at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

"Permitted Liens" means:

(1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clauses (1), (2) or (3) below; provided, however, that the total amount of Debt so secured is not increased plus any premiums, fees and expenses in connection with such extension, renewal or replacement;

(2) any Lien existing on any property or assets of any Person before that Person's acquisition (in whole or in part) by, merger into or consolidation with the Issuer or any Restricted Subsidiary after the date of the indenture; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation; provided further that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(3) any Lien existing on any property or assets acquired from a Person which is merged with or into the Issuer or any Restricted Subsidiary, or any Liens on any property or assets of any Person or other entity existing at the time such Person or other entity becomes a Restricted Subsidiary and, in either case, is not created as a result of in connection with or in anticipation of any such transaction; provided that the Lien is not created to secure or provide for the payment of any part of the purchase price of such Person; provided further that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(4) any Lien for taxes, assessments, governmental charges, levies or claims which are not yet due or which are being contested in good faith by appropriate proceedings or the period within such proceedings may be initiated has not expired;

(5) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; provided that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of the Issuer or any Restricted Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(6) pledges or deposits in connection with worker's compensation laws, unemployment insurance laws or similar legislation or pursuant to any requirement of the Brazilian pensions regulator (the *Secretaria de Previdência Complementar*) or any successor to it, or good faith deposits, letters of credit and performance, surety, appeal or similar bonds in connection with bids, tenders, contracts (other than for payment of Debt) or leases to which the Issuer or any Restricted Subsidiary is a party, or deposits for the payment of rent, in each case incurred in the ordinary course of business;

(7) any Liens on the property or assets of the Issuer or any Restricted Subsidiary incurred in the ordinary course of business to secure performance of obligations with respect to performance or return-of-money bonds, surety bonds or other obligations of a like nature and incurred in a manner consistent with industry practice, in each case which are not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or assets in the operation of the business of the Issuer and the Restricted Subsidiaries, if any, taken as a whole;

(8) easements, rights of way, restrictions, minor defects or irregularities in title and other similar charges;

(9) any Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, however, that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Issuer or any Restricted Subsidiary of the Issuer in excess of those set forth by regulations promulgated by the Board of Governors of the Federal Reserve System of the United States or an equivalent Brazilian Agency and (ii) such deposit account is not intended by the Issuer or any Restricted Subsidiary of the Issuer to provide collateral to such depository institution;

(10) judgment Liens for court, administrative, governmental or arbitration proceedings not giving rise to an Event of Default so long as such Lien is bonded in accordance with applicable law and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired; Liens to borrow money to pay costs associated with the court, administrative, governmental or arbitration proceeding including the costs to defend against the proceeding and the costs to pay the judgment, whether monetary damages or specific performance;

(11) Liens on the accounts receivables held by the Issuer or any of its Restricted Subsidiaries securing the obligations of such person under any lines of credit or working capital facility; provided that the aggregate amount of receivables securing such debt shall not exceed 10% of the aggregate annual consolidated gross revenue of the Issuer;

(12) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of business;

(13) any Liens granted to secure borrowings from, directly or indirectly, (a) Banco Nacional de Desenvolvimento Econômico e Social—BNDES (including loans from *Financiadora de Estudos e Projectos—FINEP*), FINAME *– Financiamento à Fabricante-Comercialização, Banco do Nordeste do Brasil S.A.*, or BNB, SUDENE *– Superintendência do Desenvolvimento do Nordeste, Banco de Desenvolvimento de Minas Gerais—BDMG* or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank or government-sponsored agency, export-import bank or official export-import credit insurer;

(14) Liens securing Debt or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary of the Issuer permitted to be Incurred in accordance with the covenant described under "—Certain Covenants—Limitation on Debt and Disqualified Stock";

(15) any Lien securing Debt Incurred pursuant to clause (4) of the definition of "Permitted Debt; and

(16) in addition to the foregoing Liens set forth in clauses (1) through (15) above, Liens securing Debt of the Issuer or any Restricted Subsidiary (including, without limitation, guarantees of the Issuer or any Restricted Subsidiary) which do not in aggregate principal amount, at any time of determination, exceed 10% of the Issuer's Consolidated Net Tangible Assets.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Productive Assets" means assets (including capital stock or its substantial equivalent or other Investments) that are used or usable by the Issuer, any of its Restricted Subsidiaries or any joint venture in which the Issuer or any of its Restricted Subsidiaries is a party in Permitted Businesses (or in the case of capital stock or its substantial equivalent or other Investments that represent direct, or indirect (via a holding company), ownership or other interests held by the Issuer or any Restricted Subsidiary in entities engaged in Permitted Businesses) and contracts (including supply, customer and EPC contracts) that are used or usable by the Issuer, any of its Restricted Subsidiaries or any joint venture in which the Issuer or any of its Restricted Subsidiaries is a party in Permitted Businesses.

"Property" means (i) any land, buildings, machinery and other improvements and equipment located therein, (ii) any intangible assets, including, without limitation, any brand names, trademarks, copyrights and patents and similar rights and any income (licensing or otherwise), proceeds of sale or other revenues therefrom.

"Qualified Equity Interests" means all Equity Interests of a Person other than Disqualified Equity Interests.

"Qualified Stock" means all Capital Stock of a Person other than Disqualified Stock

"Rating Agency" means S&P, Fitch or Moody's; or if S&P, Fitch or Moody's is not making rating of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Issuer, which will be substituted for S&P, Fitch or Moody's, as the case may be.

"Rating Decline" means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by any Rating Agency) after the earlier of the date of public notice of a Change of Control or of the Issuer's intention or that of any Person to effect a Change of Control, (i) in the event the notes are rated by one or two Rating Agencies, either Rating Agency publicly announces that the notes cease to be rated at least B by S&P, B2 by Moody's or B by Fitch (or their respective equivalents at such time) and (ii) in the event the notes are rated by three or more Rating Agencies, at least two Rating Agencies publicly announce that the notes cease to be rated at least B by S&P, B2 by Moody's or B by Fitch (or their respective equivalents at such time); provided that any withdrawal or downgrade is in whole or in part as a result of the Change of Control.

"Related Business" means any business conducted by the Issuer and the Restricted Subsidiaries on the Issue Date and any business related, ancillary or complementary thereto.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Revocation" has the meaning set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries."

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

"Sale and Leaseback Transaction" means, with respect to any Person, an arrangement whereby such Person enters into a lease of property previously transferred by such Person to the lessor.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Significant Subsidiary" of any Person means any Restricted Subsidiary, or any group of Restricted Subsidiaries, if taken together as a single entity, that would be a "significant subsidiary" of such Person within the meaning of Rule 1-02 under Regulation S-X promulgated pursuant to the Securities Act.

"Spot Rate" means, for any currency, the spot rate at which that currency is offered for sale against United States dollars as published in *The Wall Street Journal* on the Business Day immediately preceding the date of determination or, if that rate is not available in that publication, as determined in any publicly available source of similar market data.

"Stated Maturity" means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt, not including any contingent obligation to repay, redeem or repurchase prior to the regularly scheduled date for payment.

"Subordinated Debt" means any Debt of the Issuer which is subordinated in right of payment to the notes, as applicable, pursuant to a written agreement to that effect.

"Subsidiary" means with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more Subsidiaries of such Person (or a combination thereof).

"Substituted Debtor" has the meaning set forth under "—Substitution of the Issuer."

"Trustee" means the party named as such in this Description of Notes and its successors and assigns until a successor replaces it and, thereafter, means the successor.

"U.S. Government Obligations" means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer Designated as an Unrestricted Subsidiary pursuant to "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries." Any such Designation may be revoked by a resolution of the Board of Directors of the Issuer, subject to the provisions of such covenant.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned Subsidiary" means any Restricted Subsidiary of the Issuer of which at least 95% of the outstanding Capital Stock or other ownership interests (other than directors' qualifying shares) of such entity shall at the time be owned by the Issuer or by one or more Wholly Owned Subsidiaries of the Issuer.

Book Entry, Delivery and Form

The additional notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A notes"). Additional notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S notes"). Additional notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A global notes"). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes").

The global notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the "participants") and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants"). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Issuer and the Trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer, nor the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the Trustee. Neither the Issuer nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form ("certificated notes") if:

(1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the global notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;

(2) The Issuer, at its option, notifies the Trustee in writing that it has elected to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:

(A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

(B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the Trustee through the DTC Deposit/ Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.

ERISA AND CERTAIN OTHER CONSIDERATIONS

The following discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the offering. Each prospective investor should seek advice based on such person's particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to U.S. ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA plans") and on those persons who are fiduciaries with respect to ERISA plans. Investments by ERISA plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA plan's investments be made in accordance with the documents governing the ERISA plan. The prudence of a particular investment must be determined by the responsible fiduciary of the ERISA plan by taking into account the ERISA plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors."

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, ("the Code"), prohibit certain transactions involving the assets of an ERISA plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA plans, "Plans")) and certain persons (referred to as "parties in interest" for purposes of ERISA or "disqualified persons" for purposes of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Among other possible adverse results, a party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any notes (or interests in notes) are acquired by a Plan with respect to which we or the initial purchasers or any of their respective affiliates is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. We cannot assure you that any exemption will be available with respect to any particular transaction involving the notes, or, if available, that any particular exemption will cover all possible prohibited transactions.

By its acquisition of any notes or interests in notes, the purchaser thereof, and any transferee thereof, will be deemed to have represented and agreed either that (a) it is not (and for so long as it holds the notes or interests in notes will not be), and is not acting on behalf of (and for so long as it holds any note or interest therein will not be acting on behalf of) an "employee benefit plan" as defined in and subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of such employee benefit plan's or plan's investment in the entity (any of the foregoing, a "Benefit Plan Investor"), or a governmental plan, church plan or foreign or other plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its acquisition, holding or disposition of the notes or interests in notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan or foreign or other employee benefit plan, a violation of any substantially similar U.S. federal, state, local or foreign law).

Governmental plans, foreign plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other U.S. federal, state, local or foreign laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any notes.

The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any notes or interests in notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of notes or interests in notes to a Plan is in no respect a representation by us or the initial purchasers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

TAXATION

Brazilian Tax Considerations

The following is a general summary of the Brazilian tax considerations relating to an investment in the notes by an individual, entity, trust or organization resident or domiciled outside Brazil, or a Non-Resident Holder. It is based on Brazilian tax laws, regulations, rulings and decisions as in effect on the date hereof, any of which may change at any time and are subject to different interpretations. The summary is subject to any change in Brazilian law that may come into effect after such date, and is applicable to us. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. Further, it does not describe tax considerations applicable to us as a result of payments made by us. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

Individuals domiciled in Brazil and Brazilian companies are taxed on the basis of their worldwide income which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates. The earnings of branches of foreign companies domiciled in Brazil are generally taxed in Brazil in the same manner as Brazilian companies. The earnings, capital gains, and income of foreign companies and persons not residing in Brazil are taxed in Brazil when they are derived from Brazilian sources or when the transaction giving rise to such earnings, capital gains or income involves assets located in Brazil.

Interest Payments Under the Notes

Payments of principal under the notes are not subject to withholding taxation in Brazil. Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income treated by Brazilian law as similar to interest payable by a Brazilian obligor to a Non-Resident Holder in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, are currently subject to income tax withheld at the source. The rate of withholding income tax with respect to such debt obligations is generally 15% as provided for in Section 10 of the Normative Act No. 1,455, dated of March 6, 2014, unless a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the Non-Resident Holder is resident or domiciled. According to Normative Act No. 1,455/2014, in the event that the beneficiary of such payments is domiciled in a Favorable Tax Jurisdiction (as defined below), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income treated by Brazilian law as similar to interest are also subject to withholding income tax in respect of Brazilian income tax at the general rate of 15%. However, pursuant to Law No. 9,959 of January 27, 2000, the 15% IRRF rate is applicable to beneficiaries located in Favorable Tax Jurisdictions only in relation to payments made under notes issued with an average term of at least 96 months. Accordingly, there is a risk that the tax authorities may change the understanding of Normative Act No. 1,455/2014 and apply the rate of 25% in the event that the beneficiary is domiciled in a Favorable Tax Jurisdiction.

Under the terms of the notes, we are required to gross up the payable amounts, subject to customary exceptions described in the indenture, by paying additional amounts to Non-Resident Holders of the notes so that the Non-Resident Holders of the notes receive the interest they would receive if no income tax was withheld, as described in "Description of Notes—Additional Amounts." In the event that we are required to gross up for withholding income tax in excess of a Minimum Withholding Level, we have the right to redeem the notes at par for 100% of their principal amount, plus accrued and unpaid interest up to the date fixed for redemption, as described in "Description of Notes—Redemption for Taxation Reasons."

Capital Gains

According to Article 26 of Law No. 10,833, of December 29, 2003, capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with respect to the disposition of assets located in Brazil are subject to income tax in Brazil.

Considering that the Notes are issued abroad and, therefore, may not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of such notes made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, to another non-resident would not be subject to Brazilian taxes. However, in light of the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, it is impossible to predict how Law No. 10,833 would be interpreted in the Brazilian courts. If such courts were to determine that the notes constitute assets located in Brazil, the gains recognized by a Non-Resident Holder from the sale or other disposition of the notes would be subject to withholding income tax at a rate of 15% (or 25% if such Non-Resident Holder is a resident of a Tax Favorable Jurisdiction). Potential investors should consult their own tax advisors regarding the particular consequences of the purchase, ownership and disposition of the notes.

Discussion of Tax Favorable Jurisdiction

On June 23, 2008, Law No. 11,727 created the concept of a privileged tax regime for transactions subject to transfer pricing rules and later also applicable for other particular Brazilian tax purposes, including thin capitalization/cross border interest deductibility rules. This regime is broader than the concept of a Tax Favourable Jurisdiction. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. In addition, on June 7, 2010, the Brazilian Tax Authorities enacted Normative Act No. 1,037, as amended, listing (i) the countries and jurisdictions defined as Tax Favorable Jurisdiction and (ii) the privileged tax regimes. Although we believe that the best interpretation of the current tax legislation should lead to the conclusion that the above mentioned “privileged tax regime” concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot be sure whether subsequent legislation or interpretation by the Brazilian tax authorities of the definition of a “privileged tax regime,” provided by Law No. 11,727, will also apply to a Non-Resident Holder in respect of payments made by us on the Notes to such Non-Resident Holders.

However, if the Brazilian tax authorities determine that interest payments on the Notes will be made to a recipient that will benefit from a “privileged tax regime,” such payments could be subject to Brazilian withholding tax at a rate of 25%. Potential investors should consult with their own tax advisors regarding the consequences of Law No. 11,727, Normative Act No. 1,037 and any related Brazilian tax law or regulation concerning Favorable Tax Jurisdictions and privileged tax regimes.

Tax on Foreign Exchange Transactions (IOF/Exchange Tax)

Pursuant to Decree No. 6,306, of December 14, 2007, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency is subject to the IOF/Exchange Tax. Currently, the IOF/Exchange Tax rate is 0.38% for most transfers of foreign currency into *reais*. According to Article 15-A of the Decree No. 6,306, the settlement of exchange transactions in connection with foreign financing or loans obtained by Brazilian companies, for both inflow and outflow of proceeds into and from Brazil, are subject to IOF/Exchange Tax at a zero percent rate. However, in the case of liquidation of foreign exchange transactions, agreed from June 4, 2014, in connection with the inflow of proceeds to Brazil deriving from foreign loans, including those obtained through the issuance of notes in the international market, with an average term not exceeding 180 days, the IOF/Exchange tax rate is 6% (foreign loans with an average term of more than 180 days which are partially or fully settled before this term are subject to IOF/Exchange Tax at the mentioned 6% rate, plus penalties and interest). The Brazilian Government may increase the current IOF/Exchange Tax rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Other Brazilian Taxes

Generally, there are no stamp, transfer or similar taxes in Brazil applicable to the transfer, assignment or sale of the notes outside Brazil, nor are there any inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes that may be imposed in some states of Brazil.

U.S. Federal Income Tax Considerations

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes. Except as specifically noted below, this discussion applies only to:

- notes purchased on original issuance at their "issue price," which is set out on the cover page of this offering memorandum;
- notes held as capital assets for U.S. federal income tax purposes; and
- U.S. holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances or to holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers or traders in securities or foreign currencies;
- certain U.S. expatriates;
- holders subject to the alternative minimum tax;
- persons holding notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- U.S. holders whose functional currency is not the U.S. Dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations, each as currently available, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described below, possibly retroactively. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income). Persons considering purchasing notes should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any U.S. state, local or non-U.S. taxing jurisdiction.

U.S. Holders

As used herein, the term "U.S. holder" means a beneficial owner of a note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. A partnership considering an investment in notes should consult its own tax advisors about the consequences to its partners of the acquisition, ownership and disposition of notes by the partnership.

Payments of Stated Interest

Subject to the discussion below under the caption "Pre-Issuance Accrued Interest," interest paid on a note (and additional amounts, if any) will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the holder's method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. holder with respect to a note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in determining the U.S. holder's ability to claim foreign tax credits.

For U.S. federal income tax purposes, U.S. holders will be treated as having received the amount of any Brazilian taxes withheld by the issuer and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount included in gross income for U.S. federal income tax purposes by a U.S. holder with respect to a payment of interest, plus any additional amounts with respect thereto, will be greater than the amount of cash actually received (or receivable) by the U.S. holder from the issuer with respect to the payment. Subject to certain limitations, a U.S. holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by us. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Interest received or accrued on the notes generally will constitute "passive category income." Any election to deduct foreign taxes instead of claiming foreign tax credits must apply to all applicable foreign taxes paid or accrued in the taxable year. The U.S. foreign tax credit rules are very complex. U.S. Holders should consult their advisors with respect to the application of these rules to their particular circumstances.

Pre-issuance Accrued Interest

A portion of the price paid for the additional notes will be allocable to interest that accrued prior to the date the note is purchased (the "pre-issuance accrued interest"). The issuer intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to the pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the additional note. A U.S. Holder's basis in an additional note will not include the portion of purchase price allocable to the pre-issuance accrued interest. Amounts treated as a return of pre-issuance accrued interest should not be taxable when received. U.S. holders should consult their tax advisors with regard to the tax treatment of the pre-issuance accrued interest on an additional note.

Amortizable Bond Premium

If a U.S. holder purchases an additional note for an amount that is greater than the amount payable at maturity, the U.S. holder will be considered to have purchased the note with amortizable bond premium equal in amount to the excess of the purchase price (excluding an amount equal to the pre-issuance accrued interest) over the amount payable at maturity. The U.S. holder may elect to amortize this premium, using a constant yield method, over the remaining term of the note. A U.S. holder who elects to amortize bond premium must reduce its tax basis in the note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. holder and may be revoked only with the consent of the Internal Revenue Service (the "IRS"). If a U.S. holder does not elect to amortize bond premium, that premium will decrease the gain or increase the loss such U.S. holder would otherwise recognize on the disposition of the additional note.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a note, a U.S. holder generally will recognize U.S. source capital gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a note generally will equal the acquisition cost of the note decreased by amortizable bond premium on the note and a portion representing any amount treated as pre-issuance accrued interest. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid stated interest on the note, which will be treated like a payment of interest. Gain or loss realized on the sale, exchange or retirement of a note will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. holder has held the note for more than one year. The ability to recognize capital losses is subject to limitations.

Gain realized by a U.S. holder on the sale, exchange or retirement of a note generally will be treated as U.S. source income. Consequently, if a Brazilian tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign-source income of the appropriate type in respect of which the credit may be used. The U.S. foreign tax credit rules are very complex. U.S. holders should consult their advisors with respect to the application of these rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the notes and the proceeds from a sale or other disposition of the notes. A U.S. holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

U.S. holders should consult their tax advisors regarding any reporting or filing obligations that may arise as a result of their acquiring, owning or disposing of the notes. The failure to comply with reporting or filing obligations could result in substantial penalties.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of the notes should consult their tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC are acting as the initial purchasers. Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers have severally agreed to purchase from us, U.S.$35.0 million principal amount of additional notes.

Initial Purchaser	Principal Amount
Credit Suisse Securities (USA) LLC	US$17,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US$17,500,000
Total	**US$35,000,000**

We have agreed to indemnify the initial purchasers and their controlling persons in connection with this offering against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the additional notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the additional notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers propose initially to offer the additional notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

We expect that delivery of the notes will be made against payment therefor on or about the fifth business day following the date of pricing of the notes (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next succeeding business day should consult their own advisor.

Notes Are Not Being Registered under the Securities Act

The original notes and the additional notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the additional notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the additional notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, an offer or sale of additional notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the additional notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

Although a trading market has developed for the original notes, there can be no assurance that an active trading market will exist for the notes. The original notes are currently listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange. Application has been made to admit the additional notes to listing on the Luxembourg Stock Exchange, and to trading on the Euro

MTF market of the Luxembourg Stock Exchange. We have been advised by the initial purchaser that they presently make a market with respect to the original notes and intend to continue to due so in connection with the issuance of the additional note. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without first obtaining the prior written consent of the initial purchasers, offer, sell, or contract to sell or announce the offering of, any similar U.S. dollar denominated debt securities issued or guaranteed by the issuer (other than the notes).

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the initial purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Notice to Prospective Investors in Brazil

The notes have not been, and will not be, registered with the CVM, the Brazilian Securities Commission. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without such prior registration. Documents relating to the offering of the additional notes, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the additional notes is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of the additional notes to the public in Brazil. The additional notes will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering or distribution of securities under applicable Brazilian laws and regulations.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer to the public may be made in that Relevant Member State of any notes:

(a) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) Fewer than 100 offerees: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted in the Prospectus Directive, subject to obtaining the prior consent of the relevant representatives nominated by the issuer for any such offer; or

(c) Other exempt offers: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of additional notes shall require the issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of additional notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Any person making or intending to make any offer of additional notes within the EEA should only do so in circumstances in which no obligation arises for us or the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of additional notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final offering of additional notes contemplated in this offering memorandum.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any additional notes under, the offer of notes contemplated by this offering memorandum will be deemed to have represented, warranted and agreed to and with us and the initial purchasers that:

(a) it is a "qualified investor" as defined in the Prospectus Directive; and

(b) in the case of any additional notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the additional notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where additional notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person").

Each initial purchaser:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, or the FSMA) received by it in connection with the issues or sale of any notes which are the subject of the offering contemplated by this offering memorandum, in circumstances in which section 21(1) of FSMA does not apply to the issuer; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents**.**

Notice to Prospective Investors in Hong Kong SAR

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any additional notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The additional notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and will not be offered or sold directly or indirectly in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law of Japan and (ii) in compliance with any other relevant laws of Japan.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the additional notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the additional notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in the Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The additional notes which are the subject of the offering contemplated by this offering memorandum may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the additional notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this document you should consult an authorized financial advisor.

Notice to Prospective Investors in Ireland

The additional notes will not and may not be offered, sold, transferred or delivered, whether directly or indirectly, otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963-2006, and the notes will not and may not be the subject of an offer in Ireland which would require the publication of a prospectus pursuant to Article 3 of Directive 2003/71/EC.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the additional notes, may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the SFA, Chapter 289 of Singapore, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Other Relationships

The initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

As of the date of this offering memorandum, Banco de Investimentos Credit Suisse (Brasil) S.A. and Credit Suisse Próprio Fundo de Investimento Multimercado, affiliates of Credit Suisse Securities (USA) LLC, one of the initial purchasers in the offering, is acting as lender in fundraising transactions by way of CCBs (Bank Credit Notes) and also as counterparties in derivative agreements. For more information about these fundraising transactions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

In addition, in the ordinary course of their business activities, the initial purchasers and/or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of us or our affiliates. The initial purchasers and/or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchasers and/or their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the additional notes offered hereby. Any such short positions could adversely affect future trading prices of the additional notes offered hereby. The initial purchasers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

The original notes and the additional notes have not been registered under the Securities Act or any securities laws of any jurisdiction, and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of, the Securities Act and such other securities laws. Accordingly, the additional notes are being offered hereby only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) outside of the United States in reliance upon Regulation S under the Securities Act, to non-U.S. persons who will be required to make certain representations to us and others prior to the investment in the additional notes.

Each purchaser of the notes that is purchasing in a sale made in reliance on Rule 144A or Regulation S will be deemed to have represented and agreed as follows:

(1) The purchaser

(a) (i) is a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and (ii) is acquiring the notes for its own account or for the account of another qualified institutional buyer, or

(b) is not a U.S. person, as such term is defined in Rule 902 under the Securities Act, and is purchasing the additional notes in accordance with Regulation S.

(2) The purchaser understands that the notes are being offered in transactions not involving any public offering in the United States within the meaning of the Securities Act, that the additional notes have not been registered under the Securities Act or any securities laws of any jurisdiction and that:

(a) the notes may be offered resold, pledged or otherwise transferred only (i) to a person who is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, outside the United States to a non-U.S. person in a transaction meeting the requirements of Rule 904 under the Securities Act, or in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel, if the company so requests), (ii) to us or (iii) pursuant to an effective registration statement and, in each case, in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction, and

(b) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of the resale restrictions set forth in (a) above.

(3) The purchaser confirms that

(a) such purchaser has such knowledge and experience in financial and business matters, that it is capable of evaluating the merits and risks of purchasing the additional notes and that such purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment;

(b) such purchaser is not acquiring the additional notes with a view towards any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which such purchaser is acting as fiduciary will remain at all times within its control, and

(c) such purchaser has received a copy of the offering memorandum and acknowledges that such purchaser has had access to such financial and other information and has been afforded an opportunity to ask such questions of our representative and receive answers thereto as it has deemed necessary in connection with its decision to purchase the additional notes.

(4) The purchaser represents by its purchase and holding that either (A) it is not and (for so long as it holds a note or any interest therein will not be), and is not acting on behalf of (and for so long as it holds the notes or interest therein will not be acting on behalf of) (i) an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to Title I of ERISA, (ii) a

"plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (iii) an entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of such employee benefit plan's or plan's investment in the entity, or (iv) a governmental, church plan or foreign or other employee benefit plan which is subject to any U.S. federal, state or local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its purchase, holding or disposition of the notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church plan or foreign or other employee benefit plan, a violation of any such substantially similar U.S. federal, state, local or non-U.S. law).

(5) The purchaser understands that the certificates evidencing the additional notes will, unless otherwise agreed by us, bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, OR

(2) REPRESENTS THAT IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OF OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND

(3) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT:

(A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (3)(E) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT

EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY, OR (IV) A GOVERNMENTAL, CHURCH PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, OR LOCAL, OR NON-U.S. LAW).

THIS LEGEND MAY BE REMOVED ONLY AT THE OPTION OF THE COMPANY.

(6) The purchaser acknowledges that the company and the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the foregoing acknowledgements, representations and agreements deemed to have been made by it are no longer accurate, it will promptly notify the initial purchasers. If such purchaser is acquiring the notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

The validity of the notes will be passed on for us by Clifford Chance LLP, U.S. counsel to us, and by Milbank, Tweed, Hadley & McCloy LLP, U.S. counsel to the initial purchasers. The validity of the issuance of the notes and certain matters in connection with Brazilian law will be passed upon for us by Barbosa, Müssnich e Aragão, Brazilian counsel to us, and by Machado, Meyer, Sendacz e Opice Advogados, Brazilian counsel for the initial purchasers.

INDEPENDENT AUDITORS

With respect to the unaudited interim condensed individual and consolidated financial statements of Cimento Tupi S.A. as of June 30, 2014 and for the six months ended June 30, 2014 and 2013, included elsewhere in this offering memorandum, Ernst & Young Auditores Independentes S.S. have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 8, 2014, appearing herein states that they did not audit and they do not express an opinion on that unaudited interim individual and consolidated financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The individual and consolidated financial statements of Cimento Tupi S.A. as of and for the years ended December 31, 2013, 2012 and 2011, included elsewhere in this offering memorandum, have been audited by Ernst & Young Auditores Independentes S.S. (previously denominated Ernst & Young Terco Auditores Independentes S.S.), independent auditors, as stated in their reports appearing herein.

Ernst & Young Auditores Independentes S.S. is registered under number CRC 2SP 015.199/O-6-F-RJ with the Regional Accounting Council of the State of Rio de Janeiro (*Conselho Regional de Contabilidade do Estado de Rio de Janeiro* – CRC-RJ), an accounting professional body. Ernst & Young Auditores Independentes S.S.' address is Praia de Botafogo, 370 – 5th -8th floors, 22250-040 Rio de Janeiro, RJ, Brazil.

LISTING AND GENERAL INFORMATION

1. The additional notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP, ISIN and common code numbers for the notes are the same as the original notes, except that the additional notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period and are as follows:

	Restricted Global Note	Temporary Regulation S Global Note	Regulation S Global Note
CUSIP	17186EAA7	P9159E AC6	P9159EAA0
ISIN	US17186EAA73	USP9159EAC68	USP9159EAA03
Common codes	062783362	111726957	062680237

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements, if any, as well as our bylaws *(estatuto social)* in English, may be obtained during normal business hours at our principal office, the offices of the trustee and any paying agent in electronic form, for the life of the notes. Copies of the indenture (including the forms of the notes) will be available during normal business hours for inspection at our principal office, the offices of the trustee and any paying agent, in electronic form, for the life of the notes. Copies of our audited consolidated financial statements will be obtainable at the office of the Luxembourg Paying Agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since June 30, 2014, the date of the latest unaudited financial statements included in this offering memorandum**.**

4. Except as disclosed in this offering memorandum, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, or which have had a significant effect on our financial position since June 30, 2014, nor, so far as we are aware, are there any such litigation or arbitration proceedings pending or threatened.

5. Application will be made to list and admit the additional notes for trading on the Euro MTF Market of the Luxembourg Stock Exchange. We will comply with any undertakings assumed or undertaken by us from time to time to the Euro MTF Market of the Luxembourg Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Euro MTF Market of the Luxembourg Stock Exchange may require in connection with the listing of the additional notes.

6. Copies of all notices to holders of additional notes which are listed on the Euro MTF Market of the Luxembourg Stock Exchange, will be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

7. Our Board of Directors authorized the issuance of the additional notes by a resolution dated September 25, 2014.

INDEX TO FINANCIAL STATEMENTS

Interim Condensed Financial Statements

Cimento Tupi S.A.

June 30, 2014
with Independent Auditors’ Report on Review of Interim
Condensed Financial Statements

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 8º Andares - Botafogo
22250-040 - Rio de Janeiro, RJ, Brasil
Tel.: (55 21) 3263-7000
ey.com.br

A free translation from Portuguese into English of Independent Auditors' Report on Review of interim condensed financial statements originally issued in Portuguese.

Report on review of interim condensed financial statements

To the Shareholders, Board of Directors and Officers
Cimento Tupi S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying individual and consolidated interim condensed balance sheets of Cimento Tupi S.A. (Company) as of June 30, 2014 and the related interim condensed statements of operations and comprehensive income (loss) for the three- and six-month periods ended June 30, 2014, and the related interim condensed statements of changes in equity and cash flows for the six-month period ended June 30, 2014 and explanatory notes.

Management is responsible for the preparation and presentation of the individual interim condensed financial statements in accordance with CPC 21(R1) - Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC) and of the consolidated interim condensed financial statements in accordance with CPC 21(R1) and International Financial Reporting Standard IAS 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion on the individual interim condensed financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim condensed financial statements are not prepared, in all material respects, in accordance with CPC 21(R1).

Conclusion on the consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34.

Other matter

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added for the six-month period ended June 30, 2014, whose preparation is the responsibility of Company's management and whose presentation in the interim condensed financial statements is required by the Brazilian Securities Commission (CVM) for public companies, and as supplementary information under IFRS, which do not require a presentation of a statement of value added. These statements have been subjected to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the overall accompanying individual and consolidated interim condensed financial statements.

Rio de Janeiro, August 8, 2014.

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ

Glaucio Dutra da Silva
Accountant - CRC - 1RJ 090.174/O-4

A free translation from Portuguese into English of the interim condensed financial statements originally issued in Portuguese.

Cimento Tupi S.A.

Balance sheets
June 30, 2014 (unaudited) and December 31, 2013
(In thousands of reais)

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
	(unaudited)		**(unaudited)**	
Assets				
Current assets				
Cash and cash equivalents (Note 4)	**4,365**	1,746	**5,783**	2,961
Marketable securities (Note 5)	**36,468**	63,925	**39,999**	69,042
Trade accounts receivable (Note 6)	**48,735**	31,423	**48,826**	31,593
Inventories (Note 7)	**44,152**	35,049	**47,004**	37,899
Taxes recoverable (Note 8)	**8,416**	15,674	**9,212**	16,510
Notes receivable (Note 9)	**27,210**	25,914	**37,690**	35,904
Advances to suppliers	**29,348**	23,784	**29,595**	24,393
Receivables from third parties (Note 25)	**11,193**	10,451	**11,193**	10,451
Other assets	**1,062**	553	**1,127**	601
Total current assets	**210,949**	208,519	**230,429**	229,354
Noncurrent assets				
Taxes recoverable (Note 8)	**1,263**	1,794	**1,263**	1,794
Inventories (Note 7)	**-**	-	**17,169**	16,977
Related parties (Note 14)	**795**	169	**-**	-
Notes receivable (Note 9)	**-**	-	**17,097**	16,535
Deferred income taxes (Note 17)	**16,943**	23,911	**16,943**	23,911
Judicial deposits (Note 18)	**5,202**	4,897	**5,216**	4,897
Investments				
Subsidiaries (Note 10)	**117,337**	117,835	**-**	-
Other investments	**907**	907	**1,156**	1,156
Property, plant and equipment (Note 11)	**584,024**	578,052	**605,941**	599,560
Intangible assets (Note 12)	**122,217**	122,202	**144,670**	144,541
Total noncurrent assets	**848,688**	849,767	**809,455**	809,371
Total assets	**1,059,637**	1,058,286	**1,039,884**	1,038,725

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
	(unaudited)		**(unaudited)**	
Liabilities and equity				
Current liabilities				
Trade accounts payable	**14,745**	11,237	**14,697**	10,907
Salaries and social charges	**7,966**	6,485	**8,621**	7,056
Loans and financing (Note 13)	**112,654**	85,610	**113,237**	87,300
Derivative financial instruments (Note 13)	**6,197**	-	**6,197**	-
Income and social contribution taxes	**-**	-	**178**	-
Related parties (Note 14)	**23,295**	23,235	**-**	-
Taxes payable	**11,901**	7,387	**11,969**	7,409
Taxes and contributions payable in installments (Note 15)	**5,650**	5,668	**5,683**	5,718
Interest on shareholders' equity and dividends	**954**	928	**954**	928
Other liabilities	**2,402**	3,755	**4,388**	5,336
Total current liabilities	**185,764**	144,305	**165,924**	124,654
Noncurrent liabilities				
Loans and financing (Note 13)	**530,809**	573,376	**530,809**	573,376
Derivative financial instruments (Note 13)	**4,017**	6,816	**4,017**	6,816
Taxes and contributions payable in installments (Note 15)	**22,919**	24,570	**22,941**	24,595
Provision for legal claims (Note 18)	**453**	1,273	**453**	1,273
Total noncurrent liabilities	**559,198**	606,035	**558,220**	606,060
Equity (Note 16)				
Capital stock	**279,891**	279,891	**279,891**	279,891
Capital reserve	**11,685**	11,685	**11,685**	11,685
Income reserve and retained earnings	**49,122**	41,132	**49,122**	41,132
Equity valuation adjustment	**976**	1,237	**976**	1,237
Treasury shares	**(25,999)**	(25,999)	**(25,999)**	(25,999)
Total equity attributable to controlling shareholders	**315,675**	307,946	**315,675**	307,946
Non-controlling interests	**-**	-	**65**	65
Total equity	**315,675**	307,946	**315,740**	308,011
Total liabilities and equity	**1,059,637**	1,058,286	**1,039,884**	1,038,725

See accompanying notes.

Cimento Tupi S.A.

Statements of operations
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais, except for earnings per share)

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
	(unaudited)			
Net operating revenue (Note 21)	**224,762**	169,606	**225,611**	169,670
Cost of sales	**(163,501)**	(119,552)	**(162,802)**	(117,669)
Gross profit	**61,261**	50,054	**62,809**	52,001
Operating expenses				
Selling expenses	**(5,058)**	(3,887)	**(5,058)**	(3,888)
General and administrative expenses (Note 22)	**(20,139)**	(12,880)	**(21,616)**	(14,395)
Other operating income (expenses), net (Note 23)	**1,761**	5,635	**1,799**	7,497
Income before financial income (expenses) and income taxes	**37,825**	39,912	**37,934**	41,215
Financial income (expenses) (Note 24)				
Financial expenses	**(48,194)**	(50,370)	**(48,269)**	(50,676)
Financial income	**30,563**	6,281	**30,668**	6,326
	(17,631)	(44,089)	**(17,601)**	(44,350)
Equity pickup (Note 10)	**(237)**	1,752	**-**	-
Income (loss) before income taxes	**19,957**	(3,415)	**20,333**	(3,135)
Income taxes (Note 17)	**(6,967)**	688	**(7,343)**	409
Net income (loss) for the period	**12,990**	(2,727)	**12,990**	(2,726)
Income attributable to				
Controlling shareholders	**12,990**	(2,727)	**12,990**	(2,727)
Non-controlling interests	**-**	-	**-**	1
Earnings per share - basic and diluted (Note 16)				
Preferred shares	**0.0700**	(0.0147)	**-**	-
Common shares	**0.0637**	(0.0134)	**-**	-

See accompanying notes.

Cimento Tupi S.A.

Statements of operations
Three-month periods ended June 30, 2014 and 2013
(In thousands of reais, except for earnings per share)

	Company		Consolidated	
	04/01 to 06/30/2014	04/01 to 06/30/2013	04/01 to 06/30/2014	04/01 to 06/30/2013
Net operating revenue	**112,827**	92,648	**113,253**	92,771
Cost of sales	**(79,151)**	(61,677)	**(79,218)**	(60,365)
Gross profit	**33,676**	30,971	**34,035**	32,406
Operating expenses				
Selling expenses	**(2,906)**	(1,806)	**(2,906)**	(1,806)
General and administrative expenses	**(10,529)**	(6,005)	**(11,275)**	(6,606)
Other operating income (expenses), net	**978**	6,087	**995**	8,166
Income before financial income (expenses) and income taxes	**21,219**	29,247	**20,849**	32,160
Financial income (expenses)				
Financial expenses	**(20,892)**	(45,230)	**20,913**	(45,422)
Financial income	**13,694**	(448)	**13,677**	(424)
	(7,198)	(45,678)	**(7,236)**	(45,846)
Equity pickup	**(590)**	2,609	**-**	-
Income (loss) before income taxes	**13,431**	(13,822)	**13,613**	(13,686)
Income taxes	**(2,111)**	3,347	**(2,293)**	3,212
Net income (loss) for the period	**11,320**	(10,475)	**11,320**	(10,474)
Income attributable to				
Controlling shareholders	**11,320**	(10,475)	**11,320**	(10,475)
Non-controlling interests	**-**	-	**-**	1
Earnings per share - basic and diluted (Note 16)				
Preferred shares	**0.0610**	(0.0565)	**-**	-
Common shares	**0.0555**	(0.0513)	**-**	-

See accompanying notes.

Cimento Tupi S.A.

Statements of comprehensive income (loss)
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
	(unaudited)			
Net income (loss) for the period	**12,990**	(2,727)	**12,990**	(2,727)
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Comprehensive income in equity				
Exchange differences on translation of foreign investments (Note 10)	**-**	-	**(261)**	321
Total comprehensive income (loss), net of taxes	**12,990**	(2,727)	**12,729**	(2,406)
Attr butable to				
Controlling shareholders	**12,990**	(2,727)	**12,729**	(2,405)
Non-controlling interests	**-**	-	**-**	(1)

See accompanying notes.

Cimento Tupi S.A.

Statements of comprehensive income (loss)
Three-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	01/04 to 30/06/2014	**01/04 to 30/06/2013**	**01/04 to 30/06/2014**	**01/04 to 30/06/2013**
Net income (loss) for the period	**11,320**	(10,475)	**11,320**	(10,474)
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Comprehensive income in equity				
Exchange differences on translation of foreign investments	**-**	-	**(113)**	377
Total comprehensive income (loss), net of taxes	**11,320**	(10,475)	**11,207**	(10,097)
Attr butable to				
Controlling shareholders	**11,320**	(10,475)	**11,207**	(10,096)
Non-controlling interests	**-**	-	**-**	(1)

See accompanying notes.

Cimento Tupi S.A.

Statements of changes in equity
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

		Capital reserve							
	Capital stock	Premium on share subscription	Income reserve	Equity valuation adjustment	Retained earnings	Treasury shares	Controlling interest	Non-controlling interest	Total equity
At December 31, 2012	279,891	11,685	63,678	680	-	(25,999)	329,935	191	330,126
Profits distributed	-	-	(2,806)	-	-	-	(2,806)	-	(2,806)
Exchange differences on translation of foreign investments	-	-	-	321	-	-	321	-	321
Non-controlling interests	-	-					-	(99)	(99)
Net income for the period	-	-	-	-	(2,727)	-	(2,727)	-	(2,727)
At June 30, 2013 (unaudited)	**279,891**	**11,685**	**60,872**	**1,001**	**(2,727)**	**(25,999)**	**324,723**	**92**	**324,815**
At December 31, 2013	**279,891**	**11,685**	**41,132**	**1,237**	**-**	**(25,999)**	**307,946**	**65**	**308,011**
Exchange differences on translation of foreign investments	**-**	**-**	**-**	**(261)**	**-**	**-**	**(261)**	**-**	**(261)**
Interest on shareholders' equity distributed					**(5,000)**	**-**	**(5,000)**	**-**	**(5.000)**
Net income for the period	**-**	**-**	**-**	**-**	**12,990**	**-**	**12,990**	**-**	**12,990**
At June 30, 2014 (unaudited)	**279,891**	**11,685**	**41,132**	**976**	**7,990**	**(25,999)**	**315,675**	**65**	**315,740**

See accompanying notes.

Cimento Tupi S.A.

Statements of cash flows
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
	(unaudited)			
Operating activities				
Income (loss) before income taxes	**19,957**	(3,415)	**20,333**	(3,135)
Adjustments				
Depreciation, amortization and depletion	**9,472**	2,043	**9,509**	2,101
Write-off of investments	**-**	-	**-**	49
Reversal of losses on property, plant and equipment	**-**	(3,012)	**-**	(3,012)
Write-off of intangible assets	**-**	-	**-**	(98)
Equity pickup	**237**	(1,752)	**-**	-
Provision for tax proceedings	**(820)**	(502)	**(820)**	(502)
Foreign exchange variation on intercompany loans	**75**	(92)	**-**	-
Foreign exchange variation on loans and derivatives	**(21,953)**	31.940	**(21,953)**	33,638
Penalties and interest on assets	**(262)**	(178)	**(1,315)**	(178)
Penalties and interest on liabilities	**33,076**	25,498	**33,151**	25,794
Amortized cost of loans	**1,992**	-	**1,992**	-
Interest on fixed loans	**-**	(14,960)	**-**	(14,960)
Present value adjustment	**(1,296)**	(986)	**(1,296)**	(986)
Allowance for doubtful accounts	**435**	187	**435**	187
	40,913	34.771	**40,036**	38,898
(Increase) decrease in assets				
Trade accounts receivable	**(17,747)**	(15.804)	**(17.668)**	(16.822)
Taxes recoverable	**(55,735)**	(30,296)	**(55,861)**	(30,296)
Inventories	**(9,103)**	(1,111)	**(9,297)**	(2,374)
Advances to suppliers	**(5,564)**	(5,895)	**(5,202)**	(5,848)
Receivables from third parties	**(1,249)**	(7,735)	**(1,267)**	(9,449)
Judicial deposits	**(305)**	(1,137)	**(319)**	(1,137)
Increase (decrease) in liabilities				
Trade accounts payable	**3,508**	8,793	**3,790**	10,419
Taxes payable	**65,443**	34,211	**65,291**	31,216
Salaries and social charges	**1,481**	2,195	**1,564**	2,533
Interest on loans and financing	**(31,444)**	(22,780)	**(31,512)**	(22,896)
Other liabilities	**(1,354)**	(4,562)	**(1,064)**	(5,018)
Net cash used in operating activities	**(11,156)**	(9,350)	**(11,509)**	(10,774)
Investing activities				
Acquisition of property, plant and equipment	**(15,380)**	(74,303)	**(15,824)**	(75,421)
Disposal of property, plant and equipment	**-**	4,569	**-**	4,956
Disposal of investments	**-**	243	**-**	143
Acquisition of intangible assets	**(80)**	(33)	**(196)**	(202)
Marketable securities	**27,457**	(34,272)	**29,043**	(35,687)
Net cash provided by (used in) investing activities	**11,997**	(103,796)	**13,023**	(106,211)
Financing activities				
Related parties	**(641)**	(4,146)	**-**	-
Loans and financing paid	**(25,581)**	(41,154)	**(26,692)**	(42,821)
Loans and financing raised	**33,000**	168,922	**33,000**	168,922
Payment of interest on shareholders' equity and dividends	**(5.000)**	(7,599)	**(5.000)**	(7,599)
Payment of profits distributed	**-**	(2,806)	**-**	(2,806)
Net cash provided by financing activities	**1,778**	113,217	**1,308**	115,696
Increase (decrease) in cash and cash equivalents	**2,619**	71	**2,822**	(1,289)
Cash and cash equivalents at beginning of period	**1,746**	3,254	**2,961**	6,141
Cash and cash equivalents at end of period	**4,365**	3,325	**5,783**	4,852

See accompanying notes.

Cimento Tupi S.A.

Statements of value added
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
		(unaudited)		
Turnover				
Gross operating revenue	**305,748**	231,924	**307,128**	233,177
Sales returns	**(579)**	(278)	**(579)**	(278)
Allowance for doubtful accounts	**(435)**	(187)	**(435)**	(187)
Other operating expenses, net	**-**	(4,659)	**-**	(2,682)
	304,734	226,800	**306,114**	230,030
Inputs acquired from third parties				
Cost of sales	**(133,096)**	(115,560)	**(130,872)**	(113,658)
Materials, electric energy, third-party services and others	**(64,102)**	(36,363)	**(64,329)**	(37,069)
Reversal of impairment loss	**-**	3,012	**-**	3,012
Gross value added	**107,536**	77,889	**110,913**	82,315
Retentions				
Depreciation, amortization and depletion	**(9,472)**	(2,043)	**(9,509)**	(2,101)
Net value added generated	**98,064**	75,846	**101,404**	80,214
Value added received in transfer				
Equity pickup	**(237)**	1,752	**-**	-
Financial income	**30,563**	6,281	**30,668**	6,326
Deferred income taxes	**(6,967)**	688	**(6,967)**	409
Total value added to be distributed	**121,423**	84,567	**125,105**	86,949
Controlling shareholders	**121,423**	84,567	**125,105**	86,948
Non-controlling interests	**-**	-	**-**	1
Value added distr bution				
Personnel and social charges	**26,000**	22,436	**28,152**	23,027
Taxes, charges and contributions	**32,515**	13,101	**33,786**	14,549
Interest and rentals	**49,918**	51,757	**50,177**	52,100
Retained profits	**12,990**	(2,727)	**12,990**	(2,727)
Total value added distr buted	**121,423**	84,567	**125,105**	86,949

See accompanying notes.

1. Operations

Cimento Tupi S.A. (the "Company") is headquartered at Rua Lauro Muller, 119, Salas 1906 e 1907, Botafogo, Rio de Janeiro, and its main business purpose is the manufacturing of cement and mortar of all types at its plants located in Volta Redonda - State of Rio de Janeiro, Pedra do Sino - State of Minas Gerais and Mogi das Cruzes – State of São Paulo, exploration of mineral deposits, use of extracted products for cement manufacturing, provision of concrete-paving services, and holding ownership interests in other entities.

2. Presentation of individual interim condensed financial statements and summary of significant accounting practices

The unaudited interim financial statements for the six-month period ended June 30, 2014 was approved by the Company's Officers on August 8, 2014.

These interim condensed financial statements were prepared under various measurement bases for the accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, based on management's judgment to determine the appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates include: the allowance for doubtful accounts; provision for inventory obsolescence; the selection of useful lives of property, plant and equipment; deferred income taxes; provision for legal claims; and the fair value measurement of financial instruments. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and underlying assumptions at least on an annual basis.

The individual interim condensed financial statements were prepared and are presented in accordance with CPC 21 (R1) - Interim Financial Reporting, and standards applicable to interim financial information from the Brazilian Securities Commission (CVM). These practices differ from International Financial Reporting Standards (IFRS), applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries by the equity method, as required by ICPC 09, while such investments would be measured at cost or fair value for IFRS purposes.

(In thousands of reais, unless otherwise stated)

2. Presentation of individual interim condensed financial statements and summary of significant accounting practices (Continued)

The Company's accounting practices have been designed in accordance with the standards consistently applied in all periods disclosed, unless otherwise stated. For a proper understanding of these practices, these interim financial statements must be read in conjunction with the financial statements as of and for the year ended December 31, 2013.

The new pronouncements that have been in effect since January 1, 2014, as disclosed in the financial statements for the year ended December 31, 2013, did not significantly impact the Company's individual and consolidated interim condensed financial statements.

3. Presentation of consolidated interim condensed financial statements and summary of significant accounting practices

The consolidated interim condensed financial statements were prepared in accordance with CPC 21 and the International Financial Reporting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and the rules issued by CVM applicable for interim financial information.

The interim condensed financial statements must be read in conjunction with the individual financial statements as of and for the year ended December 31, 2013, which were prepared in accordance with accounting practices adopted in Brazil, which include the provisions contained in the Brazilian Corporation Law and accounting standards and requirements issued by CVM and CPC. The consolidated financial statements were prepared in accordance with the IFRS, as issued by the IASB, and in accordance with accounting practices adopted in Brazil, and include the financial information of Cimento Tupi S.A. and its subsidiaries listed below.

	Equity interest - %			
	Capital		Voting capital	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Cimento Touro Ltda.	**99.99**	99.99	**99.99**	99.99
Cimento Tupi do Nordeste Ltda.	**99.99**	99.99	**99.99**	99.99
Cimento Tupi Overseas Inc.	**100.00**	100.00	**100.00**	100.00
CP Cimento Overseas Co.	**100.00**	100.00	**100.00**	100.00
Sandra Mineração Ltda.	**99.99**	99.99	**99.99**	99.99
Tupi Rio Transportes S.A.	**100.00**	100.00	**100.00**	100.00
Tupimec - Indústria Mecânica Ltda.	**99.99**	99.99	**99.99**	99.99
Mape Incorporação e Empreendimentos Ltda.	**99.99**	99.99	**99.99**	99.99
Tupi Mineradora de Calcário Ltda.	**99.82**	99.82	**99.82**	99.82

(In thousands of reais, unless otherwise stated)

3. Presentation of consolidated interim condensed financial statements and summary of significant accounting practices (Continued)

The consolidation process of balance sheet and P&L accounts corresponds to total balances in assets, liabilities, revenues and expenses, according to their nature, supplemented by the following eliminations:

- Interest in capital, reserves and retained earnings or accumulated losses.
- Current account balances and other asset and/or liability accounts between the companies whose balance sheets were consolidated.
- Balances of revenue and expenses arising from transactions held between the consolidated companies.
- The effects from significant intercompany transactions.

The accounting periods of the subsidiaries included in the consolidation coincide with those of the Company, and the accounting practices were consistently applied in all consolidated companies.

4. Cash and cash equivalents

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Cash and banks	**4,365**	1,746	**5,783**	2,961

Cash and cash equivalents mostly comprise of bank deposits in current accounts held in financial institutions.

(In thousands of reais, unless otherwise stated)

5. Marketable securities

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Bank certificates of deposit (CDB)	**6,064**	13,215	**6,064**	13,215
Government bonds	**30,404**	50,710	**33,935**	55,827
	36,468	63,925	**39,999**	69,042

CDBs refer to short-term investments at Banco ABC Brasil, and Fibra, bearing interest that approximates the Interbank Certificate of Deposit (CDI) variation.

Government bonds refer to short-term investments at Banco Santander, Banco Credit Suisse - Brasil e ABC Brasil represented by Government Bonds-DI Funds.

The higher profitability of investments, listed above, is 110% of the Interbank Certificate of Deposit - CDI.

6. Trade accounts receivable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Accounts receivable	**60,061**	42,314	**60,152**	42,484
Allowance for doubtful accounts	**(11,326)**	(10,891)	**(11,326)**	(10,891)
	48,735	31,423	**48,826**	31,593

Changes in allowance for doubtful accounts for the six-month period ended June 30, 2014 are as follows:

Balance at December 31, 2013	**(10,891)**
(+) Additions, net	**(435)**
Balance at June 30, 2014	**(11,326)**
Balance at December 31, 2012	(10,408)
(+) Additions, net	(187)
Balance at June 30, 2013	(10,595)

The allowance for doubtful accounts balance includes an allowance for loss with a specific customer amounting to R$8,665 related to a foreign transaction carried out in the past.

(In thousands of reais, unless otherwise stated)

6. Trade accounts receivable (Continued)

The aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Not yet due	**44,867**	28,492	**44,958**	28,662
Past due within 90 days	**3,379**	2,720	**3,379**	2,720
Past due from 91 to 180 days	**489**	211	**489**	211
Past due over 180 days	**11,326**	10,891	**11,326**	10,891
	60,061	42,314	**60,152**	42,484

7. Inventories

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Current				
Finished products	**4,755**	4,143	**4,863**	4,166
Work in progress	**6,347**	7,049	**8,436**	9,082
Raw material - clinker	**1,849**	1,678	**1,849**	1,678
Raw material - coke	**10,544**	4,754	**10,544**	4,754
Other raw materials	**3,720**	2,407	**4,307**	3,131
Maintenance and consumption materials	**16,035**	14,486	**16,103**	14,556
Inventories in transit	**902**	532	**902**	532
	44,152	35,049	**47,004**	37,899
Non-current				
Plots of land for sale (i)	**-**	-	**17,169**	16,977
	-	-	**17,169**	16,977

(i) Inventories of land for sale, owned by the subsidiary Mape Incorporação e Empreendimentos Ltda.

(In thousands of reais, unless otherwise stated)

8. Taxes recoverable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Current assets				
State value-added tax (ICMS)	**2,194**	2,459	**2,194**	2,495
Income tax	**1,114**	2,368	**1,114**	2,368
Social Contr bution Tax on net profit	**200**	901	**200**	901
PIS/COFINS	**4,674**	5,136	**5,366**	5,828
Federal excise tax (IPI)	**128**	3,959	**232**	4,067
Other	**106**	851	**106**	851
	8,416	15,674	**9,212**	16,510
Non-current assets				
State value-added tax (ICMS) - fixed assets	**1,263**	1,794	**1,263**	1,794
	1,263	1,794	**1,263**	1,794

9. Notes receivable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
CAL Itaú Participações S.A. (i)	**27,210**	25,914	**27,210**	25,914
Itaendá Participações S.A. (ii)	**-**	-	**27,577**	24,803
Other	**-**	-	**-**	1,722
	27,210	25,914	**54,787**	52,439
Current assets	**27,210**	25,914	**37,690**	35,904
Noncurrent assets	**-**	-	**17,097**	16,535

(i) Refers to the balance receivable from the sale of Cia. de Cimento Ribeirão Grande's shares, maturing on November 30, 2014.

(ii) Refers to the sale of properties in Mogi das Cruzes, State of São Paulo to be received in six annual installments monetarily restated by the Extended Consumer Price Index (IPCA).

(In thousands of reais, unless otherwise stated)

10. Investments in subsidiaries

a) Information on significant subsidiaries

	Jun/2014					Dec/2013				
	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.
Interest held in capital - %	**99,95**	**99,99**	**99,82**	**99,99**	**100**	99.95	99.99	99.82	99.99	100
Equity	**69,250**	**1,712**	**36,255**	**1,067**	**4,107**	68,518	2,599	36,255	1,129	4,368
Net income (loss) for the period	**732**	**(888)**	**-**	**(63)**	**-**	2,253	(298)	-	(161)	-

b) Changes in investments

	06/30/2014							12/31/2013
	Mape Incorporação e Empreendimentos Ltda.	Tupimec Indústria Mecânica Ltda.	Tupi Mineradora de Calcário Ltda.	Cimento Tupi do Nordeste Ltda.	CP Cimento Overseas Co.	Other	Total	Total
Balances at beginning of period	**68,760**	**2,600**	**36,195**	**1,130**	**4,368**	**4,782**	**117,835**	112,803
Payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	2,711
Equity pickup	**732**	**(888)**	**-**	**(63)**	**-**	**(18)**	**(237)**	1,764
Exchange variation on investments	**-**	**-**	**-**	**-**	**(261)**	**-**	**(261)**	557
Balances at end of period	**69,492**	**1,712**	**36,195**	**1,067**	**4,107**	**4,764**	**117,337**	117,835

(In thousands of reais, unless otherwise stated)

10. Investments in subsidiaries (Continued)

b) Changes in investments (Continued)

	06/30/2013							12/31/2012
	Mape Incorporação e Empreendimentos Ltda.	Tupimec Indústria Mecânica Ltda.	Tupi Mineradora de Calcário Ltda.	Cimento Tupi do Nordeste Ltda.	CP Cimento Overseas Co.	Other	Total	Total
Balances at beginning of period	66,233	2,898	34,235	967	3,811	4,659	112,803	66,727
Payments	-	-	-	-	-	-	-	5,870
Equity pickup	2,008	(6)	-	(166)	-	(84)	1,752	26,733
Exchange variation on investments	-	-	-	-	321	-	321	314
Investee`s equity adjustment with absorption of intercompany loans	-	-	-	-	-	(99)	(99)	13,159
Balances at end of period	68,241	2,892	34,235	801	4,132	4,476	114,777	112,803

(In thousands of reais, unless otherwise stated)

10. Investments in subsidiaries (Continued)

b) Changes in investments (Continued)

Mape Incorporação e Empreendimentos Ltda.

Mape is primarily engaged in development, management, purchase and sale of real estate.

Tupimec Indústria Mecânica Ltda.

Tupimec is engaged in the manufacturing, sale and export of parts and mechanical equipment, assembly services as well as the provision of processing services related thereto.

Tupi Mineradora de Calcário Ltda.

Tupi Mineradora is a company in pre-operating phase engaged in the exploration and utilization of mineral deposits in the region of Adrianópolis, State of Paraná.

Cimento Tupi do Nordeste Ltda.

Cimento Tupi do Nordeste Ltda. is engaged in the manufacturing of cement, sale, transportation and export of cement products, as well as utilization of natural deposits in the region of Mossoró, State of Rio Grande do Norte.

11. Property, plant and equipment

	Company				
	06/30/2014			12/31/2013	Annual depreciation rates
Accounts	Cost	Accumulated depreciation	Net	Net	
Land	**13,572**	**-**	**13,572**	7,963	
Buildings	**108,382**	**(14,123)**	**94,259**	95,348	**2% (***)**
Machinery, equipment and industrial facilities	**596,118**	**(178,736)**	**417,382**	424,600	**3.33% (***)**
Furniture and fixtures	**2,890**	**(2,643)**	**247**	243	**10%**
Vehicles	**7,576**	**(3,170)**	**4,406**	4,525	**20%**
Railway wagons	**2,591**	**(892)**	**1,699**	975	**3.33%**
Leasehold improvements	**2,198**	**(2,027)**	**171**	187	**(*)**
Uninstalled machinery and equipment	**2,714**	**-**	**2,714**	2,714	
Other	**5,003**	**(4,713)**	**290**	377	**4% to 20%**
Construction in progress	**25,584**	**-**	**25,584**	17,198	
Advances to suppliers	**2,146**	**-**	**2,146**	2,322	
Limestone mines	**21,858**	**(304)**	**21,554**	21,600	**(**)**
	790,632	**(206,608)**	**584,024**	578,052	

(In thousands of reais, unless otherwise stated)

Cimento Tupi S.A.

11. Property, plant and equipment (Continued)

	Consolidated				
	06/30/2014			12/31/2013	Annual
Accounts	Cost	Accumulated depreciation	Net	Net	depreciation rates
Land	**26,143**	**-**	**26,143**	20,535	
Buildings	**109,086**	**(14,709)**	**94,377**	95,479	**2% (***)**
Machinery, equipment and industrial facilities	**596,943**	**(179,386)**	**417,557**	424,988	**3.33% (***)**
Furniture and fixtures	**2,999**	**(2,740)**	**259**	257	**10%**
Vehicles	**7,716**	**(3,310)**	**4,406**	4,542	**20%**
Railway wagons	**2,591**	**(892)**	**1,699**	975	**3.33%**
Leasehold improvements	**2,198**	**(2,027)**	**171**	187	**(*)**
Uninstalled machinery and equipment	**2,714**	**-**	**2,714**	2,714	
Other	**7,818**	**(5,241)**	**2,577**	2,232	**4% to 20%**
Construction in progress	**27,099**	**-**	**27,099**	18,490	
Advances to suppliers	**7,385**	**-**	**7,385**	7,561	
Limestone mines	**21,858**	**(304)**	**21,554**	21,600	**(**)**
	814,550	**(208,609)**	**605,941**	599,560	

(*) Depreciation in accordance with lease agreement terms.

(**) Limestone mines are amortized for exhaustion thereof, proportionally to the ore mined.

(***) In the second quarter of 2014, cost of loans and exchange variation were not capitalized, as the operations of the related assets started in June 2013. In the second quarter of 2013, R$7,760 was capitalized.

For the six-month period ended June 30, 2014, depreciation of R$9,284 (R$1,903 for the six-month period ended June 30, 2013) was recorded in cost of sales.

Management reviews the net book value of the Company’s assets in order to assess events that may indicate impairment loss; no indications of impairment were identified.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

Changes in PP&E for the six-month period ended June 30, 2014 are as follows:

	Company												
PP&E cost	**Land**	**Buildings**	**Machinery, equipment and industrial facilities**	**Furniture and fixtures**	**Vehicles**	**Railway wagons**	**Leasehold improvements**	**Uninstalled machinery and equipment**	**Other**	**Construction in progress**	**Advances to suppliers**	**Limestone mines**	**Total**
Balances at 12/31/2013	7,963	108,382	595,849	2,866	7,073	1,846	2,198	2,714	4,985	17,198	2,321	21,858	775,253
Additions	4,709	-	269	24	503	745	-	-	18	8,386	725	-	15,379
Transfers	900	-	-	-	-	-	-	-	-	-	(900)	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at 06/30/2014	13,572	108,382	596,118	2,890	7,576	2,591	2,198	2,714	5,003	25,584	2,146	21,858	790,632

	Company												
PP&E Depreciation	**Land**	**Buildings**	**Machinery, equipment and industrial facilities**	**Furniture and fixtures**	**Vehicles**	**Railway wagons**	**Leasehold improvements**	**Uninstalled machinery and equipment**	**Other**	**Construction in progress**	**Advances to suppliers**	**Limestone mines**	**Total**
Balances at 12/31/2013	-	(13,034)	(171,249)	(2,622)	(2,548)	(871)	(2,011)	-	(4,608)	-	-	(258)	(197,201)
Additions	-	(1,089)	(7,487)	(21)	(622)	(21)	(16)	-	(105)	-	-	(46)	(9,407)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at 06/30/2014	-	(14,123)	(178,736)	(2,643)	(3,170)	(892)	(2,027)	-	(4,713)	-	-	(304)	(206,608)

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

	Company												
PP&E cost	**Land**	**Buildings**	**Machinery, equipment and industrial facilities**	**Furniture and fixtures**	**Vehicles**	**Railway wagons**	**Leasehold improvements**	**Uninstalled machinery and equipment**	**Other**	**Construction in progress**	**Advances to suppliers**	**Limestone mines**	**Total**
Balances at 12/31/2012	3,864	20,058	220,070	2,807	4,184	1,846	2,198	2,714	4,839	370,432	1,219	21,858	656,089
Additions	50	32,211	59,574	22	638	-	-	-	6	-	817	-	93,318
Transfers	-	56,113	287,582	-	-	-	-	-	-	(343,695)	-	-	-
Write-offs	-	-	(1,557)	-	-	-	-	-	(17)	-	(1,663)	-	(3,237)
Balances at 06/30/2013	3,914	108,382	565,669	2,829	4,822	1,846	2,198	2.714	4,828	26,737	373	21,858	746,170

	Company												
PP&E Depreciation	**Land**	**Buildings**	**Machinery, equipment and industrial facilities**	**Furniture and fixtures**	**Vehicles**	**Railway wagons**	**Leasehold improvements**	**Uninstalled machinery and equipment**	**Other**	**Construction in progress**	**Advances to suppliers**	**Limestone mines**	**Total**
Balances at 12/31/2012	-	(11,741)	(163,078)	(2,582)	(1,701)	(828)	(1,979)	-	(4,341)	-	-	(165)	(186,415)
Additions	-	(205)	(1,121)	(20)	(322)	(22)	(16)	-	(125)	-	-	(46)	(1,877)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at 06/30/2013	-	(11,946)	(164,199)	(2,602)	(2,023)	(850)	(1,995)	-	(4,466)	-	-	(211)	(188,292)

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

	Consolidated												
PP&E cost	Land	Buildings	Machinery, equipment and industrial facilities	Furniture and fixtures	Vehicles	Railway wagons	Leasehold improvements	Uninstalled machinery and equipment	Other	Construction in progress	Advances to suppliers	Limestone mines	Total
Balances at 12/31/2013	20,534	109,086	596,672	2,974	7,213	1,846	2,198	2,714	7,578	18,487	7,560	21,858	798,720
Additions	4,708	-	271	25	503	745	-	-	240	8,612	725	-	15,829
Transfers	900	-	-	-	-	-	-	-	-	-	(900)	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at 06/30/2014	26,143	109,086	596,943	2,999	7,716	2,591	2,198	2,714	7,818	27,099	7,385	21,858	814,550

	Consolidated												
PP&E Depreciation	Land	Buildings	Machinery, equipment and industrial facilities	Furniture and fixtures	Vehicles	Railway wagons	Leasehold improvements	Uninstalled machinery and equipment	Other	Construction in progress	Advances to suppliers	Limestone mines	Total
Balances at 12/31/2013	-	(13,607)	(171,682)	(2,717)	(2,671)	(871)	(2,011)	-	(5,343)	-	-	(258)	(199,160)
Additions	-	(1,102)	(7,704)	(23)	(639)	(21)	(16)	-	-	-	-	(46)	(9,551)
Transfers	-	-	-	-	-	-	-	-	102	-	-	-	102
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at 06/30/2014	-	(14,709)	(179,386)	(2,740)	(3,310)	(892)	(2,027)	-	(5,241)	-	-	(304)	(208,609)

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

	Consolidated												
PP&E cost	**Land**	**Buildings**	**Machinery, equipment and industrial facilities**	**Furniture and fixtures**	**Vehicles**	**Railway wagons**	**Leasehold improvements**	**Uninstalled machinery and equipment**	**Other**	**Construction in progress**	**Advances to suppliers**	**Limestone mines**	**Total**
Balances at 12/31/2012	14,920	21,001	221,419	2,892	4,354	1,846	2,198	2,714	7,246	371,735	6,458	21,858	678,641
Additions	1,565	32,273	59,247	47	638	-	-	-	8	-	816	-	94,594
Transfers	-	56,051	287,917		-	-	-	-	-	(343,968)	-	-	-
Write-offs	-	(238)	(2,104)	(3)	(30)	-	-	-	(88)	-	(1,663)	-	(4,126)
Balances at 06/30/2013	16,485	109,087	566,479	2,936	4,962	1,846	2,198	2,714	7,166	27,767	5,611	21,858	769,109

	Consolidated												
PP&E Depreciation	**Land**	**Buildings**	**Machinery, equipment and industrial facilities**	**Furniture and fixtures**	**Vehicles**	**Railway wagons**	**Leasehold improvements**	**Uninstalled machinery and equipment**	**Other**	**Construction in progress**	**Advances to suppliers**	**Limestone mines**	**Total**
Balances at 12/31/2012	-	(12,514)	(163,990)	(2,660)	(1,834)	(828)	(1,979)	-	(5,085)	-	-	(165)	(189,055)
Additions	-	(205)	(1,121)	(37)	(322)	(22)	(16)	-	(125)	-	-	(46)	(1,894)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	212	490	-	22	-	-	-	40	-	-	-	764
Balances at 06/30/2013	-	(12,507)	(164,621)	(2,697)	(2,134)	(850)	(1,995)	-	(5,170)	-	-	(211)	(190,185)

(In thousands of reais, unless otherwise stated)

12. Intangible assets

	Company				Consolidated			
	Goodwill	Mining rights	Other	Total	Goodwill	Mining rights	Other	Total
Balances at December 31, 2013	**93,564**	**28,068**	**570**	**122,202**	**93,564**	**50,255**	**722**	**144,541**
Addi ions	**-**	**-**	**80**	**80**	**-**	**115**	**80**	**195**
Amortization	**-**	**-**	**(65)**	**(65)**	**-**	**-**	**(66)**	**(66)**
Balances at June 30, 2014	**93,564**	**28,068**	**585**	**122,217**	**93,564**	**50,370**	**736**	**144,670**

	Company				Consolidated			
	Goodwill	Mining rights	Other	Total	Goodwill	Mining rights	Other	Total
Balances at December 31, 2012	93,564	28,068	302	121,934	93,564	49,793	446	143,803
Addi ions	-	-	8	8	-	156	19	175
Amortization	-	-	-	-	-	-	-	-
Balances at June 30, 2013	93,564	28,068	310	121,942	93,564	49,949	465	143,978

Impairment test for cash generating units with goodwill

The recoverable amount of assets was calculated based on the discounted cash flow methodology over the useful life of the asset. The main assumptions used in the calculation of the recoverable amount are the discounted cash flow rate, cement price and operating costs relating to extraction and production. Significant assumptions used in the calculation of the recoverable amount are the discounted cash flow rate and EBITDA margins estimated for the forecast period, which are directly influenced by cement sales volume and price and production costs.

The assumptions used include a margin EBITDA of 25% to 31% and a discount rate ranging from 10% to 15%.

As a result of the impairment test of the Company's assets on December 31, 2013, the recoverable amount is higher than the book value of assets.

Cimento Tupi S.A.

Notes to the interim condensed financial statements (Continued)
June 30, 2014
(In thousands of reais, unless otherwise stated)

13. Loans and financing

	06/30/2014		12/31/2013	
	Current	Non-current	Current	Non-current
Company				
Local currency				
Development banks				
BDMG and others - interest from 3.5% to 9.5% p.a. (Dec/2013 - 3.5% to 9.5%) and monetary restatement based on official basket of rates, maturing up to 2024	**22,928**	**115,420**	15,569	128,240
Working capital				
Credit Suisse, Santander, Fibra, Alfa, Pine, ABC Brasil, and Panamericano - with average charges of 15.48% p.a. (Dec/2013 - 12.7%), maturing up to Apr/2020	**64,536**	**62,246**	53,259	60,632
	87,464	**177,666**	68,828	188,872
Foreign currency				
Bank of America - US$150,000				
Senior Unsecured Notes - interest of 9.75% p.a., semiannual payments. Principal maturing in May/2018	**6,469**	**330,375**	6,059	351,390
Agricultural Bank of China - US$25,500				
Facility Agreement - interest of LIBOR 12M + 2.80% p.a., semiannual payments. Principal maturing through February/2017	**18,721**	**37,442**	10,723	49,780
Transaction costs	**-**	**(14,674)**	-	(16,666)
	25,190	**353,143**	16,782	384,504
Company	**112,654**	**530,809**	85,610	573,376
Other	**583**	**-**	1,690	-
Consolidated	**113,237**	**530,809**	87,300	573,376

a) Local currency

Financing is guaranteed by secured asset and a portion thereof is guaranteed by the assets financed.

On April 12, 2013, the Company entered into a financial agreement with Banco de Desenvolvimento de Minas Gerais S.A. - BDMG through the transfer of funds from BNDES in the amount of R$106,310. The loan repayment will occur beginning on November 15, 2014, in 66 consecutive monthly installments, adjusted by the Brazilian Long-Term Interest Rate (TJLP) variation plus interest of 4.30% p.a. For the initial grace period, 18 months beginning April 15, 2013, interest will be payable on a quarterly basis.

13. Loans and financing (Continued)

a) Local currency (Continued)

On April 30, 2013, the Company entered into a credit transaction for funding in the form of Bank Credit Notes (CCB) from Banco de Investimentos Credit Suisse (Brasil) S.A., in the amount of R$40,000 with interest calculated at 100% of CDI + 4.00% p.a., with monthly payments, and maturity of principal until April 27, 2018. On April 30, 2013, the Company entered into a swap agreement, for the purpose of modifying the form of remuneration, which was then remunerated at the exchange rate (PTAX) + 10.95% p.a. Through June 30, 2014, the swap fair value loss of R$ 4,017 was recorded in P&L.

b) Foreign currency

On May 6, 2011, the Company issued unsecured debt securities (9.75% Senior Unsecured Notes) placed in the international market totaling US$100,000,000, equivalent to R$161,780 on that date, maturing on May 11, 2018, subject to nominal interest of 9.75% (effective rate of 10.68% p.a.), payable semiannually on November and May 11 of each year, as from 2011.

On February 7, 2012, the Company issued US$50,000,000 additional debt securities, equivalent to R$86,305 on that date, placed in the international market, bearing the same characteristics of the initial issue.

On January 30, 2014, the Company executed an agreement to enter into a swap transaction, in order to change the remuneration of semiannual interest of notes, and such transaction will be remunerated at the difference between foreign exchange rate (PTAX) plus a 9.75% spread (long position) and CDI plus a 3% spread (short position). Through June 30, 2014, the swap fair value loss of R$ 6,197 was recorded in P&L.

The Company used these funds to expand the Pedra do Sino plant, repayment in advance of existing debts and for general corporate purposes.

On January 8, 2013, Cimento Tupi S.A. entered into a US$25,500,000 loan from Agricultural Bank of China, equivalent to R$51,765 on that date. The principal amount will be paid in semiannual installments from August 20, 2014 to February 20, 2017, and interest will be paid semiannually from February 20, 2013, calculated based on LIBOR-12M + 2.80% p.a.

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

b) Foreign currency (Continued)

Transaction costs as of June 30, 2014 totaled R$14,674 (R$16,666 as of December 31, 2013), including commissions paid to the financial agent (underwriting bank) in charge of the fund-raising, lawyers, independent auditors, advisors, in addition to expenses with the preparation of prospectus and reports. This amount was accounted for as a reduction of loans and financing, and amortized as expenses as debt issuance costs, net of tax effects.

These transaction costs will be amortized over the same period of the corresponding loans:

2014	**2,054**
2015	**4,064**
2016	**4,064**
2017	**3,240**
2018	**1,252**
	14,674

c) Schedule of maturity

Loans and financing recorded as non-current liabilities as of June 30, 2014 mature as follows:

2015	**33,873**
2016	**62,848**
2017	**49,843**
2018	**357,841**
2019	**19,480**
2020 and thereafter	**6,924**
	530,809

d) Covenants

Under the terms of the Senior Unsecured Notes and other loans, the Company is subject to certain financial and nonfinancial covenants, such as: (i) increase in debt provided certain financial indices are observed; (ii) payment of dividends in amount higher than mandatory dividends, provided certain conditions are met and (iii) disposal of operating assets, except for reinvestment in the Company.

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

d) Covenants (Continued)

In December 2013 and on June 30, 2014, the Company obtained waivers from Banco de Investimentos Credit Suisse (Brasil) S.A. and Banco Panamericano S.A. in relation to the compliance with financial ratios (EBITDA/net debt) provided for in the agreements entered into with the Company. At June 30, 2014, the Company was compliant with all existing covenants.

14. Related-party transactions

Current and non-current assets, current liabilities and transactions

	Company								
	06/30/2014								12/31/2013
	Tupi Mineradora de Calcário Ltda.	Cimento Tupi do Nordeste Ltda.	Sandra Mineração Ltda.	Mape Incorporação e Empreend. Ltda.	Tupimec Indústria Mecânica Ltda.	CP Cimento Overseas CO.	Other	Total	Total
Noncurrent assets									
Current accounts	**137**	**336**	**317**	**-**	**-**	**-**	**5**	**795**	169
Current liabilities									
Current accounts	**-**	**-**	**-**	**21,034**	**-**	**2,252**	**9**	**23,295**	23,235
Transactions									
Cost of sales	**-**	**-**	**-**	**-**	**(2,722)**	**-**	**-**	**(2,722)**	(9,247)

Transactions with related parties refer primarily to current account balances and the supply of services and products for the production and operation of the companies.

Cost of sales corresponds mainly to the purchase of maintenance materials.

15. Taxes and contributions payable in installments

These refer to installments of the Special Installment Payment Program (PAES), ICMS and Law No. 11941/2009, obtained mainly by the Company, from Federal and State agencies since 2003.

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Current liabilities	**5,650**	5,668	**5,683**	5,718
Non-current liabilities	**22,919**	24,570	**22,941**	24,595

(In thousands of reais, unless otherwise stated)

15. Taxes and contributions payable in installments (Continued)

The installments recorded under non-current liabilities as of June 30, 2014 will be paid as follows:

	Company	Consolidated
2015	**1,227**	**1,097**
2016	**2,455**	**2,455**
2017	**2,455**	**2,455**
2018 and thereafter	**16,782**	**16,934**
	22,919	**22,941**

16. Equity

a) Capital stock

The capital stock fully subscribed and paid-in capital as of June 30, 2014 and December 31, 2013 comprises 107,336,023 common shares and 107,336,023 preferred shares, with no par value. Preferred shareholders do not have voting rights and are not entitled to minimum or fixed dividends.

b) Capital reserve

The capital reserve represents the excess paid in the share issue or capitalization, as related to the basic value of the shares issued in 1996.

c) Legal reserve

Legal reserve is recorded based on the allocation of 5% of the net income for the year, up to the limit of 20% of the capital stock, as provided for in the Brazilian Corporation Law, and should be used to offset accumulated losses.

d) Income reserve

Income reserve is recorded by retaining a portion of net income for the year, if any. Such retention shall be based on a capital budget to support future investment prepared by the Company's management, to be submitted for approval by the shareholders at an Annual General Meeting.

16. Equity (Continued)

e) Dividends

Shareholders are entitled to a minimum mandatory dividend of 25% of annual net income, adjusted according to legal provisions.

The preferred shares have the right to receive dividends per share 10% higher than the dividends per share paid to common shares.

f) Treasury shares

The Company acquired 19,426,917 preferred shares from CP Cimento e Participações S.A. shareholders who dissented from its merger into the Company in March 2011, for total consideration of R$25,999, and held such shares in treasury.

g) Earnings (loss) per share

Pursuant to CPC 41, the Company presents information on earnings (loss) per share for the six-month periods ended June 30, 2014 and 2013.

Basic earnings per share are calculated by dividing net income (loss) for the period, attributed to Company's common and preferred shareholders, by the weighted average number of common and preferred shares outstanding for the period.

The following tables present the number of shares and P&L information used to calculate basic and diluted earnings per share:

	06/30/2014			**06/30/2013**		
	Common shares	**Preferred shares**	**Total**	**Common shares**	**Preferred shares**	**Total**
Net income for the period attributable to controlling shareholders	**6,834**	**6,156**	**12,990**	(1,435)	(1,292)	(2,727)
Weighted average number of shares (in thousands of shares)	**107,336**	**87,909**	**195,245**	107,336	87,909	195,245
Basic and diluted earnings per share	**0.0637**	**0.0700**		(0.0134)	(0.0147)	

For the six-month periods ended June 30, 2014 and 2013, there is no difference between basic and diluted earnings per share, as there are no diluting instruments.

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes

a) Reconciliation of income and social contribution tax expenses

	Company			
	Income tax		Social contribution tax	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Income (loss) before income taxes	**19,957**	(3,415)	**19,957**	(3,415)
Equity pickup	**237**	(1,752)	**237**	(1,752)
Reversal of provision for impairment of PP&E	**-**	(3,012)	**-**	(3,012)
Depreciation	**(15,199)**	(2,011)	**(15,199)**	(2,011)
Goodwill realization	**(9,356)**	(9,356)	**(9,356)**	(9,356)
Interest on qualifying assets	**1,969**	(15,591)	**1,969**	(15,591)
Gain (loss) on derivative transactions	**6,595**	-	**6,595**	**-**
Other additions and exclusions, net	**(5.104)**	1,063	**(5.104)**	1,063
Adjusted income (loss)	**(901)**	(34,074)	**(901)**	(34,074)
Applicable rates	**25%**	25%	**9%**	9%
Current income and social contribution taxes	**-**	-	**-**	-
Tax debts set up on goodwill tax benefit	**(2,339)**	(2,339)	**(842)**	(842)
Tax credits set up on deferred income and social contribution taxes on respective losses carryforward	**225**	8,518	**81**	3,067
Tax debts set up on deferred income and social contribution taxes on temporary differences	**(3,009)**	(5,673)	**(1,083)**	(2,043)
Income and social contribution taxes in P&L	**(5,123)**	506	**(1,844)**	182

	Consolidated			
	Income tax		Social contribution tax	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Income (loss) before income taxes	**20,333**	(3,135)	**20,333**	(3,135)
Equity pickup in subsidiaries	**237**	1,752	**237**	1,752
Reversal of provision for impairment of PP&E	**-**	(3,012)	**-**	(3,012)
Depreciation	**(15,199)**	(2,011)	**(15,199)**	(2,011)
Goodwill realization	**(9,356)**	(9,356)	**(9,356)**	(9,356)
Interest on qualifying assets	**1,969**	(15,591)	**1,969**	(15,591)
Gain (loss) on derivative transactions	**6,595**	-	**6,595**	-
Other additions and exclusions, net	**(6,447)**	(2,160)	**(6,447)**	(2,160)
Adjusted income (loss)	**(1,868)**	(33,513)	**(1,868)**	(33,513)
Applicable rates	**25%**	25%	**9%**	9%
Current income and social contribution taxes	**-**	-	**-**	-
Taxable profit as a percentage of gross revenue	**(272)**	(205)	**(104)**	(74)
Tax debts set up on goodwill tax benefit	**(2,339)**	(2,339)	**(842)**	(842)
Tax credits set up on deferred income and social contribution taxes on respective losses carryforward	**225**	8,379	**81**	3,017
Tax debts set up on deferred income and social contribution taxes on temporary differences	**(3,009)**	(5,534)	**(1,083)**	(1,993)
Income and social contribution taxes deferred	**(5,123)**	506	**(1,844)**	182
Income and social contribution taxes in P&L	**(5,395)**	301	**(1,948)**	108

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes (Continued)

b) Breakdown of deferred income taxes

	06/30/2014	12/31/2013
Tax losses carryforward	**76,878**	77,558
Provisions for legal claims	**154**	433
Deferred income tax assets	**77,032**	77,991
Deferred income taxes on temporary differences	**(32,770)**	(29,943)
Transactions taxed on a cash basis	**(6,470)**	(6,470)
Goodwill tax amortization	**(20,849)**	(17,667)
Deferred income tax liabilities	**(60,089)**	(54,080)
	16,943	23,911

Considering the expectation of taxable profits in upcoming years, the Company recorded deferred income taxes on tax losses carryforward and temporary differences.

Income and social contribution tax losses may be carried indefinitely, but their offset is limited to 30% of the taxable income for the year.

At June 30, 2014, the tax credits (Company) are expected to be realized as follows:

	06/30/2014	12/31/2013
2014	**9,659**	10,090
2015	**11,282**	11,282
2016	**12,075**	12,075
2017	**12,687**	12,687
2018	**13,465**	13,465
2019	**13,465**	13,465
2020	**4,399**	4,927
	77,032	77,991

17. Income and social contribution taxes (Continued)

c) Law No. 12973/14

In November 2013, Provisional Measure No. 627 was published providing for nontaxation on profits and dividends calculated on P&L computed between January 1, 2008 and December 31, 2013, by legal entities whose taxable profit is computed on their accounting records ("*lucro real*"), or estimated as a percentage of their gross revenue ("*lucro presumido*"), or arbitrated ("*lucro arbitrado*"), actually paid until the date of publication of said MP, in amounts greater than those computed using the accounting methods and criteria in force at December 31, 2007, as long as the entity that has paid up profits or dividends had elected for early adoption of the new taxation regime as from 2014.

In May 2014, this Provisional Measure was converted into Law No. 12973 with amended provisions as to treatment of dividends, interest on shareholders' equity and measurement of investments using the equity method, among others.

Unlike the provisions of the Provisional Measure, Law No. 12973 provided for unconditional nontaxation on profits and dividends calculated on P&L computed between January 1, 2008 and December 31, 2013.

The Company analyzed the potential effects of Law No. 12973/14, considered them immaterial for its financial statements as of June 30, 2014 and December 31, 2013, and decided on early adoption of the provisions contained in articles 1, 2, 4 to 70 and 76 to 92 thereof.

18. Provisions for legal claims

The Company and its subsidiaries are parties to tax, labor, civil and other administrative and legal proceedings, in several courts and government agencies, arising from the normal course of their business. Based on information provided by its legal advisors, on the review of unsettled litigation, the Company recorded a provision at an amount considered sufficient to cover probable losses estimated on existing cases.

At June 30, 2014, the Company recorded a provision for labor claims, whose likelihood of an unfavorable outcome had been considered as probable, amounting to R$453 (R$1,273 as of December 31, 2013).

At June 30, 2014, the Company had judicial deposits of R$5,202 (R$4,897 as of December 31, 2013).

(In thousands of reais, unless otherwise stated)

18. Provisions for legal claims (Continued)

In addition, the Company is party to civil, labor and tax proceedings whose likelihood of an unfavorable outcome has been classified as possible by management and its legal advisors, for which no provision for legal claims was recorded. At June 30, 2014, the total amount of proceedings classified as possible was R$46,463 (R$46,463 at December 31, 2013), as follows:

Type	06/30/2014 and 12/31/2013
Tax proceedings	**39,552**
Labor proceedings	**6,911**
	46,463

19. Insurance coverage

The Company and its subsidiaries entered into insurance coverage, of the Named Perils and Civil Liability type, for its inventories and PP&E. In assessing the risks, the following aspects are considered: (a) decentralized location of plants (Minas Gerais, Rio de Janeiro and São Paulo); (b) nature of activities, and (c) preventive measures against accidents. Maximum Indemnity Limit (LMI) totals R$ 198,685 for plants. Insured amounts take into consideration the estimated to cover losses, if any, in risk-concentrated locations and maximum possible loss in a single contingent event.

Risk assumptions adopted, given their nature, were determined by management.

20. Financial instruments and risk management

20.1. Analysis of financial instruments

The Company and its subsidiaries valuated their financial assets and liabilities in relation to the market value through available information and appropriate valuation methodologies. However, market data interpretation and the selection of valuation methods require considerable judgment and estimates to determine fair value. As such, the estimates presented do not necessarily indicate the amounts which may be realized in the current market. The use of different market hypothesis and/or methodologies may have a significant effect on the estimated realizable values.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.2. Classification of financial instruments by category

Financial assets of the Company and its subsidiaries are classified as follows:

	Company					
	06/30/2014			31/12/ 2013		
Financial assets	Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
Cash and cash equivalents	**4,365**	**-**	**4,365**	1,746	-	1,746
Marketable securities	**-**	**36,468**	**36,468**	-	63,925	63,925
Trade accounts receivable	**48,735**	**-**	**48,735**	31,423	-	31,423
Taxes recoverable	**9,679**	**-**	**9,679**	17,468	-	17,468
Notes receivable	**27,210**	**-**	**27,210**	25,914	-	25,914
	89,989	**36,468**	**126,457**	76,551	63,925	140,476

	Consolidated					
	06/30/2014			12/31/2013		
Financial assets	Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
Cash and cash equivalents	**5,783**	**-**	**5,783**	2,961	-	2,961
Marketable securities	**-**	**39,999**	**39,999**	-	69,042	69,042
Trade accounts receivable	**48,826**	**-**	**48,826**	31,593	-	31,593
Taxes recoverable	**10,475**	**-**	**10,475**	18,304	-	18,304
Notes receivable	**54,787**	**-**	**54,787**	52,439	-	52,439
	119,871	**39,999**	**159,870**	105,297	69,042	174,339

At June 30, 2014, the Company and its subsidiaries did not record financial assets held to maturity.

The main financial liabilities held by the Company and its subsidiaries are classified as loans and financing and derivatives at fair value through profit or loss, as follows:

	Company	
Financial liabilities	06/30/2014	12/31/2013
Trade accounts payable	**14,745**	11,237
Loans and financing	**643,463**	658,986
Derivative financial instruments	**10,214**	6,816
Payables to related parties	**23,295**	23,235
Interest on shareholders' equity and dividends	**954**	928
	692,671	701,202

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.2. Classification of financial instruments by category (Continued)

Financial liabilities	Consolidated 06/30/2014	Consolidated 12/31/2013
Trade accounts payable	**14,697**	10,907
Loans and financing	**644,046**	660,676
Derivative financial instruments	**10,214**	6,816
Interest on shareholders' equity and dividends	**954**	928
	669,911	679,327

Fair value of financial assets and liabilities is included in the value for which such instrument could be exchanged in a current transaction between parties willing to negotiate, and not in a forced or liquidation sale. The following methods and assumptions were used to estimate their fair value.

- Cash and cash equivalents, trade accounts receivable, trade accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- The fair value of receivables does not significantly differ from their carrying amount, as the monetary restatement is consistent with market rates and/or they are adjusted by a provision for impairment losses.

- Loans and financing are subject to variable interest rates consistent with observable market rates; as such, the reported book values approximate the related fair values.

20.3. Fair value measurement

The table below shows an analysis of financial instruments recognized at fair value after their initial recognition. These financial instruments are grouped into levels 1 to 3 based on the extent to which the fair value is observable:

a) Level 1: fair value measurement is derived from prices quoted (not restated) in active markets, based on equal assets and liabilities.

b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e., as the prices) or indirectly (i.e., derivative of prices).

20. Financial instruments and risk management (Continued)

20.3. Fair value measurement (Continued)

c) Level 3: fair value measurement is derived from valuation techniques that include an asset or liability that is not included in an active market.

	At June 30, 2014		
	Level 1	**Level 2**	**Level 3**
Company			
Marketable securities	**-**	**36,468**	**-**
Derivative financial instruments	**-**	**(10,214)**	**-**
Consolidated			
Marketable securities	**-**	**39,999**	**-**
Derivative financial instruments	**-**	**(10,214)**	**-**

20.4. Risk management

The financial operations of the Company and its subsidiaries are carried out by the finance department using conservative strategies that seek to maximize security, profitability and liquidity, as approved by the Company's management. According to the Company's policy, protective mechanisms must be adopted against financial risks arising from contractual obligations, whether in local or foreign currency, so that risk exposures associated with foreign exchange and interest rate fluctuations can be managed.

Financial institutions are selected on criteria which obey parameters that consider the rating awarded by recognized risk analysis agencies, equity and operation and resource concentration levels. Significant market risk factors that affect the business of the Company and its subsidiaries are as follows:

a) <u>Currency risk due to foreign exchange rate fluctuations</u>

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

20. Financial instruments and risk management (Continued)

20.4. Risk management (Continued)

b) Credit risk

The financial instruments that are subject to credit risks refer to cash and cash equivalents, marketable securities and trade accounts receivable. Operations are conducted with banks having acknowledged liquidity, thus minimizing risks.

The risk of incurring losses arising from difficulty to receive amounts billed to customers is minimized as sales are spread in a large number of customers, and conditioned to a credit limit established individually per customer. Allowance for doubtful accounts as of June 30, 2014 and December 31, 2013 is mainly related to a specific customer.

c) Interest rate risk

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

d) Liquidity risk

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

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.5. Sensitivity analysis table - effect on fair value variation

The table below shows the sensitivity analysis based on hypothetical changes in risks considered significant by management that could adversely impact the financial statements.

Sensitivity analysis (*)	Estimated effect on P&L before taxes for the six-month periods ended June 30, 2014 R$
Interest rate sensitivity	
20% increase in basic interest rate	**(6,244)**
20% decrease in basic interest rate	**5,203**
Sensitivity in foreign currency	
5% increase in USD rate	**(19,322)**
5% decrease in USD rate	**18,410**

(*) Based on the actual effects in the first quarter of 2014, management performed the sensitivity analyses above with all other variables.

21. Net operating revenue

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Gross operating revenue				
Sale of products	**305,748**	231,924	**307,128**	233,177
Sales deductions	**(80,986)**	(62,318)	**(81,517)**	(63,507)
Sales returns	**(579)**	(278)	**(579)**	(278)
ICMS on sales	**(51,539)**	(40,303)	**(51,700)**	(40,849)
PIS and COFINS on sales	**(28,165)**	(21,449)	**(28,446)**	(22,020)
IPI on other sales	**(703)**	(288)	**(709)**	(304)
ISS	**-**	-	**(83)**	(56)
Net operating revenue	**224,762**	169,606	**225,611**	169,670

(In thousands of reais, unless otherwise stated)

22. General and administrative expenses

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Administrative personnel expenses (*)	**(12,370)**	(8,882)	**(13,477)**	(9,652)
Attorney's fees	**(1,132)**	(643)	**(1,136)**	(643)
Third-party services	**(825)**	(743)	**(980)**	(945)
Rent of real estate	**(875)**	(640)	**(906)**	(640)
Leased vehicles	**(100)**	(109)	**(106)**	(116)
Travel expenses (*)	**(509)**	(288)	**(512)**	(291)
Donations	**(294)**	(180)	**(294)**	(180)
Other (*)	**(4,034)**	(1,395)	**(4,205)**	(1,928)
	(20,139)	(12,880)	**(21,616)**	(14,395)

(*) In the first six-month of 2014 the company went through a reorganization process with the creation of a Shared Services Center, and incurred specific costs in the amount of R $ 3,936 thousand.

Management compensation for the six-month period ended June 30, 2014 totaled R$3,973 (R$3,328 - June 30, 2013). Related management compensation charges are recorded under general and administrative expenses amounting to R$ 933 and R$ 836 for the six-month period ended June 30, 2014 and 2013, respectively.

23. Other operating income (expenses), net

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Write-off of fixed assets	**-**	(1,648)	**-**	(1,648)
Reversal of provision for legal claims	**820**	-	**820**	-
ICMS credit	**392**	-	**392**	-
Revenue from leftover of inventories	**-**	6,817	**-**	6,817
Other	**549**	466	**587**	2,328
	1,761	5,635	**1,799**	7,497

24. Financial income (expenses)

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Financial expenses				
Interest on loans and financing	**(31,219)**	(14,061)	**(31,219)**	(14,256)
Foreign exchange variations on loans and financing	**-**	(29,142)	**-**	(29,142)
Other contractual interest	**(2,256)**	-	**(2,256)**	-
Interest and fines on taxes in installments	**(5,634)**	-	**(5,634)**	-
Losses with derivatives	**(6,595)**	(4,325)	**(6,595)**	(4,325)
Other financial expenses	**(2,490)**	(2,842)	**(2,565)**	(2,953)
	(48,194)	(50,370)	**(48,269)**	(50,676)

(In thousands of reais, unless otherwise stated)

24. Financial income (expenses) (Continued)

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Financial income				
Foreign exchange variation on loans and financing	**25,612**	-	**25,612**	-
Income from investments	**2,431**	4,333	**2,431**	4,333
Other financial income	**2,520**	1,948	**2,625**	1,993
	30,563	6,281	**30,668**	6,326
	(17,631)	(44,089)	**(17,601)**	(44,350)

25. Receivables from third parties

These mainly refer to amounts deposited at Agricultural Bank of China in connection with the expansion of Pedra do Sino plant.

26. Segment information

Management groups entities in two different segments:

a) Cement

Its main corporate purpose is the production of cement and mortar at the Company's manufacturing plants.

b) Real estate development and projects

The main corporate purpose is the development and management of real estate.

Management separately monitors operating results of its business units in order to make decisions on allocation of resources and performance evaluation.

Segment performance is evaluated in view of the operating income (expenses) and measured in a consistent manner to the operating income (expenses) of the consolidated financial information.

(In thousands of reais, unless otherwise stated)

26. Segment information (Continued)

b) Real estate development and projects (Continued)

Information on the Company's segments is shown in the following tables:

	06/30/2014				
	Cement	**Real estate development and projects**	**Other**	**Elimination**	**Total Consolidated**
Net opera ing revenue	**224,762**	**1,053**	**2,517**	**(2,721)**	**225,611**
Gross profit	**61,261**	**1,053**	**495**	**-**	**62,809**
Depreciation, amortization and depletion	**(9,472)**	**-**	**(37)**	**-**	**(9,509)**
Income (loss) before financial income (expenses) and income taxes	**37,825**	**1,000**	**(891)**	**-**	**37,934**
Financial income (expenses)	**(17,631)**	**105**	**(75)**	**-**	**(17,601)**
Equity pickup	**(237)**	**-**	**-**	**237**	**-**
Income (loss) before income taxes	**19,957**	**1,105**	**(967)**	**238**	**20,333**
Income and social contribution taxes	**(6,967)**	**(374)**	**(2)**	**-**	**(7,343)**
Net income (loss)	**12,990**	**731**	**(969)**	**238**	**12,990**
Current assets	**210,949**	**35,756**	**5,253**	**(21,529)**	**230,429**
Non-current assets	**848,688**	**35,576**	**45,373**	**(120,182)**	**809,455**
Current liabilities	**185,764**	**2,081**	**2,631**	**(24,552)**	**165,924**
Non-current liabilities	**558,198**	**-**	**22**	**-**	**558,220**

	06/30/2013				
	Cement	**Real estate development and projects**	**Other**	**Elimination**	**Total Consolidated**
Net opera ing revenue	169,606	823	5,007	(5,766)	169,670
Gross profit	50,054	823	1,124	-	52,001
Depreciation, amortization and depletion	(2,043)	-	(58)	-	(2,101)
Income (loss) before financial income (expenses) and income taxes	38.922	2,447	(154)	-	41,215
Financial income (expenses)	(44,089)	(159)	(102)	-	(44,350)
Equity pickup	1.752	-	-	(1.752)	-
Income (loss) before income taxes	(3,415)	2,288	(256)	(1,752)	(3,135)
Income and social contribution taxes	688	(279)	-	-	409
Net income (loss)	(2,727)	2,009	(256)	(1,752)	(2,726)
Current assets	208,671	31,044	5,299	(21,768)	223,246
Non-current assets	820,980	41,489	44,072	(119,072)	787,469
Current liabilities	171,484	3,703	2,647	(25,992)	151,842
Non-current liabilities	533,444	556	58	-	534,058

27. Subsequent events

On July 15, 2014, the subsidiary Mape Incorporação e Empreendimentos Ltda. received from Itaendá Participações S.A. the payment of the third installment (of a total 6), for the sale of a property located in Mogi das Cruzes, São Paulo, as described in Note 9.

27. Subsequent events (Continued)

The subsidiary Mape Incorporação e Empreendimentos Ltda. and Itaendá Participações S.A. entered into a Purchase and Sale Commitment Agreement on the area that will be detached from a property located in the city of Volta Redonda, state of Rio de Janeiro, for the total price of R$ 25,000 thousand. The agreement is effective for 90 (ninety) days, and may be extended for an equal period, for the execution of the final purchase and sale deed, when the remaining balance shall be paid.

Financial Statements

Cimento Tupi S.A.

December 31, 2013
with Independent Auditors' Report on Financial Statements

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 8º Andares - Botafogo
22250-040 - Rio de Janeiro, RJ, Brasil
Tel.: (55 21) 3263-7000
ey.com.br

A free translation from Portuguese into English of independent auditors' report on individual financial statements prepared in accordance with accounting practices adopted in Brazil, and on consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil

Independent auditors' report on financial statements

The Shareholders, Board of Directors and Officers
Cimento Tupi S.A.
Rio de Janeiro - RJ

We have audited the accompanying individual and consolidated financial statements of Cimento Tupi S.A. (the "Company"), identified as Company and Consolidated, respectively, which comprise the balance sheets as at December 31, 2013, and the related statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

Auditors' responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Cimento Tupi S.A. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion on consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cimento Tupi S.A. as at December 31, 2013, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

As mentioned in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. For Cimento Tupi S.A., these practices differ from IFRS - applicable to separate financial statements - solely with respect to the measurement of investments in subsidiaries, affiliates and jointly owned subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Our opinion is not qualified with respect to this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2013, prepared under management's responsibility, the presentation of which is required by the Brazilian corporation law for publicly held companies, and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion are presented fairly in all material respects, in relation to the overall financial statements.

Rio de Janeiro, March 17, 2014.

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ

Gláucio Dutra da Silva
Accountant CRC - 1RJ 090.174/O-4

A free translation from Portuguese into English of individual financial statements prepared in accordance with accounting practices adopted in Brazil, and of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB) and accounting practices adopted in Brazil

Cimento Tupi S.A.

Balance sheets
December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Assets				
Current assets				
Cash and cash equivalents (Note 4)	**1,746**	3,254	**2,961**	6,141
Marketable securities (Note 5)	**63,925**	16,805	**69,042**	16,805
Trade accounts receivable (Note 6)	**31,423**	21,905	**31,593**	22,109
Inventories (Note 7)	**35,049**	30,102	**37,899**	31,735
Taxes recoverable (Note 8)	**15,674**	24,119	**16,510**	25,218
Notes receivable (Note 9)	**25,914**	26,330	**35,904**	32,574
Advances to suppliers	**23,784**	12,452	**24,393**	13,183
Receivables from third parties (Note 27)	**10,451**	4,795	**10,451**	4,795
Other assets	**553**	534	**601**	602
Total current assets	**208,519**	140,296	**229,354**	153,162
Noncurrent assets				
Taxes recoverable (Note 8)	**1,794**	3,455	**1,794**	3,455
Inventories (Note 7)	**-**	-	**16,977**	16,384
Related parties (Note 14)	**169**	-	**-**	-
Notes receivable (Note 9)	**-**	-	**16,535**	23,418
Deferred income taxes (Note 17)	**23,911**	15,043	**23,911**	15,043
Judicial deposits (Note 18)	**4,897**	3,468	**4,897**	3,468
Investments				
Subsidiaries (Note 10)	**117,835**	112,803	**-**	-
Other investments	**907**	987	**1,156**	1,035
Property, plant and equipment (Note 11)	**578,052**	469,674	**599,560**	489,586
Intangible assets (Note 12)	**122,202**	121,934	**144,541**	143,803
Total non-current assets	**849,767**	727,364	**809,371**	696,192
Total assets	**1,058,286**	867,660	**1,038,725**	849,354

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Liabilities and equity				
Current liabilities				
Trade accounts payable	**11,237**	18,992	**10,907**	16,889
Salaries and social charges	**6,485**	5,452	**7,056**	5,800
Loans and financing (Note 13)	**85,610**	101,986	**87,300**	104,251
Related parties (Note 14)	**23,235**	25,994	**-**	-
Taxes payable	**13,055**	11,803	**13,127**	13,951
Interest on shareholders' equity and dividends	**928**	8,527	**928**	8,527
Other liabilities	**3,755**	5,060	**5,336**	8,164
Total current liabilities	**144,305**	177,814	**124,654**	157,582
Noncurrent liabilities				
Loans and financing (Note 13)	**573,376**	330,149	**573,376**	331,815
Derivative financial instruments (Note 20)	**6,816**	-	**6,816**	-
Taxes and contributions in installments (Note 15)	**24,570**	28,759	**24,595**	28,828
Provision for legal claims (Note 18)	**1,273**	1,003	**1,273**	1,003
Total noncurrent liabilities	**606,035**	359,911	**606,060**	361,646
Equity (Note 16)				
Capital stock	**279,891**	279,891	**279,891**	279,891
Capital reserve	**11,685**	11,685	**11,685**	11,685
Income reserve	**41,132**	63,678	**41,132**	63,678
Equity valuation adjustment	**1,237**	680	**1,237**	680
Treasury shares	**(25,999)**	(25,999)	**(25,999)**	(25,999)
Total equity attributable to controlling interests	**307,946**	329,935	**307,946**	329,935
Non-controlling interests	**-**	-	**65**	191
Total equity	**307,946**	329,935	**308,011**	330,126
Total liabilities and equity	**1,058,286**	867,660	**1,038,725**	849,354

See accompanying notes.

Cimento Tupi S.A.

Statements of income (loss)
Years ended December 31, 2013 and 2012
(In thousands of reais, except for earnings per shares)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Net operating revenue (Note 22)	**394,130**	322,367	**394,415**	355,586
Cost of sales	**(281,466)**	(232,790)	**(278,312)**	(233,090)
Gross profit	**112,664**	89,577	**116,103**	122,496
Operating expenses				
Selling expenses (Note 23)	**(8,804)**	(8,037)	**(8,808)**	(8,037)
General and administrative expenses (Note 24)	**(23,476)**	(23,267)	**(26,289)**	(26,228)
Management compensation (Note 21)	**(7,364)**	(7,371)	**(7,364)**	(7,371)
Equity pickup (Note 10)	**1,764**	26,733	**-**	-
Other operating income (expenses), net (Note 25)	**2,418**	8,089	**4,314**	9,339
Income before financial income (expenses) and income taxes	**77,202**	85,724	**77,956**	90,199
Financial income (expenses) (Note 26)				
Financial expenses	**(117,883)**	(61,498)	**(118,345)**	(65,215)
Financial income	**12,072**	7,584	**12,274**	8,021
	(105,811)	(53,914)	**(106,071)**	(57,194)
Income (loss) before income taxes	**(28,609)**	31,810	**(28,115)**	33,005
Income and social contribution taxes (Note 17)	**8,869**	(631)	**8,375**	(1,807)
Net income (loss) for the year	**(19,740)**	31,179	**(19,740)**	31,198
Income (loss) attr butable to				
Controlling interests	**(19,740)**	31,179	**(19,739)**	31,179
Non-controlling interests	**-**	-	**(1)**	19
Basic and diluted earnings per share – in reais (Note 16)				
Preferred shares	**(0.1064)**	0.1681	**-**	-
Common shares	**(0.0967)**	0.1528	**-**	-

See accompanying notes.

Cimento Tupi S.A.

Statements of comprehensive income (loss)
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Net income (loss) for the year	**(19,740)**	31,179	**(19,740)**	31,198
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign investments (Note 10)	**-**	-	**557**	314
Total comprehensive income, net of taxes	**(19,740)**	31,179	**(19,183)**	31,512
Attr butable to				
Controlling interests	**(19,740)**	31,179	**(19,182)**	31,493
Non-controlling interests	**-**	-	**(1)**	19

See accompanying notes.

Cimento Tupi S.A.

Statements of changes in equity
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Capital stock	Capital reserve – Premium on share subscription	Income reserve	Equity valuation adjustment	Retained earnings (accumulated losses)	Treasury shares	Controlling interests	Non controlling interests	Total equity
At December 31, 2011	279,891	11,685	45,654	366	-	(25,999)	311,597	193	311,790
Equity valuation adjustment	-	-	-	314	-	-	314	-	314
Profits distributed	-	-	(5,750)	-	-	-	(5,750)	-	(5,750)
Net income for the year	-	-	-	-	31,179	-	31,179	19	31,198
Dividends	-	-	-	-	(7,405)	-	(7,405)	-	(7,405)
Legal reserve	-	-	1,559	-	(1,559)	-	-	-	-
Income reserve	-	-	22,215	-	(22,215)	-	-	-	-
Noncontrolling interests	-	-	-	-	-	-	-	(21)	(21)
At December 31, 2012	**279,891**	**11,685**	**63,678**	**680**	**-**	**(25,999)**	**329,935**	**191**	**330,126**
Equity valuation adjustment	**-**	**-**	**-**	**557**	**-**	**-**	**557**	**-**	**557**
Profits distributed	**-**	**-**	**(2,806)**	**-**	**-**	**-**	**(2,806)**	**-**	**(2,806)**
Noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(126)**	**(126)**
Loss for the year	**-**	**-**	**-**	**-**	**(19,740)**	**-**	**(19,740)**	**-**	**(19,740)**
Absorption of loss for the year	**-**	**-**	**(19,740)**	**-**	**19,740**	**-**	**-**	**-**	**-**
At December 31, 2013	**279,891**	**11,685**	**41,132**	**1,237**	**-**	**(25,999)**	**307,946**	**65**	**308,011**

See accompanying notes.

Cimento Tupi S.A.

Statements of cash flows
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	2012	2013	2012
Operating activities				
Income (loss) before income taxes	(28,609)	31,810	(28,115)	33,005
Adjustments for:				
Deprecia ion, amortization and depletion	11,023	3,633	11,052	3,655
Investment write-off		-	76	-
Income (loss) from disposal of property, plant and equipment	188	(510)	208	(510)
Reversal to losses on property, plant and equipment	(3,012)	(6,716)	(3,012)	(6,716)
Equity pickup	(1,764)	(26,733)	-	-
Tax contingencies	270	(2,156)	270	(2,156)
Foreign exchange variation on intercompany loans	(160)	(90)		-
Foreign exchange variation on loans	49,749	29,412	49,327	29,412
Gain (loss) on derivative transactions	6,816	-	6,816	-
Penal ies and interest on assets and liabilities	40,763	21,381	39,641	21,344
Present value adjustment	416	3,624	416	3,624
Allowance for doubtful accounts	483	227	483	(413)
	76,163	53,882	77,162	81,245
(Increase)/decrease in asset accounts				
Trade notes receivable	(10,001)	4,879	(9,968)	11,500
Notes receivable	-	-	4,363	(29,662)
Taxes recoverable	(40,091)	(47,067)	(40,091)	(46,040)
Inventories	(4,947)	7,734	(6,757)	3,656
Advances to suppliers	(11,332)	(5,737)	(11,210)	(5,898)
Receivables from hird parties	(7,938)	2,840	(7,918)	3,739
Judicial deposits	(1,429)	383	(1,429)	383
(Increase)/decrease in liability accounts				
Trade accounts payable	(2,677)	7,075	(904)	4,917
Tax liabili ies	52,879	45,703	49,714	46,585
Salaries and social charges	1,033	712	1,256	762
Interest on loansand financing	(50,951)	(38,608)	(52,769)	(38,611)
Other liabilities	(1,305)	(1,406)	(2,012)	(1,211)
Noncontrolling interests	-	-	(126)	(8)
Equity valuation adjustment	-	-	557	314
Net cash provided by (used in) operating activities	(596)	30,390	(132)	31,671
Investing activities				
Acquisition of property, plant and equipment	(102,312)	(209,055)	(104,412)	(219,845)
Disposal of property, plant and equipment	4,698	15,543	5,053	21,039
Acquisition of investments	(276)	(12,572)	(276)	-
Disposal of investments	180	960	80	960
Acquisition of intangible assets	(341)	(243)	(815)	(1,751)
Dividends received	-	134	-	134
Marketable securities	(47,119)	12,574	(52,237)	28,586
Net cash used in investing activities	(145,170)	(192,659)	(152,607)	(170,877)
Financing activities				
Payment to related par ies	(5,301)	(2,094)	-	-
Receipt from related parties	-	25,740	-	-
Loans and financing paid	(96,639)	(61,607)	(96,639)	(61,607)
Loans and financing issued	256,603	209,081	256,603	211,514
Payment of interest on shareholders' equity and dividends	(7,599)	(14,544)	(7,599)	(14,544)
Profit sharing payment	(2,806)	-	(2,806)	-
Net cash provided by financing activities	144,258	156,576	149,559	135,363
Decrease in cash and cash equivalents	(1,508)	(5,693)	(3,180)	(3,843)
Cash and cash equivalents at beginning of the year	3,254	8,947	6,141	9,984
Cash and cash equivalents at end of the year	1,746	3,254	2,961	6,141

See accompanying notes.

Cimento Tupi S.A.

Statements of value added
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Revenue				
Gross operating revenue	**538,513**	437,942	**541,266**	474,858
Sales returns	**(821)**	(379)	**(1,582)**	(382)
Allowance for doubtful accounts	**(483)**	(227)	**(483)**	413
Other operating expenses, net	**(5,721)**	(13,483)	**(3,692)**	(12,824)
	531,488	423,853	**535,509**	462,065
Inputs acquired from third parties				
Cost of sales	**(254,601)**	(212,520)	**(251,449)**	(212,800)
Materials, energy, third-party services and other expenses	**(98,221)**	(75,138)	**(99,456)**	(77,983)
Reversal of impairment loss	**3,012**	6,716	**3,012**	6,716
Gross value added	**181,678**	142,911	**187,616**	177,998
Retentions				
Depreciation, amortization and depletion	**(11,023)**	(3,633)	**(11,052)**	(3,655)
Net value added generated	**170,655**	139,278	**176,564**	174,343
Value added received on transfer				
Equity pick-up	**1,764**	26,733	**-**	-
Financial income	**12,072**	7,584	**12,273**	8,021
Income and social contribution taxes	**8,869**	(631)	**8,375**	(1,807)
Total value added to be distributed	**193,360**	172,964	**197,212**	180,557
Controlling interests	**193,360**	172,964	**197,213**	180,538
Noncontrolling interests	**-**	-	**(1)**	19
Distribution of value added				
Salaries and charges	**52,258**	43,880	**53,566**	43,958
Taxes, charges and contributions	**39,859**	33,609	**41,899**	37,345
Interest and rental	**120,983**	64,296	**121,487**	68,075
Retained profits (loss)	**(19,740)**	31,179	**(19,740)**	31,179
Value added distr butable	**193,360**	172,964	**197,212**	180,557

See accompanying notes.

1. Operations

Cimento Tupi S.A. (“Company”), located at Avenida Presidente Wilson, 231, 29º andar, Centro, Rio de Janeiro, is engaged in the manufacturing of cement and mortar of all types at the plants located in Volta Redonda - State of Rio de Janeiro, Pedra do Sino - State of Minas Gerais and Mogi das Cruzes - State of São Paulo; exploration of mineral deposits and use of extracted products for cement manufacturing; provision of concrete-paving services; and holding ownership interests in other companies.

2. Presentation of financial statements and summary of significant accounting practices

These financial statements were approved by the Company’s Board of Executive Officers on March 17, 2014.

The financial information was prepared considering different assessment bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors in line with management’s judgment for determining the appropriate amount to be recorded in the financial statements. Significant items subject to estimates include: the allowance for doubtful accounts; provision for inventory obsolescence; the selection of useful lives of property, plant and equipment; deferred income taxes; provision for legal claims; and the fair value measurement of financial instruments. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent to the determination process. The Company reviews its estimates and assumptions at least on an annual basis.

The financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the Brazilian Corporation Law and accounting standards and requirements issued by the CVM and the Accounting Pronouncements Committee (CPC). These practices differ from IFRS applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries under the equity method, as required by ICPC 09, while such investments would be measured at cost or fair value for IFRS purposes.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the IASB, and in accordance with the accounting practices adopted in Brazil.

Significant accounting practices adopted in the preparation of these financial statements are described as follows. These practices have been consistently adopted in all the periods presented, unless otherwise stated.

a) Cash and cash equivalents

Cash and cash equivalents include cash, bank account balances and short-term investments redeemable within three months or less from the date of the investments' acquisition, subject to insignificant risk of change in their market value, classified as financial assets at fair value through profit or loss. Such investments are marked to market, with any gains or losses recorded in profit or loss for the year.

b) Marketable securities

Marketable securities are short-term investments held for trading. Such investments are recorded at cost plus changes in market value. Any gains or losses are recorded in profit or loss for the year.

c) Derivative financial instruments - initial recognition and subsequent measurement

The Company uses derivative financial instruments to hedge against foreign exchange variation risks.

Derivative financial instruments are initially recognized at fair value when they are contracted, being subsequently revalued at fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as liabilities when fair value is negative.

Any gains or losses from changes in fair value of derivatives during the year are recorded directly in profit or loss.

The Company does not have derivative instruments recorded as hedge accounting, even though the primary objective of the instruments contracted is to hedge the Company from foreign exchange variations.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

d) Translation of foreign currency denominated balances

The Company's functional currency is the Brazilian Real, which is its reporting currency. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the balance sheet closing date. Gains and losses arising from restatement of these assets and liabilities between the exchange rate prevailing at the date of the transaction and the reporting period closing dates are recognized as financial income or expenses in profit or loss.

e) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and when it can be reliably measured. Revenue is measured at fair value of the consideration received, net of sales discounts, rebates, and related taxes or charges. The Company measures its revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and, eventually, concluded that it has been operating as a principal in all its revenue agreements. The following specific criteria must also be met before revenue recognition.

Sales revenue is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, which generally occurs upon delivery thereof.

f) Taxes

Current income and social contribution taxes

Current tax assets and liabilities of last and prior years are measured at the estimated amount recoverable from or payable to tax authorities. The tax rates and tax legislation used to calculate the amount are those enacted at the balance sheet date.

Deferred taxes

Deferred tax assets are recognized on all deductible temporary differences, unused tax credits and tax losses to the extent that taxable income will likely be available so that the deductible temporary differences may be realized, and unused tax credits and losses may be used. Deferred tax liabilities are recognized for all temporary differences.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

f) Taxes (Continued)

Deferred taxes (Continued)

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that it is no longer probable that taxable profit will be available to allow all or part of the deferred income tax asset to be used.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized or the liability settled, based on tax rates enacted at the balance sheet date.

Deferred tax assets and liabilities are stated net, if a legally enforceable right exists to offset tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Taxes on sales

Revenues, expenses and assets are recognized net of taxes on sales, except:

- When sales tax incurred in the purchase of goods or services is not recoverable from the tax authorities, in which case the sales tax is recognized as part of the acquisition cost of the asset or expense item, as the case may be.
- When the amounts receivable and payable are presented together with the amount of sales tax.
- The net amount of sales taxes either recoverable or payable is included as part of accounts receivable or payable in the balance sheet.
- Sales revenues are subject to the following taxes and contributions, at their statutory rates:
    - ► Social Contribution Tax on Gross Revenue for Social Integration Program (PIS): 1.65%.
    - ► Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS): 7.6%.
    - ► State VAT (ICMS): 18%.

Revenues recorded in the statements of income (loss) are net of the corresponding taxes.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

g) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded based on management's analysis of the client's portfolio, its operational experience and the economic scenario.

h) Inventories

Inventories are carried at the lower of cost and net realizable value. The cost is determined based on the average acquisition cost, not exceeding market value. Provisions for slow-moving or obsolete inventories are recorded when deemed necessary by management.

i) Investments

Investments in subsidiaries are stated by the equity method, eliminated for consolidation purposes; other investments are recorded at cost.

j) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or impairment loss, when applicable. Such cost includes the cost of replacing part of property, plant and equipment. When significant parts of property plant and equipment are replaced, the Company recognizes such parts as individual assets with specific useful life and depreciation. Likewise, when a major inspection is performed, the cost is recognized in the carrying amount of property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recorded in profit or loss as incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met. The net book value and the estimated useful lives of assets are reviewed and adjusted where applicable at year end.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

j) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment items is calculated on a straight-line basis, at the annual rates mentioned in Note 11, which take into consideration their estimated useful lives as follows (in years):

Buildings	**50**
Machinery, equipment and industrial facilities	**30**
Furniture and fixtures	**10**
Vehicles	**5**
Railway wagons	**30**
Other	**5**

An item of property, plant and equipment is written off when sold or when no future economic benefit is expected to arise from its use or sale. Any gain or loss resulting from assets written off (calculated as the difference between the net sales value and the book value of the assets) is included in profit or loss for the year in which the assets are written off.

The net book value and, useful lives of the assets and the depreciation methods are reviewed at year end and adjusted prospectively, as applicable.

k) Intangible assets

Intangible assets reflect the acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets consist primarily of goodwill recognized based on expected future income and subjected to annual impairment analysis, and of mining rights, which are amortized on a straight-line basis in accordance with the exploration contract, starting when the asset exploration begins.

l) Provision for impairment of non-financial assets

Management annually tests the net book value of the assets with a view to determining whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment loss. When such evidence is identified, and net book value exceeds recoverable amount, a provision for impairment is recorded to adjust the net book value to the recoverable amount.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

l) Provision for impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Fair value less costs to sell is determined considering, whenever possible, outright sale agreements in arm's length transactions between knowledgeable and willing parties less costs of disposal; if no outright sale agreements can be identified, this will be based on the market price of an active market or the price of the most recent transaction involving similar assets.

m) Loans and financing

Loans and financing are initially recognized at fair value at acquisition date. And are subsequently measured at amortized cost using the effective interest rate method.

Loans and financing are restated based on exchange or monetary variations and according to the interest rates incurred up to the balance sheet date, according to the terms defined in the contracts.

When relevant, the transaction costs are accounted for as a reduction of loans and financing and recognized over the period of the debt, using the effective interest rate method.

n) Borrowing costs

Interest and financial charges relating to financing entered for construction work in progress are capitalized until the assets start operating and are depreciated considering the same criteria and useful life defined for the underlying PP&E item. All other borrowing costs are expensed in the period they incur.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

o) Provisions

General

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits are required to settle the obligation, and a reliable estimate can be made of the value of the obligation. When the Company and its subsidiaries expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Provisions for legal claims

The Company and its subsidiaries are parties to various judicial and administrative proceedings. Provisions are recorded for all proceedings for which an outflow of funds is likely to occur to settle the obligation and a reasonable estimate can be made. The assessment of the likelihood of loss addresses available evidence, the hierarchy of laws, available case laws, most recent decisions handed down by courts and their significance in the legal system, as well as evaluation by external legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

p) Other current and noncurrent assets and liabilities

An asset is recognized in the balance sheet when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Provisions are recorded reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current whenever their realization or settlement is likely to occur within the next twelve months. Otherwise they are stated as noncurrent.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

q) Profit sharing

The Company and its subsidiaries entered into collective bargaining agreements for profit sharing with the Company's employees.

Profit sharing is recorded in profit or loss based on goals disclosed to employees and approved in collective agreements. Such amounts are recorded as personnel expenses under general and administrative expenses.

r) Statements of cash flows and statements of value added

Statements of cash flows were prepared and are presented in accordance with accounting pronouncement CPC 03 (R2) - Statement of Cash Flows, issued by the CPC. Statements of value added were prepared and are presented in accordance with technical pronouncement CPC 09 - Statement of Value Added, issued by the CPC.

s) Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's and its subsidiaries financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the financial statement reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the book value of the asset or liability affected in subsequent years.

Estimates and assumptions

The main assumptions concerning the sources of uncertainty in future estimates and other important sources of uncertainty in estimates on the balance sheet date, involving significant risk of causing a significant adjustment to the book value of the assets and liabilities in the next financial year, are discussed below:

2. Presentation of financial statements and summary of significant accounting practices (Continued)

s) Significant accounting judgments, estimates and assumptions (Continued)

Taxes

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could require future adjustments to tax income and expenses already recorded. The Company records provisions, based on reliable estimates, for possible consequences from audits by tax authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and the responsible tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company.

Significant judgment from management is required to determine the value of deferred tax assets that can be recognized, based on the probable term and level of future taxable profit together with future tax planning strategies.

Provisions for legal claims

The Company recognizes provision for legal claims. The assessment of the probability of loss includes analysis of available evidence, hierarchy of laws, available case law, latest court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent to the determination process.

The Company reviews its estimates and assumptions at least on an annual basis.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

t) Financial instruments

Financial instruments are only recognized as from the date the Company becomes party to the contractual provisions thereof. When recognized, they are initially measured at fair value plus transaction costs directly attributable to their acquisition, except for financial assets and liabilities classified as measured at fair value through profit or loss, when such costs are charged directly to profit or loss for the year. Their subsequent measurement takes place every balance sheet date in accordance with the rules established for each type of classification of financial assets and liabilities.

t.1) Financial assets: The main financial assets recognized by the Company are: cash and cash equivalents and marketable securities. Financial assets are classified in the following categories based on the purpose for which they were acquired or issued:

(i) Financial assets measured at fair value through profit or loss: these include financial assets held for trading and assets measured upon initial recognition at fair value through profit or loss. They are classified as held for trading if originated for the purpose of sale or repurchase in the short term. At each balance sheet date they are measured at fair value. Interest, monetary restatement, exchange variations and changes arising from measurement at fair value are recognized in profit or loss as incurred, under financial income or financial expenses.

(ii) Loans and receivables: non-derivative financial assets with fixed or determinable payments, not traded in active market. After initial recognition they are measured at amortized cost using the effective interest rate method. Interest, monetary restatement, exchange variation, less impairment losses, if applicable, are recognized in profit or loss as incurred, under financial income or expenses.

(iii) Investments held to maturity: non-derivative financial assets with fixed or determinable payments with finite maturity for which the Company expresses the intention and capacity of holding them to maturity. After initial recognition they are measured at amortized cost using the effective interest rate method. Interest, monetary restatement, exchange variation, less impairment losses, if applicable, are recognized in profit or loss as incurred, under financial income or expenses.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

t) Financial instruments (Continued)

t.2) Financial liabilities: the main financial liabilities recognized by the Company are: trade accounts payable and loans and financing. Financial liabilities are classified in the following categories according to the nature of the financial instruments contracted:

(i) Financial liabilities measured at fair value through profit or loss: these include financial liabilities usually traded before maturity and liabilities initially recognized at fair value through profit or loss. At each balance sheet date they are measured at fair value. Interest, monetary restatement, exchange variations and changes arising from measurement at fair value are recognized in profit or loss as incurred, under financial income or financial expenses.

(ii) Financial liabilities not measured at fair value: non-derivative financial liabilities that are not usually traded before maturity. After initial recognition they are measured at amortized cost using the effective interest rate method. Interest, monetary restatement, exchange variations and changes arising from measurement at fair value are recognized in profit or loss as incurred, under financial income or financial expenses.

u) Earnings per share

The Company calculates earnings per share according to accounting pronouncement CPC 41. Basic earnings per share are calculated by dividing net income for the period attributable to the Company's common and preferred shareholders by the weighted average number of common shares outstanding during that period.

Diluted earnings per share are calculated by dividing the net profit attributable to the Company's common and preferred shareholders by the weighted average number of common and preferred shares, respectively, that would be issued on conversion of all the dilutive potential common and preferred shares into equivalent type shares. The Company has no potential dilutive instruments.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

v) Segments

Operating segments are defined in accordance with the operations that are evaluated by the Chief Executive Officer, the main Company's operational decision maker, responsible for allocating resources and performance assessment of operating segments.

The Company has different business segments and manages the results of operations based on the statement of income framework. The operating segments identified and information by segments are provided in Note 28.

w) Present value adjustment of assets and liabilities

Current and non-current monetary assets and liabilities are adjusted to present value whenever the effects are considered significant to the overall financial statements.

x) Treasury shares

Reacquired equity instruments (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issue or cancellation of Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in share premium reserve.

y) IFRS pronouncements

The new standards and interpretations issued by the IASB but not yet effective as at the reporting date, as well as their impacts, if any, are disclosed below:

2. Presentation of financial statements and summary of significant accounting practices (Continued)

y) IFRS pronouncements (Continued)

- Measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces those parts of IAS 39 regarding the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into either of the following two measurement categories: financial assets measured at fair value and financial assets measured at amortized cost. Classification is to be determined upon initial recognition. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial instruments. Most requirements for financial liabilities under IAS 39 remain unchanged in the new standard. The major change refers to cases where the fair value measurement is adopted for financial liabilities, then the change in fair value due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The standard, originally applicable to annual periods beginning on or after January 1, 2013, had its application date changed to January 1, 2015. The Company's management believes that the total impact from these changes on its financial statements, if any, will not be significant.

- Investment entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (CPC 36R3 and CPC 45) - The amendments will be effective for annual periods beginning on or after January 1, 2014, providing an exception to the consolidation requirements for a reporting entity that meets the definition of an investment entity under IFRS 10. This exception requires an investment entity to account for its investments in subsidiaries at fair value in profit or loss. The Company does not expect these amendments to have a significant impact on its financial statements, given that it does not have this type of investment.

- IFRIC 21 - Levies (no ICPC equivalent as yet) provides guidance on when to recognize a liability for a tax or levy when the obligating event occurs. For a levy that is triggered upon reaching a given metric, the interpretation indicates that no liability should be recognized before the specified metric is reached. IFRIC 21 is applicable for annual periods beginning on or after January 1, 2014. Management does not anticipate any material impact from IFRIC 21 on the Company's financial statements.

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and summary of significant accounting practices (Continued)

y) IFRS pronouncements (Continued)

- Novation of Derivatives and Continuation of Hedge Accounting - Amendment to IAS 39 (CPC 38) - This amendment provides a relief regarding the discontinuation of hedge accounting in certain circumstances in which a hedging instrument is to be novated. These amendments will become effective for annual periods beginning on or after January 1, 2014. The Company did not adopt hedge accounting for its derivatives.

There are no other standards or interpretations not yet effective that could have an impact on the Company's financial statements.

3. Consolidated financial statements

The consolidated financial statements include the financial statements of Cimento Tupi S.A. and the subsidiaries listed below.

	Interest held - %			
	Capital		Voting capital	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Cimento Touro Ltda.	**99.99**	99.99	**99.99**	99.99
Cimento Tupi do Nordeste Ltda.	**99.99**	99.99	**99.99**	99.99
Cimento Tupi Overseas Inc.	**100.00**	100.00	**100.00**	100.00
CP Cimento Overseas Co.	**100.00**	100.00	**100.00**	100.00
Sandra Mineração Ltda.	**99.99**	99.99	**99.99**	99.99
Tupi Rio Transportes S.A.	**100.00**	100.00	**100.00**	100.00
Tupimec - Indústria Mecânica Ltda.	**99.99**	99.99	**99.99**	99.99
Mape Incorporação e Empreendimentos Ltda.	**99.99**	99.95	**99.99**	99.95
Tupi Mineradora de Calcário Ltda.	**99.82**	99.82	**99.82**	99.82

3. Consolidated financial statements (Continued)

The consolidated balance sheet and statement of income (loss) reflect the aggregate of the balances of assets, liabilities, income and expenses according to their nature, considering the following eliminations:

- Intercompany investments, reserves and retained earnings or accumulated losses.
- Current account balances and other asset and/or liability accounts between companies, whose balance sheets were consolidated.
- Balances of revenues and expenses arising from operations between the consolidated companies.
- The effects of significant intercompany transactions.

The fiscal year of the subsidiaries included in the consolidation coincide with the Company's fiscal year, and the accounting policies were consistently applied to all consolidated companies.

4. Cash and cash equivalents

	Company		Consolidated	
	Dec/2013	**Dec/2012**	**Dec/2013**	**Dec/2012**
Cash and banks	**1,746**	3,254	**2,961**	6,141

Cash and cash equivalents mostly comprise bank deposits in checking accounts with financial institutions.

(In thousands of reais, unless otherwise stated)

5. Marketable securities

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Bank Certificate of Deposit - CDB	**13,215**	2,508	**13,215**	2,508
Government bonds	**50,710**	14,297	**55,827**	14,297
	63,925	16,805	**69,042**	16,805

Bank Deposit Certificates (CDBs) refer to short-term investments at Banco ABC Brasil, Credit Suisse and Fibra, bearing interest that approximates the Interbank Certificates of Deposit (CDI) variation.

Government bonds refer to short-term investments at Banco Santander and Banco BM&F Bovespa represented by Funds of Government Bonds-DI.

6. Trade accounts receivable

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Trade accounts receivable	**42,314**	32,313	**42,484**	32,517
Allowance for doubtful accounts	**(10,891)**	(10,408)	**(10,891)**	(10,408)
	31,423	21,905	**31,593**	22,109

At December 31, 2013, changes in allowance for doubtful accounts are as follows:

Balance at December 31, 2012	**(10,408)**
(+) Additions, net	**(483)**
Balance at December 31, 2013	**(10,891)**

The allowance for doubtful accounts includes the provision for loss with a specific customer in the amount of R$8,665, related to a foreign transaction entered in the past.

(In thousands of reais, unless otherwise stated)

6. Trade accounts receivable (Continued)

The aging list of trade accounts receivable is shown below:

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Falling due	**28,492**	19,368	**28,662**	19,572
Past due within 90 days	**2,720**	2,465	**2,720**	2,465
Past due from 91 to 180 days	**211**	72	**211**	72
Past due over 181 days	**10,891**	10,408	**10,891**	10,408
	42,314	32,313	**42,484**	32,517

7. Inventories

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Current assets				
Finished products	**4,143**	2,319	**4,166**	2,319
Work-in-process	**7,049**	974	**9,082**	1,600
Raw material - slag	**673**	399	**673**	399
Raw material - coke	**4,754**	3,421	**4,754**	3,421
Other raw materials	**3,412**	2,373	**4,136**	3,085
Maintenance and consumption materials	**14,486**	19,256	**14,556**	19,551
Inventory in transit	**532**	1,360	**532**	1,360
	35,049	30,102	**37,899**	31,735
Noncurrent assets				
Plots of land for sale (i)	**-**	-	**16,977**	16,384
	-	-	**16,977**	16,384

(i) This refers to inventories of assets held for sale owned by the subsidiary Mape Incorporação e Empreendimentos Ltda.

(In thousands of reais, unless otherwise stated)

8. Taxes recoverable

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Current assets				
State VAT (ICMS)	**2,459**	1,688	**2,495**	1,688
Income tax	**2,368**	1,621	**2,368**	1,664
Social contribution tax	**901**	839	**901**	1,083
PIS/COFINS	**5,136**	15,920	**5,828**	16,484
Federal excise tax (IPI)	**3,959**	3,371	**4,067**	3,483
Other	**851**	680	**851**	816
	15,674	24,119	**16,510**	25,218
Noncurrent assets				
State VAT (ICMS)	**1,794**	3,455	**1,794**	3,455
	1,794	3,455	**1,794**	3,455

9. Notes receivable

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Votorantim Cimentos S.A. (successor by merger of CAL Itaú Participações S.A.) (i)	**25,914**	26,330	**25,914**	26,330
Itaendá Participações S.A. (ii)	**-**	-	**24,803**	29,662
Other	**-**	-	**1,722**	-
Current assets	**25,914**	26,330	**35,904**	32,574
Noncurrent assets	**-**	-	**16,535**	23,418

(i) This refers to the balance receivable from the sale of Companhia de Cimento Ribeirão Grande's shares, maturing on November 30, 2014.

(ii) This refers to the sale of properties in Mogi das Cruzes, State of São Paulo (see Note 10) to be received in three annual installments monetarily restated by the Extended Consumer Price Index (IPCA).

(In thousands of reais, unless otherwise stated)

10. Investments in subsidiaries

a) Information of the significant subsidiaries

	Dec/2013					Dec/2012				
	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.
Interest held in capital %	99.95	99.99	99.82	99.99	100	99.95	99.99	99.82	99.99	100
Equity	68,518	2,599	36,255	1,129	4,368	66,265	2,898	34,295	966	3,811
Net income (loss) for the year	2,253	(298)	-	(161)	-	26,578	639	-	(340)	(3)

b) Changes in investments

	Dec/2013							Dec/2012
	Mape Incorporação e Empreendimentos Ltda.	Tupimec Indústria Mecânica Ltda.	Tupi Mineradora de Calcário Ltda.	Cimento Tupi do Nordeste Ltda.	CP Cimento Overseas CO.	Other	Total	Total
Balance at beginning of the year	66,233	2,898	34,235	967	3,811	4,659	112,803	66,727
Payments	276		1,960	324		151	2,711	5,870
Equity pick-up	2,251	(298)	-	(161)	-	(28)	1,764	26,733
Foreign exchange variation on investments	-	-	-	-	557	-	557	314
Investee's equity adjustment with absorption of intercompany loans	-	-	-	-	-	-	-	13,159
Balance at end of the year	68,760	2,600	36,195	1,130	4,368	4,782	117,835	112,803

10. Investments in subsidiaries (Continued)

b) Changes in investments (Continued)

Mape Incorporação e Empreendimentos Ltda.

Mape is primarily engaged in development, management, purchase and sale of real estate.

On December 20, 2012, Mape Incorporação e Empreendimentos Ltda. sold two properties located in the Municipality of Mogi das Cruzes, State of São Paulo, to Itaendá Participações S.A., realizing a gain of R$27,091 and R$2,259.

Tupimec Indústria Mecânica Ltda.

Tupimec is engaged in the manufacturing, sale and export of parts and mechanical equipment, assembly services as well as the provision of processing services related thereto.

Tupi Mineradora de Calcário Ltda.

Tupi Mineradora is a company in pre-operating phase engaged in the exploration and utilization of mineral deposits in the region of Adrianópolis, State of Paraná.

Cimento Tupi do Nordeste Ltda.

Cimento Tupi do Nordeste Ltda. is engaged in the manufacturing of cement, sale, transportation and export of cement products, as well as utilization of natural deposits in the region of Mossoró, State of Rio Grande do Norte.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment

	Company				
	Dec/2013			Dec/2012	Annual
Account	Cost	Accumulated depreciation	Net	Net	depreciation rate
Land	**7,963**	**-**	**7,963**	3,864	
Buildings	**108,382**	**(13,034)**	**95,348**	8,317	**2% (***)**
Machinery, equipment and industrial facilities	**595,849**	**(171,249)**	**424,600**	56,992	**3.33% (***)**
Furniture and fixtures	**2,865**	**(2,622)**	**243**	225	**10%**
Vehicles	**7,073**	**(2,548)**	**4,525**	2,483	**20%**
Railway wagons	**1,846**	**(871)**	**975**	1,018	**3.33%**
Leasehold improvements	**2,198**	**(2,011)**	**187**	219	**(*)**
Uninstalled machinery and equipment	**2,714**		**2,714**	2,714	
Other	**4,985**	**(4,608)**	**377**	498	**4% to 20%**
Constructions in progress	**17,198**	**-**	**17,198**	370,432	
Advances to suppliers	**2,322**	**-**	**2,322**	1,219	
Limestone mines	**21,858**	**(258)**	**21,600**	21,693	**(**)**
	775,253	**(197,201)**	**578,052**	469,674	

	Consolidated				
	Dec/2013			Dec/2012	Annual
Account	Cost	Accumulated depreciation	Net	Net	depreciation rate
Land	**20,535**	**-**	**20,535**	14,920	
Buildings	**109,086**	**(13,607)**	**95,479**	8,487	**2% (***)**
Machinery, equipment and industrial facilities	**596,670**	**(171,682)**	**424,988**	57,429	**3.33% (***)**
Furniture and fixtures	**2,974**	**(2,717)**	**257**	232	**10%**
Vehicles	**7,213**	**(2,671)**	**4,542**	2,520	**20%**
Railway wagons	**1,846**	**(871)**	**975**	1,018	**3.33%**
Leasehold improvements	**2,198**	**(2,011)**	**187**	219	**(*)**
Uninstalled machinery and equipment	**2,714**	**-**	**2,714**	2,714	
Other	**7,575**	**(5,343)**	**2,232**	2,161	**4% to 20%**
Constructions in progress	**18,490**	**-**	**18,490**	371,735	
Advances to suppliers	**7,561**	**-**	**7,561**	6,458	
Limestone mines	**21,858**	**(258)**	**21,600**	21,693	**(**)**
	798,720	**(199,160)**	**599,560**	489,586	

(*) Depreciation in accordance wi h lease agreement terms.

(**) Limestone mines are amortized at their exhaustion term, proportionally to the ore mined.

(***) Loans and foreign exchange costs were capitalized in the amount of R$15,591 until May 31, 2013. These costs were computed for investments in the expansion of Pedra do Sino plant, which became operational in June 2013.

At December 31, 2013, depreciation amounting to R$10,713 (R$3,345 at December 31, 2012) was recorded as cost of sales.

Management reviews the net book value of the Company's assets in order to assess events that may indicate impairment loss, and no indications of impairment were identified.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

At December 31, 2013, changes in property, plant and equipment are as follows:

Company

Cost of property, plant and equipment	Land	Buildings	Machinery, equipment and industrial facilities	Furniture and fixtures	Vehicles	Railway wagons	Leasehold improvements	Uninstalled machinery and equipment	Other	Constructions in progress	Advances to suppliers	Limestone mines	Total
Balance at 12/31/2012	3,864	20,058	220,070	2,807	4,184	1,846	2,198	2,714	4,839	370,432	1,219	21,858	656,089
Additions	3,193	32,211	82,642	59	2,987	-	-	-	146	-	2,008	-	123,246
Transfers	906	56,113	297,121		-	-	-	-	-	(353,234)	(906)	-	-
Write-offs	-	-	(3,984)	-	(98)	-	-	-		-	-	-	(4,082)
Balance at 12/31/2013	7,963	108,382	595,849	2,866	7,073	1,846	2,198	2,714	4,985	17,198	2,321	21,858	775,253

Consolidated

Cost of property, plant and equipment	Land	Buildings	Machinery, equipment and industrial facilities	Furniture and fixtures	Vehicles	Railway wagons	Leasehold improvements	Uninstalled machinery and equipment	Other	Constructions in progress	Advances to suppliers	Limestone mines	Total
Balance at 12/31/2012	14,920	21,001	221,419	2,892	4,354	1,846	2,198	2,714	7,246	371,735	6,458	21,858	678,641
Additions	4,708	32,273	82,930	82	2,987	-	-	-	332	-	2,008	-	125,320
Transfers	906	55,812	297,436	-	-	-	-	-	-	(353,248)	(906)	-	-
Write-offs	-	-	(5,113)	-	(128)	-	-	-	-	-	-	-	(5,241)
Balance at 12/31/2013	20,534	109,086	596,672	2,974	7,213	1,846	2,198	2,714	7,578	18,487	7,560	21,858	798,720

Cimento Tupi S.A.

Notes to the financial statements (Continued)
December 31, 2013 and 2012
(In thousands of reais, unless otherwise stated)

12. Intangible assets

	Company				Consolidated			
	Goodwill	Mining rights	Other	Total	Goodwill	Mining rights	Other	Total
Balance at December 31, 2012	93,564	28,068	302	121,934	93,564	49,793	446	143,803
Additions	-	-	341	341	-	462	353	815
Amortization	-	-	(73)	(73)	-	-	(77)	(77)
Balance at December 31, 2013	93,564	28,068	570	122,202	93,564	50,255	722	144,541

Impairment test for cash-generating units with goodwill

The recoverable amount of assets was calculated based on the discounted cash flow methodology over the useful life of the asset. The main assumptions used in the calculation of the recoverable amount are the discounted cash flow rate, cement price and operating costs relation to extraction and production.

As a result of the impairment test of the Company's assets, the recoverable amount is higher than the book value of assets.

(In thousands of reais, unless otherwise stated)

13. Loans and financing

	Dec/2013		Dec/2012	
	Current	**Non current**	**Current**	**Non current**
Company				
Local currency				
Development banks				
BDMG and other - interest from 3.5% to 9.5% p.a. (Dec/2012 - 4.5% to 8.5% p.a.) and monetary restatement based on indexation based on official basket of rates, maturing up to 2024	**15,569**	**128,240**	5,094	26,857
Working capital				
Credit Suisse, Santander, F bra, Alfa, Pine, ABC Brasil, BDMG and Panamericano - with average charges of 12.7 p.a. (Dec/2012 - 11.8%) maturing up to April/2020	**53,259**	**60,632**	92,022	10,750
	68,828	**188,872**	97,116	37,607
Foreign currency Bank of America - US$ 150,000. Senior Unsecured Notes - interest of 9.75% p.a. with semi-annual payments. Principal maturing on May/2018	**6,059**	**351,390**	4,870	306,526
Agricultural Bank of China - US$ 25,500 Facility Agreement - 12-month Libor + 2.80% p.a. and semi-annual payments. Principal maturing until Feb/2017	**10,723**	**49,780**	-	-
Transaction cost to be appropriated	**-**	**(16,666)**	-	(13,984)
	16,782	**384,504**	4,870	292,542
Company	**85,610**	**573,376**	101,986	330,149
Other	**1,690**	**-**	2,265	1,666
Consolidated	**87,300**	**573,376**	104,251	331,815

a) Local currency

Some of the loans are secured by collateral linked to the assets of “Pedra do Sino” plant and others by the respective financed items.

On April 12, 2013, the Company entered into a financing agreement with Banco de Desenvolvimento de Minas Gerais S.A. - BDMG, subject to funds transferred by BNDES, in the amount of R$106,310. The amortization of the loan will begin on November 15, 2014 in 66 successive monthly installments adjusted by the Long-Term Interest Rate (TJLP) plus 4.30% annual interest. During the initial grace period - 18 months starting April 15, 2013 - interest will be payable on a quarterly basis.

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

a) Local currency (Continued)

On April 30, 2013, the Company entered into a credit transaction with Banco de Investimentos Credit Suisse (Brasil) S.A. to obtain funds totaling R$40,000 in the form of Bank Credit Bills (CCBs), subject to interest at 100% of CDI + 4.00% per annum (p.a.) payable on a monthly basis, and with the principal maturing on April 27, 2018. On April 30, 2013, the Company entered into a swap transaction to change the related yield to the foreign exchange rate (PTAX) + 10.95% p.a. At December 31, 2013, the result obtained from the swap transaction, in the amount of R$6,825, was recorded in the statement of income (loss).

	Dec/13	
	Notional	**Market**
Swap	**40,000**	**46,825**
Total, net	**40,000**	**46,825**

b) Foreign currency

On May 6, 2011, the Company issued unsecured debt securities (9.75% *Senior Unsecured Notes*) totaling US$100,000, equivalent to R$161,780 on that date, maturing on May 11, 2018, subject to nominal interest of 9.75% (effective rate of 10.68% per year), payable semi-annually on November and May 11 each year, as from 2011.

On February 7, 2012, the Company issued US$50,000 in additional debt securities, equivalent to R$86,305 on that date, intended for placement in the foreign market, bearing the same characteristics of the initial issuance.

The Company used these funds to expand the Pedra do Sino plant, to prepay outstanding debts and for corporate purposes.

On January 8, 2013, the Company obtained financing from Agricultural Bank of China LTD, in the amount of US$25,500, equivalent to R$51,765 on that date. The principal will be paid in semi-annual installments from August 20, 2014 to February 20, 2017. Interest has also been paid semi-annually from February 20, 2013, based on the 12-month LIBOR + 2.80% p.a.

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

b) Foreign currency (Continued)

Transaction costs was R$16,666 at December 31, 2013 (R$13,984 at December 31, 2012). This amount includes commissions paid to financing agents responsible for the fundraising, lawyers, external auditors, consultants, in addition to expenses with the preparation of prospectus and reports. This amount was recorded as a reduction of loans and financing, as debt issuance costs, net of tax effects.

These transaction costs will be amortized in the same period of the corresponding debts.

2014	**3,822**
2015	**3,822**
2016	**3,822**
2017	**3,822**
2018	**1,225**
2019 thereafter	**153**
	16,666

c) Debt repayment schedule

Loans and financing recorded as noncurrent liabilities as of December 31, 2013 mature as follows:

2015	**56,467**
2016	**62,876**
2017	**49,272**
2018	**378,336**
2019 thereafter	**26,425**
	573,376

d) Covenants

Under the terms of the Senior Unsecured Notes, the Company is subject to certain financial covenants, such as: (i) increase in debt once certain financial indices are observed; (ii) payment of dividends in amount higher than mandatory dividends, once certain conditions are observed and (iii) disposal of operating assets, except for reinvestments in the Company.

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

d) Covenants (Continued)

In December 2013, the Company obtained waivers from Banco de Investimentos Credit Suisse (Brasil) S.A. and Banco Panamericano S.A. in relation to the compliance of financial ratios (EBITDA/net debt) defined in the agreements executed with the Company.

Accordingly, at December 31, 2013, the Company complied with all existing covenants.

14. Transactions with related parties

Current and noncurrent assets, current liabilities and transactions

	Company								
	Dec/2013								Dec/2012
	Tupi Mineradora de Calcário Ltda.	Cimento Tupi do Nordeste Ltda.	Sandra Mineração Ltda.	Mape Incorporação e Empreend. Ltda.	Tupimec Indústria Mecânica Ltda.	CP Cimento Overseas CO.	Other	Total	Total
Noncurrent assets									
Current accounts	**24**	**54**	**86**	**-**	**-**	**-**	**5**	**169**	-
Current liabilities									
Current accounts	**-**	**-**	**-**	**21,043**	**-**	**2,177**	**15**	**23,235**	25,994
Transactions									
Cost of sales	**-**	**-**	**-**	**-**	**(9,247)**	**-**	**-**	**(9,247)**	(9,908)

Transactions with related parties refer primarily to current account balances and the supply of services and products for the production and operation of the companies.

Cost of sales corresponds mainly to the purchase of maintenance materials.

15. Taxes and contributions in installments

These refer to the Special Installment Payment Program (PAES), ICMS and Law No. 11941/2009, obtained principally by the Company from Federal and State agencies since 2003.

	Company		Consolidated	
	Dec/2013	Dec/2012	Dec/2013	Dec/2012
Current liabilities	**5,668**	5,273	**5,718**	5,273
Noncurrent liabilities	**24,570**	28,759	**24,595**	28,828

The current portion is included in taxes payable.

(In thousands of reais, unless otherwise stated)

15. Taxes and contributions in installments (Continued)

The balance recorded in noncurrent liabilities at December 31, 2013 matures as follows:

	Company	Consolidated
2015	**3,623**	**3,648**
2016	**2,328**	**2,328**
2017 thereafter	**18,619**	**18,619**
	24,570	**24,595**

16. Equity

a) Capital stock

At December 31, 2013 and 2012, fully subscribed and paid-in capital was represented by 107,336,023 common shares and 107,336,023 preferred shares, with no par value. Preferred shareholders do not have voting rights and are not entitled to minimum or fixed dividends.

b) Capital reserve

The premium on share subscription reserve represents the excess paid in the share issuance or capitalization, as related to the basic value of the shares issued in 1996.

c) Legal reserve

The legal reserve is recorded based on the allocation of 5% of the net income for the year, up to the limit of 20% of the capital stock, as provided for in the Brazilian corporation law, and should be used to offset accumulated losses.

d) Income reserve

The income reserve is related to the retention of a portion of net income, if applicable. Such retention shall be based on a capital budget to support future investment plans prepared by the Company’s Management, to be submitted for approval by the shareholders at an Annual General Meeting.

16. Equity (Continued)

e) Dividends

Shareholders are entitled to minimum mandatory dividend of 25% of the net income for the year, adjusted according to legal provisions.

f) Treasury shares

The Company acquired 19,426,917 preferred shares from shareholders of CP Cimento e Participações S.A. which dissented from its merger by the Company in March 2011, for the total amount of R$25,999 and held such shares in treasury.

g) Earnings per share

Pursuant to CPC 41, the Company presents information on earnings per share for the years ended December 31, 2013 and 2012.

Basic earnings per share are calculated by dividing net income (loss) for the year attributed to the Company's common and preferred shareholders by the weighted average number of common and preferred shares outstanding in the year.

The table below shows profit or loss data and shares used to calculate basic and diluted earnings per share:

	Dec/2013			Dec/2012		
	Common shares	Preferred shares	Total	Common shares	Preferred shares	Total
Net income (loss) for the year attributable to the Company's shareholders	(10,385)	(9,355)	(19,740)	16,402	14,777	31,179
Weighted average of the number of shares (in thousands of shares)	107,336	87,909	195,245	107,336	87,909	195,245
Basic and diluted earnings per share	(0.0967)	(0.1064)	-	0.1528	0.1681	-

For the years ended December 31, 2013 and 2012, there is no difference between the computation of basic and diluted earnings per share, since there are no dilutive instruments.

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes

a) Reconciliation of income and social contribution tax expense

	Company			
	Income tax		Social contribution tax	
	Dec/2013	**Dec/2012**	**Dec/2013**	**Dec/2012**
Income (loss) before income taxes	**(28,609)**	31,810	**(28,609)**	31,810
Equity pick-up	**1,764**	(26,733)	**1,764**	(26,733)
Reversal of provision for losses on PP&E	**(3,012)**	(6,716)	**(3,012)**	(6,716)
Depreciation	**(16,403)**	(14,688)	**(16,403)**	(14,688)
Realization of goodwill	**(18,712)**	(18,712)	**(18,712)**	(18,712)
Interest on quantifiable assets	**(13,622)**	(19,624)	**(13,622)**	(19,624)
Other additions and exclusions, net	**(1,543)**	(1,051)	**(1,543)**	(1,051)
Adjusted loss	**(80,137)**	(55,714)	**(80,137)**	(55,714)
Applicable rates	**25%**	25%	**9%**	9%
Current income and social contribution taxes	**-**	-	**-**	-
Tax debts setup on goodwill tax benefits	**(4,678)**	(4,678)	**(1,684)**	(1,684)
Deferred income and social contribution tax credits on income and social contribution tax losses carryforward	**20,034**	13,928	**7,212**	5,014
Deferred income and social contribution taxes on temporary differences	**(8,835)**	(9,714)	**(3,180)**	(3,497)
Income and social contribution taxes in profit or loss	**6,521**	(464)	**2,348**	(167)

	Consolidated			
	Income tax		Social contribution tax	
	Dec/2013	**Dec/2012**	**Dec/2013**	**Dec/2012**
Income (loss) before income taxes	**(28,115)**	33,005	**(28,115)**	33,005
Income (loss) from subsidiaries	**1,764**	(26,733)	**1,764**	(26,733)
Reversal of provision for losses on PP&E	**(3,012)**	(6,716)	**(3,012)**	(6,716)
Depreciation	**(16,403)**	(14,688)	**(16,403)**	(14,688)
Realization of goodwill	**(18,712)**	(18,712)	**(18,712)**	(18,712)
Interest on quantifiable assets	**(13,622)**	(19,624)	**(13,622)**	(19,624)
Other additions and exclusions, net	**(1,543)**	(1,051)	**(1,543)**	(1,051)
Adjusted loss	**(79,643)**	(54,519)	**(79,643)**	(54,519)
Applicable rates	**25%**	25%	**9%**	9%
Current income and social contribution taxes	**-**	-	**-**	-
Taxable profit computed as a percentage of gross revenue (*lucro presumido*)	**(361)**	(771)	**(130)**	(405)
Tax debts setup on goodwill tax benefits	(4,678)	(4,678)	(1,684)	(1,684)
Deferred income and social contribution tax credits on income and social contribution tax losses carryforward	**19,911**	13,630	**7,168**	4,907
Deferred income and social contribution taxes on temporary differences	**(8,714)**	(9,416)	**(3,137)**	(3,390)
Income and social contribution taxes is profit or loss	**6,158**	(1,235)	**2,217**	(572)

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes (Continued)

b) Breakdown of deferred income and social contribution taxes

	Dec/2013	Dec/2012
Tax losses carryforward	**77,558**	50,312
Provision for legal claims	**433**	341
Deferred tax assets	**77,991**	50,653
Deferred income taxes on temporary differences	**(29,943)**	(17,835)
Transactions taxed on a cash basis	**(6,470)**	(6,470)
Goodwill tax amortization	**(17,667)**	(11,305)
Deferred tax liabilities	**(54,080)**	(35,610)
	23,911	15,043

Considering the generation of taxable profit over the past three years and the expected generation of taxable profit in upcoming years, the Company recorded deferred income taxes on income and social contribution tax losses carryforward and temporary differences. Income and social contribution tax losses carryforward have no expiration dates, but the Company may only use up to 30% of the taxable income per year.

At December 31, 2013, the total tax credits are expected to be realized as follows:

	Dec/2013	Dec/2012
2013	**-**	11,008
2014	**10,090**	14,579
2015	**11,282**	17,750
2016	**12,075**	7,316
2017	**12,687**	-
2018	**13,465**	-
2019	**13,465**	-
2020	**4,927**	-
	77,991	50,653

17. Income and social contribution taxes (Continued)

c) Executive Order No. 627/13

Revenue Procedure RFB No. 1397 (IN 1397) was published on September 17, 2013, and Executive Order 627 (MP 627) was published on November 12, 2013 to: (i) repeal the Transitional Taxation Regime (RTT) beginning in 2015, with the introduction of a new taxation regime; (ii) amend the Decree Law No. 1598/77 regarding the calculation of corporate income tax (IRPJ) and social contribution tax (CSLL).

The new taxation regime introduced by MP 627 becomes effective as from 2014, if the entity opt for the new regime. MP 627 includes provisions regarding the distribution of profits and dividends, the calculation base of interest on shareholders' equity and the calculation of equity pickup while the RTT is in effect.

The Company prepared an analysis of the potential effects from applying MP 627 and IN 1397 and concluded that they will not have a material impact on its operations and its financial statements for the year ended December 31, 2013, based on its best interpretation of the current text of the MP 627. Our conclusion may change in case MP 627 passes into law. The Company awaits the final amendments to MP 627 in order to decide whether or not to early adopt it for fiscal year 2014.

18. Provision for legal claims

The Company is a party to legal and administrative proceedings arising from its normal course of business, involving tax, labor, civil, and other claims. Based on information provided by legal advisors, the Company assesses the pending legal proceedings and recognizes a provision in an amount deemed sufficient to cover estimated probable losses on ongoing proceedings, as follows:

At December 31, 2013, the Company recorded provision for legal claims arising from labor proceedings, whose likelihood of loss is considered probable, amounting to R$1,273 (R$1,003 at December 31, 2012).

At December 31, 2013, the Company has judicial deposits in the amount of R$4,897 (R$3,468 at December 31, 2012).

(In thousands of reais, unless otherwise stated)

18. Provision for legal claims (Continued)

In addition, the Company is a party to tax, civil and labor claims, involving risks of loss classified by management and its legal advisors as possible, for which no provision has been recorded. The amount of such proceedings as at December 31, 2013 was R$46,463 (R$65,434 at December 31, 2012), as follows:

Nature	Dec/2013
Tax proceedings	**39,552**
Labor proceedings	**6,911**
	46,463

19. Insurance coverage

The Company and its subsidiaries entered into insurance contracts to cover their respective inventories and property, plant and equipment in the type of Named Perils and Civil Liability. When assessing the risks, the following factors are considered: (a) decentralization of the industrial plants (in the States of Minas Gerais, Rio de Janeiro and São Paulo); (b) nature of activities; and (c) preventive measures against accidents. The maximum limit of indemnity is R$198,685 for industrial plants. The total amount insured takes into account estimates made to cover losses in locations with high concentration of risk and the maximum claim possible in a single event.

The risk assumptions adopted, given their nature, were determined by management.

20. Financial instruments and risk management

20.1. Analysis of financial instruments

The Company and its subsidiaries measured their financial assets and liabilities in relation to the market value through available information and appropriate valuation methodologies. However, market data interpretation and the selection of valuation methods require considerable judgment and estimates to determine fair value. As such, the estimates presented do not necessarily indicate the amounts which may be realized in the current market. The use of different market hypothesis and/or methodologies may have a significant effect on the estimated realizable values.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.2. Classification of financial instruments by category

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

	Company					
	Dec/2013			Dec/ 2012		
Financial assets	Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
Cash and cash equivalents	**1,746**	**-**	**1,746**	3,254	-	3,254
Marketable securities	**-**	**63,925**	**63,925**	-	16,805	16,805
Trade accounts receivable	**31,423**	**-**	**31,423**	21,905	-	21,905
Taxes recoverable	**17,468**	**-**	**17,468**	27,574	-	27,574
Notes receivable	**25,914**	**-**	**25,914**	26,330	-	26,330
	76,551	**63,925**	**140,476**	79,063	16,805	95,868

	Consolidated					
	Dec/2013			Dec/2012		
Financial assets	Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
Cash and cash equivalents	**2,961**	**-**	**2,961**	6,141	-	6,141
Marketable securities	**-**	**69,042**	**69,042**	-	16,805	16,805
Trade accounts receivable	**31,593**	**-**	**31,593**	22,109	-	22,109
Taxes recoverable	**18,304**	**-**	**18,304**	28,673	-	28,673
Notes receivable	**52,438**	**-**	**52,438**	55,992	-	55,992
	105,296	**69,042**	**174,338**	112,915	16,805	129,720

At December 31, 2013, the Company and its subsidiaries did not record financial assets held to maturity.

The major financial liabilities of the Company and its subsidiaries were classified as loans and financing, as follows:

	Company	
Financial liabilities	Dec/2013	Dec/2012
Trade accounts payable	**11,237**	18,992
Loans and financing	**658,986**	432,135
Derivative financial instruments	**6,816**	-
Payables to related parties	**23,235**	25,994
Interest on shareholders' equity and dividends	**928**	8,527
	701,202	485,648

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.2. Classification of financial instruments by category (Continued)

Financial liabilities	Consolidated	
	Dec/2013	Dec/2012
Trade accounts payable	**10,907**	16,889
Loans and financing	**660,676**	436,066
Derivative financial instruments	**6,816**	-
Interest on shareholders' equity and dividends	**928**	8,527
	679,327	461,482

The fair value of financial assets and liabilities is included in the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced sale or liquidation. The following methods and assumptions were used to estimate fair value.

- Cash and cash equivalents, trade accounts receivable, trade accounts payable and other current liabilities approximate their carrying amounts principally due to the short-term maturities of these instruments.

- The fair value of receivables does not significantly differ from their carrying amount, as the monetary restatement is consistent with market rates and/or they are adjusted by a provision for impairment losses.

- Loans and financing are subject to variable interest rates consistent with observable market rates; as such, the reported book values approximate to the related fair values.

20.3. Fair value measurement

The table below states an analysis of financial instruments recognized at fair value, after their initial recognition, at December 31, 2013. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

a) Level 1: fair value measurement is derived from prices quoted (not corrected) in active markets based on equal assets and liabilities.

b) Level 2: fair value measurement is derived from other inputs quoted included in level 1 which are quoted through an asset or liability, directly (i.e., as the prices) or indirectly (i.e., derivative of prices).

20. Financial instruments and risk management (Continued)

20.3. Fair value measurement (Continued)

c) Level 3: fair value measurement is derived from valuation techniques that include an asset or liability that are not included in an active market.

	Level 1	Level 2	Level 3
Company			
Marketable securities	**-**	**63,925**	**-**
Consolidated			
Marketable securities	**-**	**69,042**	**-**

20.4. Risk management

The financial operations of the Company and its subsidiaries are conducted by the finance department using conservative strategies that seek to maximize security, profitability and liquidity, as approved by Management. According to the Company's policy, protective mechanisms must be adopted against financial risks arising from contractual obligations, whether in local or foreign currency, so that risk exposures associated with foreign exchange and interest rate fluctuations can be managed.

Financial institutions are selected on criteria which obey parameters that consider the rating awarded by recognized risk analysis agencies, equity and operation and resource concentration levels. The major market risk factors that could impact the Company's and its subsidiaries' businesses are as follows:

a) Foreign currency risk

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

b) Credit risk

The financial instruments that are subject to credit risks refer to cash and cash equivalents, marketable securities and trade accounts receivable. Operations are conducted with banks having acknowledged liquidity, thus minimizing risks.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.4. Risk management (Continued)

b) Credit risk (Continued)

The risk of incurring losses arising from difficulty to receive amounts invoiced to customers is minimized since sales are spread in a large number of customers, and conditioned to a credit limit established individually per customer. The allowance for doubtful account as at December 31, 2013 and 2012 is basically related to a specific customer.

c) Interest rate risk

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

d) Liquidity risk

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

20.5. Sensitivity analysis table - effect on fair value variation

The table below shows the sensitivity analysis performed based on hypothetic changes of risks considered significant by management that may adversely impact the financial statements.

Sensitivity analysis (*)	Estimated effect on profit or loss before tax effects - December 31, 2013 R$
Interest rate sensitivity	
20% increase in the basic interest rate	**(9,970)**
20% reduction in the basic interest rate	**9,976**
Sensitivity in foreign currency	
Increase of 5% in dollar variation	**(20,592)**
Reduction of 5% in dollar variation	**20,581**

(*) Based on the actual effects for year 2013, management performed the sensitivity analyses above with all other variables held constant.

(In thousands of reais, unless otherwise stated)

21. Management compensation

Management's compensation for the year ended December 31, 2013 totaled R$7,364 (R$7,371 in 2012). Related management compensation's charges are recorded under general and administrative expenses totaled R$1,835 and R$1,831 in the year ended December 31, 2013 and 2012, respectively.

At the Special General Meeting held on June 28, 2011 the Company's shareholders approved a share-based payment plan in accordance with Article 168, paragraph 3 of the Brazilian Corporation Law and Article 6 of the Company's By-laws. The Special General Meeting has delegated to the Board of Directors the future implementation of stock option plans. No options have been issued up to December 31, 2013.

22. Net operating revenue

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Gross operating revenue				
Sales of products	**538,513**	437,942	**541,266**	474,858
Sales deductions	**(144,383)**	(115,575)	**(146,851)**	(119,272)
Sales returns	**(821)**	(379)	**(1,582)**	(382)
ICMS on sales	**(92,856)**	(76,300)	**(93,499)**	(77,567)
PIS and COFINS on sales	**(49,708)**	(38,896)	**(50,624)**	(41,172)
IPI on other sales	**(998)**	-	**(1,029)**	(20)
Service Tax (ISS)	**-**	-	**(117)**	(131)
Net operating revenue	**394,130**	322,367	**394,415**	355,586

23. Selling expenses

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Salesforce expenses	**(5,821)**	(5,283)	**(5,821)**	(5,283)
Real estate lease	**(406)**	(466)	**(406)**	(466)
Vehicle lease	**(369)**	(346)	**(369)**	(346)
Equipment lease	**(219)**	(238)	**(219)**	(238)
Telephone expenses	**(341)**	(414)	**(341)**	(414)
Fuel	**(218)**	(200)	**(218)**	(200)
Other	**(1,430)**	(1,090)	**(1,434)**	(1,090)
	(8,804)	(8,037)	**(8,808)**	(8,037)

(In thousands of reais, unless otherwise stated)

24. General and administrative expenses

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Expenses on administrative personnel	**(16,786)**	(15,024)	**(18,318)**	(17,046)
Attorney's fees	**(1,670)**	(1,986)	**(1,670)**	(1,986)
Third-parties services	**(1,273)**	(1,121)	**(1,589)**	(1,717)
Real estate lease	**(1,336)**	(1,271)	**(1,336)**	(1,271)
Vehicle lease	**(212)**	(189)	**(212)**	(198)
Travel expenses	**(596)**	(956)	**(598)**	(956)
Donations	**(477)**	(392)	**(477)**	(392)
Other	**(1,126)**	(2,328)	**(2,089)**	(2,662)
	(23,476)	(23,267)	**(26,289)**	(26,228)

25. Other operating income (expenses), net

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Write-off of permanent assets	**(5,721)**	(13,483)	**(5,721)**	(13,483)
Reversal of impairment loss	**3,012**	6,716	**3,012**	6,716
Revenue with leftover of inventories	**3,610**	10,333	**3,610**	10,333
PIS/COFINS credits	**390**	4,190	**390**	4,190
Other	**1,127**	333	**3,023**	1,583
	2,418	8,089	**4,314**	9,339

26. Financial income (expenses)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Financial expenses				
Expenses with interest on loans and financing	**(49,842)**	(25,837)	**(49,842)**	(28,783)
Foreign exchange variation on loans and financing	**(51,377)**	(21,845)	**(51,377)**	(21,845)
Short-term investment losses	**(6,825)**	(2,909)	**(6,825)**	(2,909)
Present value adjustment	**(2,425)**	(3,624)	**(2,425)**	(3,624)
IOF/IOC	**(1,216)**	(1,888)	**(1,216)**	(1,888)
Interest and penalties on tax installment payments	**(2,788)**	(3,854)	**(2,788)**	(3,854)
Other financial expenses	**(3,410)**	(1,541)	**(3,872)**	(2,311)
	(117,883)	(61,498)	**(118,345)**	(65,215)
Financial income				
Income from monetary indexation of notes receivable	**2,009**	2,292	**2,009**	2,292
Income from short-term investments	**7,642**	3,435	**7,642**	3,435
Other financial income	**2,421**	1,857	**2,623**	2,294
	12,072	7,584	**12,274**	8,021
	(105,811)	(53,914)	**(106,071)**	(57,194)

(In thousands of reais, unless otherwise stated)

27. Receivables from third parties

These mainly refer to amounts deposited at Agricultural Bank of China, in connection with the loan agreement for the expansion of the Pedra do Sino plant.

28. Segment reporting

Management groups entities into two different segments:

a) Cement

Its main corporate purpose is the production of cement and mortar at the Company's manufacturing plants.

b) Real estate development

The main corporate purpose is the development and management of real estate.

Management separately monitors operating results of its business units in order to make decisions on allocation of resources and performance evaluation.

Segment performance is evaluated in view of the operating income and measured in a consistent manner to the statement of income of the consolidated financial statements.

Information of the Company's segments is shown in the following tables:

	2013				
	Cement	Real estate development	Other	Exclusions	Total Consolidated
Net operating revenue	394,130	1,316	8,217	(9,248)	394,415
Gross profit	112,664	1,316	2,123	-	116,103
Depreciation, amortization and depletion	(11,023)	-	(29)	-	(11,052)
Income (loss) before financial income (expenses) and income taxes	77,202	2,887	(369)	(1,764)	77,956
Financial income (expenses)	(105,811)	(143)	(117)	-	(106,071)
Income (loss) before income taxes	(28,609)	2,744	(486)	(1,764)	(28,115)
Income and social contr bution taxes	8,869	(491)	(1)	-	8,375
Net income (loss)	(19,740)	2,253	(489)	(1,764)	(19,740)
Current assets	208,519	36,850	5,226	(21,241)	229,354
Noncurrent assets	849,767	34,822	44,767	(119,985)	809,371
Current liabilities	144,305	3,154	765	(23,570)	124,654
Noncurrent liabilities	606,035	-	25	-	606,060

(In thousands of reais, unless otherwise stated)

28. Segment reporting (Continued)

b) Real estate development (Continued)

	2012				
	Cement	Real estate development	Other	Exclusions	Total Consolidated
Net operating revenue	322,367	33,443	9,685	(9,908)	355,586
Gross profit	89,577	31,570	1,349	-	122,496
Depreciation, amortization and depletion	(3,633)	-	(22)	-	(3,655)
Income (loss) before financial income (expenses) and income taxes	85,724	27,202	(25,804)	3,078	90,199
Financial income (expenses)	(53,914)	(3,208)	(72)	-	(57,194)
Income (loss) before income taxes	31,810	27,752	(3,076)	(23,481)	33,005
Income and social contr bution taxes	(631)	(1,174)	(2)	-	(1,807)
Net income (loss)	31,179	26,578	(3,078)	(23,500)	31,179
Current assets	140,296	8,863	7,230	(3,227)	153,162
Noncurrent assets	727,364	64,769	42,894	(138,835)	696,192
Current liabilities	177,814	5,700	3,256	(29,187)	157,582
Noncurrent liabilities	359,911	1,667	68	-	361,646

Financial Statements

Cimento Tupi S.A.

December 31, 2012
with Independent Auditors' Report on Financial Statements

ERNST & YOUNG TERCO

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 8º andares - Botafogo
22250-040 - Rio de Janeiro, RJ, Brasil

Tel: (5521) 3263-7000
Fax: (5521) 3263-7004
www.ey.com.br

A free translation from Portuguese into English of Independent Auditors' Report on individual and consolidated financial statements originally issued in Portuguese.

Independent auditors' report on financial statements

The Shareholders, Board of Directors and Officers
Cimento Tupi S.A.
Rio de Janeiro - RJ

We have audited the accompanying individual and consolidated financial statements of Cimento Tupi S.A. (the "Company"), identified as Company and Consolidated, respectively, which comprise the balance sheets as at December 31, 2012, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

Auditors' responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Cimento Tupi S.A. as at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cimento Tupi S.A. as at December 31, 2012, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil.

Emphasis of matter

As mentioned in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. For Cimento Tupi S.A., these practices differ from IFRS applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries, affiliates and jointly owned subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Our opinion is not qualified with respect to this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2012, prepared under management's responsibility, the presentation of which is required by the Brazilian Securities Commission (CVM) applicable to the preparation of financial statements, and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion are presented fairly in all material respects, in relation to the overall financial statements.

Rio de Janeiro, February 8, 2013

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ

Gláucio Dutra da Silva
Accountant CRC - 1RJ 090.174/O-4

Daniel Peixoto
Accountant CRC - 1BA 025.348/O - 9 - S - RJ

A free translation from Portuguese into English of Individual and Consolidated Financial Statements originally issued in Portuguese.

Cimento Tupi S.A.

Balance sheets
December 31, 2012 and 2011
(In thousands of reais)

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Assets				
Current assets				
Cash and cash equivalents (Note 4)	**3,254**	8,947	**6,141**	9,984
Marketable securities (Note 5)	**16,805**	25,988	**16,805**	42,001
Derivative financial instruments	**-**	5,005	**-**	5,005
Trade accounts receivable (Note 6)	**21,905**	27,010	**22,109**	33,196
Inventories (Note 7)	**30,102**	37,836	**31,735**	39,371
Taxes recoverable (Note 8)	**24,119**	12,025	**25,218**	13,328
Notes receivable (Note 9)	**26,330**	52,722	**32,574**	52,722
Advances to suppliers	**12,452**	6,715	**13,183**	7,285
Receivables from third parties (Note 25)	**4,795**	63,770	**4,795**	63,770
Other assets	**534**	702	**602**	879
Total current assets	**140,296**	240,720	**153,162**	267,541
Noncurrent assets				
Taxes recoverable (Note 8)	**3,455**	2,599	**3,455**	2,599
Inventories (Note 7)	**-**	-	**16,384**	12,404
Notes receivable (Note 9)	**-**	-	**23,418**	-
Deferred income taxes (Note 17)	**15,043**	15,674	**15,043**	15,674
Judicial deposits	**3,468**	3,850	**3,468**	3,850
Investments				
Subsidiaries (Note 10)	**112,803**	66,727	**-**	-
Other investments	**987**	2,082	**1,035**	2,130
Property, plant and equipment (Note 11)	**469,674**	209,057	**489,586**	218,026
Intangible assets (Note 12)	**121,934**	94,803	**143,803**	115,164
Total noncurrent assets	**727,364**	394,792	**696,192**	369,847
Total assets	**867,660**	635,512	**849,354**	637,388

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Liabilities and equity				
Current liabilities				
Trade accounts payable	**18,992**	11,917	**16,889**	11,972
Salaries and social charges	**5,452**	4,740	**5,800**	5,038
Loans and financing (Note 13)	**101,986**	41,505	**104,251**	43,005
Related parties (Note 14)	**25,994**	2,427	**-**	-
Taxes payable	**11,803**	16,561	**13,951**	16,789
Income and social contribution taxes	**-**	-	**961**	-
Interest on shareholders' equity and dividends	**8,527**	9,916	**8,527**	9,916
Other liabilities	**5,060**	6,474	**7,203**	8,400
Total current liabilities	**177,814**	93,540	**157,582**	95,120
Noncurrent liabilities				
Loans and financing (Note 13)	**330,149**	194,869	**331,815**	194,869
Taxes and contributions in installments (Note 15)	**28,759**	32,347	**28,828**	32,450
Provision for legal claims (Note 18)	**1,003**	3,159	**1,003**	3,159
Total noncurrent liabilities	**359,911**	230,375	**361,646**	230,478
Equity (Note 16)				
Capital stock	**279,891**	279,891	**279,891**	279,891
Capital reserves	**11,685**	11,685	**11,685**	11,685
Income reserve	**63,678**	45,654	**63,678**	45,654
Equity valuation adjustment	**680**	366	**680**	366
Treasury shares	**(25,999)**	(25,999)	**(25,999)**	(25,999)
Total equity attributable to controlling interests	**329,935**	311,597	**329,935**	311,597
Noncontrolling interests	**-**	-	**191**	193
Total equity	**329,935**	311,597	**330,126**	311,790
Total liabilities and equity	**867,660**	635,512	**849,354**	637,388

See accompanying notes.

Cimento Tupi S.A.

Statements of income
Years ended December 31, 2012 and 2011
(In thousands of reais, except for earnings per shares)

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Net operating revenue (Note 22)	**322,367**	347,016	**355,586**	392,458
Cost of sales	**(232,790)**	(253,103)	**(233,090)**	(257,185)
Gross profit	**89,577**	93,913	**122,496**	135,273
Operating expenses				
Selling expenses	**(8,037)**	(7,868)	**(8,037)**	(7,868)
General and administrative	**(23,267)**	(26,401)	**(26,228)**	(30,398)
Management compensation (Note 21)	**(7,371)**	(7,472)	**(7,371)**	(7,472)
Equity pickup (Note 10)	**26,733**	37,770	**-**	-
Other operating income (expenses), net (Note 23)	**8,089**	10,682	**9,339**	12,681
Income before financial income (expenses) and income taxes	**85,724**	100,624	**90,199**	102,216
Financial income (expenses) (Note 24)				
Financial expenses	**(61,498)**	(45,953)	**(65,215)**	(46,046)
Financial income	**7,584**	18,670	**8,021**	18,670
	(53,914)	(27,283)	**(57,194)**	(27,376)
Income before income taxes	**31,810**	73,341	**33,005**	74,840
Income and social contribution taxes (Note 17)	**(631)**	(4,836)	**(1,807)**	(6,308)
Net income for the year	**31,179**	68,505	**31,198**	68,532
Attr butable to				
Controlling interests	**31,179**	68,505	**31,179**	68,505
Noncontrolling interests	**-**	-	**19**	27
Basic and diluted earnings per share (in reais)				
Preferred shares	**0.1681**	0.3570	**-**	-
Common shares	**0.1528**	0.3246	-	-

See accompanying notes.

Cimento Tupi S.A.

Statements of comprehensive income
Years ended December 31, 2012 and 2011
(In thousands of reais)

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Net income for the year	**31,179**	68,505	**31,198**	68,532
Comprehensive income in equity				
Exchange differences on translation of foreign investments (Note 10)	**-**	-	**314**	366
Total comprehensive income, net of taxes	**31,179**	68,505	**31,512**	68,898
Attr butable to				
Controlling interests	**31,179**	68,505	**31,493**	68,871
Noncontrolling interests	**-**	-	**19**	27

See accompanying notes.

Cimento Tupi S.A.

Statements of changes in equity
Years ended December 31, 2012 and 2011
(In thousands of reais)

		Capital reserves								
	Capital stock	Premium on share subscription	Tax incentive reserve	Income reserve	Equity valuation adjustment	Retained earnings (accumulated losses)	Treasury shares	Controlling interests	Noncontrolling interests	Total equity
At December 31, 2010	279,891	65,325	2,380	-	-	(6,351)	-	341,245	166	341,411
Equity valuation adjustment	-	-	-	-	366	-	-	366	-	366
Treasury shares (Note 16.f)	-	-	-	-	-	-	(25,999)	(25,999)	-	(25,999)
Write-off due to merger of CP Cimento e Participações S.A.	-	(53,640)	(2,380)	-	-	-	-	(56,020)	-	(56,020)
Net income for the year	-	-	-	-	-	68,505	-	68,505	27	68,532
Interest on shareholders' equity	-	-	-	-	-	(16,500)	-	(16,500)	-	(16,500)
Income reserve	-	-	-	42,546	-	(42,546)	-	-	-	-
Legal reserve	-	-	-	3,108	-	(3,108)	-	-	-	-
At December 31, 2011	**279,891**	**11,685**	**-**	**45,654**	**366**	**-**	**(25,999)**	**311,597**	**193**	**311,790**
Equity valuation adjustment	**-**	**-**	**-**	**-**	**314**	**-**	**-**	**314**	**-**	**314**
Profits distributed	**-**	**-**	**-**	**(5,750)**	**-**	**-**	**-**	**(5,750)**	**-**	**(5,750)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**31,179**	**-**	**31,179**	**19**	**31,198**
Dividends	**-**	**-**	**-**	**-**	**-**	**(7,405)**	**-**	**(7,405)**	**-**	**(7,405)**
Legal reserve	**-**	**-**	**-**	**1,559**	**-**	**(1,559)**	**-**	**-**	**-**	**-**
Income reserve	**-**	**-**	**-**	**22,215**	**-**	**(22,215)**	**-**	**-**	**-**	**-**
Noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**(21)**
At December 31, 2012	**279,891**	**11,685**	**-**	**63,678**	**680**	**-**	**(25,999)**	**329,935**	**191**	**330,126**

See accompanying notes.

Cimento Tupi S.A.

Statements of cash flows
Years ended December 31, 2012 and 2011
(In thousands of reais)

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Operating activi ies				
Income before income and social contribution taxes	**31,810**	73,341	**33,005**	74,840
Adjustments to reconcile net income for the period with cash provided by operating activities				
Deprecia ion, amortization and depletion	**3,633**	4,088	**3,655**	4,212
Income (loss) from disposal of property, plant and equipment	**(510)**	54	**(510)**	54
Reversal to losses on property, plant and equipment	**(6,716)**	-	**(6,716)**	-
Gain (loss) on equity pickup	**(26,733)**	(37,770)	**-**	-
Tax contingencies	**(2,156)**	1,465	**(2,156)**	1,465
Foreign exchange variation on intercompany loans	**(90)**	-	**-**	-
Foreign exchange variation on loans and financing	**29,412**	15,518	**29,412**	16,118
Penalties and interest on assets and liabilities	**21,381**	17,922	**21,344**	17,971
Equity valuation adjustment	**3,624**	(916)	**3,624**	(916)
Allowance for doubtful accounts	**227**	(1,081)	**(413)**	(1,081)
	53,882	72,621	**81,245**	112,663
(Increase) decrease in asset accounts				
Trade accounts receivable	**4,879**	690	**11,500**	(4,772)
Notes receivable	**-**	5,415	**(29,662)**	5,415
Taxes recoverable	**(47,067)**	(14,442)	**(46,040)**	(14,442)
Inventories	**7,734**	16,022	**3,656**	19,956
Advances to suppliers	**(5,737)**	(4,194)	**(5,898)**	(4,602)
Receivables from third parties	**2,840**	(53,564)	**3,739**	(53,564)
Judicial deposits	**383**	(897)	**383**	(897)
Other assets	**-**	753	**-**	769
(Increase) decrease in liability accounts				
Trade accounts payable	**7,075**	2,384	**4,917**	(3,829)
Tax liabili ies	**45,703**	1,851	**46,585**	(464)
Salaries and social charges	**712**	247	**762**	369
Interest on loans and financing	**(38,608)**	(16,923)	**(38,611)**	(17,512)
Other liabilities	**(1,406)**	(4,295)	**(1,211)**	(5,094)
Noncontrolling interest	**-**	-	**(8)**	-
Equity adjustment to present value	**-**	-	**314**	-
Net cash provided by operating activities	**30,390**	5,668	**31,671**	33,996
Investing ac ivities				
Acquisition of property, plant and equipment	**(209,055)**	(69,719)	**(219,845)**	(68,392)
Disposal of property, plant and equipment	**15,543**	-	**21,039**	-
Acquisition of investments	**(12,572)**	(159)	**-**	(33)
Disposal of investments	**960**	-	**960**	-
Acquisition of intangible assets	**(243)**	-	**(1,751)**	(428)
Dividends received	**134**	19,824	**134**	-
Marketable securities	**12,574**	(25,988)	**28,586**	(42,001)
Derivatives	**-**	(5,005)	**-**	(5,005)
Net cash used in investing activities	**(192,659)**	(81,047)	**(170,877)**	(115,859)
Financing activities				
Payment to related parties	**(2,094)**	(17,364)	**-**	(9,737)
Receipt from related parties	**25,740**	-	**-**	-
Loans and financing paid	**(61,607)**	(71,883)	**(61,607)**	(71,883)
Loans and financing raised	**209,081**	197,082	**211,514**	197,082
Payment of interest on shareholders' equity and dividends	**(14,544)**	(5,163)	**(14,544)**	(5,402)
Treasury shares	**-**	(25,999)	**-**	(25,999)
Net cash provided by financing activities	**156,576**	76,673	**135,363**	84,061
Increase (decrease) in cash and cash equivalents	**(5,693)**	1,294	**(3,843)**	2,198
Cash and cash equivalents at beginning of the year	**8,947**	7,653	**9,984**	7,786
Cash and cash equivalents at end of the year	**3,254**	8,947	**6,141**	9,984

See accompanying notes.

Cimento Tupi S.A.

Statements of value added
Years ended December 31, 2012 and 2011
(In thousands of reais)

	Company		Consolidated	
	Dec/2012	**Dec/2011**	**Dec/2012**	**Dec/2011**
Revenues				
Gross operating revenue	**437,942**	463,476	**474,858**	513,541
Sales returns	**(379)**	(213)	**(382)**	(213)
Allowance for doubtful accounts	**(227)**	(1,083)	**413**	(1,109)
Other operating income (expenses), net	**(13,483)**	1,295	**(12,824)**	3,332
	423,853	463,475	**462,065**	515,551
Inputs acquired from third parties				
Cost of sales	**(212,520)**	(187,419)	**(212,800)**	(191,502)
Materials, energy, third-party services and other expenses	**(75,138)**	(84,007)	**(77,983)**	(88,136)
Reversal of impairment loss	**6,716**	-	**6,716**	-
Gross value added	**142,911**	192,049	**177,998**	235,923
Retentions				
Depreciation, amortization and depletion	**(3,633)**	(4,114)	**(3,655)**	(4,114)
Net value added generated	**139,279**	187,935	**174,343**	231,809
Value added received on transfer				
Equity pickup	**26,733**	37,770	**-**	-
Financial income	**7,584**	18,670	**8,021**	18,670
Income and social contribution taxes	**(631)**	(4,890)	**(1,807)**	(4,890)
Total value added to be distributed	**172,964**	239,485	**180,557**	245,589
Controlling interests	**172,964**	239,485	**180,538**	245,562
Noncontrolling shareholders	**-**	-	**19**	27
Distribution of value added				
Salaries and charges	**43,880**	43,326	**43,958**	43,393
Taxes, charges and contributions	**33,609**	72,931	**37,345**	78,874
Interest and rental	**64,296**	54,723	**68,075**	54,817
Retained profits	**31,179**	68,505	**31,179**	68,505
Value added distr buted	**172,964**	239,485	**180,557**	245,589

See accompanying notes.

Cimento Tupi S.A.

Notes to the financial statements
December 31, 2012 and 2011
(In thousands of reais, unless otherwise stated)

1. Operations

Cimento Tupi S.A. (“Company”), located at Avenida Presidente Wilson, 231, 29º andar, Centro, Rio de Janeiro, is engaged in the manufacturing of cement and mortar of all types at the plants located in Volta Redonda - Rio de Janeiro State, Pedra do Sino - Minas Gerais State and Mogi das Cruzes - São Paulo State; exploration of mineral deposits and use of extracted products for cement manufacturing; provision of concrete-paving services; and holding ownership interests in other companies.

Corporate restructuring

In the Special Shareholders Meeting held at March 21, 2011, the downstream merger of CP Cimento e Participações S.A. (“CP Cimento”) into the Company was approved. The objective of the merger was to simplify the operational structure of CP Cimento and the Company, resulting in operating, administrative and financing costs reduction. As a result of such merger process, the Company has succeeded CP Cimento, which was closed.

CP Cimento’s equity was measured at December 31, 2010 based on its book value for the amount of R$ 287,292, according to the Accounting Valuation Report for Merger Purposes issued by a specialized independent firm.

Net assets evaluated at book value were as follows:

Assets	
Cash and cash equivalents	**44**
Notes receivable	**6,369**
Receivables from related parties	**28,309**
Investments	**398,148**
Property, plant and equipment	**165**
Other assets	**74,249**
Total assets merged	**507,284**
Liabilities	
Payables to related parties	**184,151**
Taxes payable	**25,131**
Other liabilities	**10,710**
Total liabilities assumed	**219,992**
Net assets	**287,292**

1. Operations (Continued)

Corporate restructuring (Continued)

The balances of investment as well as of amounts receivable from/payable to related parties of CP Cimento and the Company were eliminated upon the merger.

Therefore, the premium on share subscription in the amount of R$ 53,640 and tax incentive reserve in the amount of R$2,380 recorded in the Company's equity were realized in the merger process. Additionally, the Company assumed goodwill of R$ 93,563, previously recognized by CP Cimento, which was recorded as an intangible asset and is subject to annual impairment analysis by management based on future profitability.

2. Presentation of financial statements and summary of significant accounting practices

These financial statements were approved by the Company's Board of Executive Officers on February 8, 2013.

The financial information was prepared considering different assessment bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors, in line with management's judgment for determining the appropriate amount to be recorded in the financial statements. Significant items subject to estimates include: the allowance for doubtful accounts; provision for inventory obsolescence; the selection of useful lives of property, plant and equipment; deferred income taxes; provision for legal claims; and the fair value measurement of financial instruments. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent to the determination process. The Company reviews its estimates and assumptions at least on an annual basis.

The financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the Brazilian Corporation Law and accounting standards and requirements issued by the CVM and the Accounting Pronouncements Committee (CPC).

2. Presentation of financial statements and summary of significant accounting practices (Continued)

These practices differ from IFRS applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries under the equity method, as required by ICPC 09, while such investments would be measured at cost or fair value for IFRS purposes.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the IASB, and in accordance with the accounting practices adopted in Brazil.

Significant accounting practices adopted in the preparation of these financial statements are described as follows. These practices have been consistently adopted in all the periods presented, unless otherwise stated.

a) Cash and cash equivalents

Cash and cash equivalents include cash, bank account balances and short-term investments redeemable within three months or less from the date of the investments’ acquisition, subject to insignificant risk of change in their market value, classified as financial assets at fair value through profit or loss. Such investments are marked to market, with any gains or losses recorded in profit or loss for the year.

b) Marketable securities

Marketable securities are short-term investments held for trading. Such investments are recorded at cost plus changes in market value. Any gains or losses are recorded in profit or loss for the year.

c) Derivative financial instruments - initial recognition and subsequent measurement

The Company uses derivative financial instruments to hedge against foreign exchange variation risks.

Derivative financial instruments are initially recognized at fair value when they are contracted, being subsequently revalued at fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as liabilities when fair value is negative.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

c) Derivative financial instruments - initial recognition and subsequent measurement (Continued)

Any gains or losses from changes in fair value of derivatives during the year are recorded directly in profit or loss.

The Company does not have derivative instruments recorded as hedge accounting, even though the primary objective of the instruments contracted is to hedge the Company from foreign exchange variations.

d) Translation of foreign currency-denominated balances

The Company's functional currency is the Brazilian Real, which is its reporting currency. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the balance sheet closing date. Gains and losses arising from restatement of these assets and liabilities between the exchange rate prevailing at the date of the transaction and the reporting period closing dates are recognized as financial income or expenses in profit or loss.

e) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and when it can be reliably measured. Revenue is measured at fair value of the consideration received, net of sales discounts, rebates, and related taxes or charges. The Company measures its revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and, eventually, concluded that it has been operating as a principal in all its revenue agreements. The following specific criteria must also be met before revenue recognition.

Sales revenue is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, which generally occurs upon delivery thereof.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

f) Taxes

Current income and social contribution taxes

Current tax assets and liabilities of last and prior years are measured at the estimated amount recoverable from or payable to tax authorities. The tax rates and tax legislation used to calculate the amount are those enacted at the balance sheet date.

Deferred taxes

Deferred tax assets are recognized on all deductible temporary differences, unused tax credits and tax losses to the extent that taxable income will likely be available so that the deductible temporary differences may be realized, and unused tax credits and losses may be used. Deferred tax liabilities are recognized for all temporary differences.

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that it is no longer probable that taxable profit will be available to allow all or part of the deferred income tax asset to be used.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized or the liability settled, based on tax rates enacted at the balance sheet date.

Deferred tax assets and liabilities are stated net, if a legally enforceable right exists to offset tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Taxes on sales

Revenues, expenses and assets are recognized net of taxes on sales, except:

- When sales tax incurred in the purchase of goods or services is not recoverable from tax authorities, in which case the sales tax is recognized as part of the acquisition cost of the asset or expense item, as the case may be;

2. Presentation of financial statements and summary of significant accounting practices (Continued)

f) Taxes (Continued)

Taxes on sales (Continued)

- When the amounts receivable and payable are presented together with the amount of sales tax.
- The net amount of sales taxes, either recoverable or payable, is included as part of accounts receivable or payable in the balance sheet.
- Sales revenues are subject to the following taxes and contributions, at their statutory rates:
  - Social Contribution Tax on Gross Revenue for Social Integration Program (PIS): 1.65%;
  - Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS): 7.6%;
  - State VAT (ICMS): 18%.

Revenues recorded in the statements of income are net of the corresponding taxes.

g) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded based on management's analysis of the client's portfolio, its operational experience and the economic scenario.

h) Inventories

Inventories are carried at the lower of cost and net realizable value. The cost is determined based on the average acquisition cost, not exceeding market value. Provisions for slow-moving or obsolete inventories are recorded when deemed necessary by management.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

i) Investments

Investments in subsidiaries are stated by the equity method, eliminated for consolidation purposes; other investments are recorded at cost.

j) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or impairment loss, when applicable. Such cost includes the cost of replacing part of property, plant and equipment. When significant parts of property, plant and equipment are replaced, the Company recognizes such parts as individual assets with specific useful life and depreciation. Likewise, when a major inspection is performed, the cost is recognized in the carrying amount of property, plant and equipment, if the recognition criteria are met. All other repair and maintenance costs are recorded in the statement of income, as incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met. The net book value and the estimated useful lives of assets are reviewed and adjusted, where applicable, at year end.

Depreciation of property, plant and equipment items is calculated on a straight-line basis, at the annual rates mentioned in Note 11, which take into consideration their estimated useful lives as follows (in years):

Buildings	**50**
Machinery, equipment and industrial facilities	**30**
Furniture and fixtures	**10**
Vehicles	**5**
Railway wagons	**30**
Other	**5**

An item of property, plant and equipment is written off when sold or when no future economic benefit is expected to arise from its use or sale. Any gain or loss resulting from assets written off (calculated as the difference between the net sales value and the book value of the assets) is included in the statement of income for the year in which the assets are written off.

The net book value and useful lives of the assets and the depreciation methods are reviewed at year end, and adjusted prospectively, as applicable.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

k) Intangible assets

Intangible assets reflect the acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets consist primarily of goodwill recognized based on expected future income and subjected to annual impairment analysis, and of mining rights, which are amortized on a straight-line basis in accordance with the exploration contract, starting when the asset exploration begins.

l) Provision for impairment of non-financial assets

Management annually tests the net book value of the assets with a view to determining whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment loss. When such evidence is identified, and net book value exceeds recoverable amount, a provision for impairment is recorded to adjust the net book value to the recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Fair value less costs to sell is determined considering, whenever possible, outright sale agreements in arm's length transactions between knowledgeable and willing parties less costs of disposal; if no outright sale agreements can be identified, this will be based on the market price of an active market or the price of the most recent transaction involving similar assets.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

m) Loans and financing

Loans and financing are initially recognized at fair value at acquisition date. And are subsequently measured at amortized cost using the effective interest rate method.

Loans and financing are restated based on exchange or monetary variations and according to the interest rates incurred up to the balance sheet date, according to the terms defined in the contracts.

When relevant the transaction costs are accounted for as a reduction of loans and financing and recognized over the period of the debt, using the effective interest rate method.

n) Borrowing costs

Interest and financial charges relating to financing entered for construction work in progress are capitalized until the assets start operating and are depreciated considering the same criteria and useful life defined for the underlying PP&E item. All other borrowing costs are expensed in the period they incur.

o) Provisions

General

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits are required to settle the obligation and a reliable estimate can be made of the value of the obligation. When the Company and its subsidiaries expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of income, net of any reimbursement.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

o) Provisions (Continued)

Provisions for legal claims

The Company and its subsidiaries are parties to various judicial and administrative proceedings. Provisions are recorded for all proceedings related to lawsuits for which an outflow of funds is likely to occur to settle the obligation and a reasonable estimate can be made. The assessment of the likelihood of loss addresses available evidence, the hierarchy of laws, available case laws, most recent decisions handed down by courts and their significance in the legal system, as well as evaluation by external legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

p) Other current and noncurrent assets and liabilities

An asset is recognized in the balance sheet when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Provisions are recorded reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current whenever their realization or settlement is likely to occur within the next twelve months. Otherwise, they are stated as noncurrent.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

q) Profit sharing

The Company and its subsidiaries entered into collective bargaining agreements for profit sharing with the Company's employees.

Profit sharing is recorded in profit or loss based on goals disclosed to employees and approved in collective agreements. Such amounts are recorded as personnel expenses under general and administrative expenses.

r) Statements of cash flows and statements of value added

Statements of cash flows were prepared and are presented in accordance with accounting pronouncement CPC 03 - Statement of Cash Flows, issued by the CPC. Statements of value added were prepared and are presented in accordance with technical pronouncement CPC 09 - Statement of Value Added, issued by the CPC.

s) Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's and its subsidiaries' financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the financial statement reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the book value of the asset or liability affected in subsequent years.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

s) Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions

The main assumptions concerning the sources of uncertainty in future estimates and other important sources of uncertainty in estimates on the balance sheet date, involving significant risk of causing a significant adjustment to the book value of the assets and liabilities in the next financial year are discussed below:

Taxes

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could require future adjustments to tax income and expenses already recorded. The Company records provisions, based on reliable estimates, for possible consequences from audits by tax authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and the responsible tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company.

Significant judgment from management is required to determine the value of deferred tax assets that can be recognized based on the probable term and level of future taxable profit together with future tax planning strategies.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

s) Significant accounting judgments, estimates and assumptions (Continued)

Provisions for legal claims

The Company recognizes provision for legal claims. The assessment of the probability of loss includes analysis of available evidence, hierarchy of laws, available case law, latest court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent to the determination process.

The Company reviews its estimates and assumptions at least on an annual basis.

t) Financial instruments

Financial instruments are only recognized as from the date the Company becomes party to the contractual provisions thereof. When recognized, they are initially measured at fair value plus transaction costs directly attributable to their acquisition, except for financial assets and liabilities classified as measured at fair value through profit or loss, when such costs are charged directly to profit or loss for the year. Their subsequent measurement takes place every balance sheet date in accordance with the rules established for each type of classification of financial assets and liabilities.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

t) Financial instruments (Continued)

t.1) Financial assets: The main financial assets recognized by the Company are: cash and cash equivalents and marketable securities. Financial assets are classified in the following categories based on the purpose for which they were acquired or issued:

(i) Financial assets measured at fair value through profit or loss: these include financial assets held for trading and assets measured upon initial recognition at fair value through profit or loss. They are classified as held for trading if originated for the purpose of sale or repurchase in the short term. At each balance sheet date they are measured at fair value. Interest, monetary restatement, exchange variations and changes arising from measurement at fair value are recognized in profit or loss as incurred, under financial income or financial expenses.

(ii) Loans and receivables: non-derivative financial assets with fixed or determinable payments, not traded in active market. After initial recognition they are measured at amortized cost using the effective interest rate method. Interest, monetary restatement, exchange variation, less impairment losses, if applicable, are recognized in profit or loss as incurred, under financial income or expenses.

(iii) Investments held to maturity: non-derivative financial assets with fixed or determinable payments with finite maturity for which the Company expresses the intention and capacity of holding them to maturity. After initial recognition they are measured at amortized cost using the effective interest rate method. Interest, monetary restatement, exchange variation, less impairment losses, if applicable, are recognized in profit or loss as incurred, under financial income or expenses.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

t) Financial instruments (Continued)

t.2) Financial liabilities: the main financial liabilities recognized by the Company are: trade accounts payable and loans and financing. Financial liabilities are classified in the following categories according to the nature of the financial instruments contracted:

(i) Financial liabilities measured at fair value through profit or loss: these include financial liabilities usually traded before maturity and liabilities initially recognized at fair value through profit or loss. At each balance sheet date they are measured at fair value. Interest, monetary restatement, exchange variations and changes arising from measurement at fair value are recognized in profit or loss as incurred, under financial income or financial expenses.

(ii) Financial liabilities not measured at fair value: non-derivative financial liabilities that are not usually traded before maturity. After initial recognition they are measured at amortized cost using the effective interest rate method. Interest, monetary restatement, exchange variations and changes arising from measurement at fair value are recognized in profit or loss as incurred, under financial income or financial expenses.

u) Earnings per share

The Company calculates earnings per share according to accounting pronouncement CPC 41. Basic earnings per share are calculated by dividing net income for the period attributable to the Company's common and preferred shareholders by the weighted average number of common shares outstanding during that period.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

u) Earnings per share (Continued)

Diluted earnings per share are calculated by dividing the net profit attributable to the Company's common and preferred shareholders by the weighted average number of common and preferred shares, respectively, that would be issued on conversion of all the dilutive potential common and preferred shares into equivalent type shares. The Company has no potential dilutive instruments.

v) Segments

Operating segments are defined in accordance with the operations that are evaluated by the Chief Executive Officer, the main Company's operational decision maker, responsible for allocating resources and performance assessment of operating segments.

The Company has different business segments and manages the results of operations based on the statement of income framework. The operating segments identified and information by segments are provided in Note 26.

w) Present value adjustment of assets and liabilities

Current and noncurrent monetary assets and liabilities are adjusted to present value whenever the effects are considered significant to the overall financial statements.

x) Treasury shares

Reacquired equity instruments (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issue or cancellation of Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in share premium reserve.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

y) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interests in the acquiree. For each business combination, the acquirer shall measure the noncontrolling interests in the acquiree either at its fair value or on the basis of its proportionate share in the identifiable net assets of the acquiree. Acquisition costs are expensed as incurred.

When purchasing a business, the Company evaluates the assets acquired and liabilities assumed in order to classify and allocate them according to the contractual terms, economic circumstances and the relevant conditions on the purchase date. In the event of a business combination in stages, fair value on acquisition date of interests previously held in the acquiree's capital is reassessed at fair value on the acquisition date, and any impacts are recognized in the statement of income.

Any contingent portion to be transferred by the acquirer will be recognized at fair value on acquisition date. Subsequent changes on fair value of contingent payments deemed as an asset or liability must be recognized pursuant to CPC 38 - Financial Instruments: Recognition and Measurement, in the statement of income or in other comprehensive income. If contingent payment is classified as equity, it must not be revaluated before finally settled.

Goodwill is initially measured as transferred payment exceeding amount in relation to acquired net assets (identifiable net assets acquired and liabilities assumed). If payment is lower than fair value of acquired net assets, difference must be recognized as gain in the statement of income. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, from acquisition date, allocated to each cash-generating unit, which are expected to benefit from such combination synergy, regardless of other assets or liabilities of the acquiree being attributed to these units.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

z) IFRS pronouncements

1. New pronouncements in 2012

The accounting practices adopted in 2012 are consistent with those adopted in the prior year's financial statements, except for the following IFRS amendments effective on or after January 1, 2012:

- IAS 12 Income Taxes (Amendment) - Deferred Taxes - Recovery of Underlying Assets - This amendment clarifies the determination of the deferred taxes calculation on investment property measured at fair value. It introduces a rebuttable presumption that the deferred tax on investment properties measured at fair value model in IAS 40 (CPC 31 - Noncurrent Assets Held for Sale and Discontinued Operations) should be defined based on the fact that its book value will be recovered through the sale. In addition, it introduces the requirement that deferred tax on assets not subject to depreciation that are measured using the revaluation model of IAS 16 (CPC 27 - Property, Plant and Equipment), should always be measured based on the asset sale. This amendment shall not have an impact on the Company's financial position, performance or disclosures.

- IFRS 1 - First-time adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment) - IASB provided guidance on how an entity must present the financial statements based on IFRSs when its functional currency is not subject to hyperinflation anymore. This amendment is effective for annual periods beginning on or after July 1, 2011. It did not generate any impact on the Company's disclosures.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

z) IFRS pronouncements (Continued)

1. New pronouncements in 2012 (Continued)

- IFRS 7 - Financial Instruments - Disclosures - Enhanced Derecognition Disclosure Requirements - This amendment requires enhanced disclosure about financial assets that have been transferred but not derecognized to enable the users of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, this amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

  This amendment is effective for annual periods beginning on or after July 1, 2011. The Company has no assets with these characteristics; therefore, there was no impact on its financial statements.

2. IFRS pronouncements not effective at December 31, 2012

We list below the standards issued that had not yet effective to the issue date of the Company's financial statements. This list of standards and interpretations issued includes those that the Company reasonably expects to impact the disclosures, financial position, or performance upon application thereof in the future. The Company intends to adopt such standards when they become effective.

- IAS 1 - *Presentation of Financial Statements - Presentation of Items in Other Comprehensive Income* - Amendments to IAS 1. The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point of time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains or losses on defined benefit plans).

2. Presentation of financial statements and summary of significant accounting practices (Continued)

z) IFRS pronouncements (Continued)

2. IFRS pronouncements not effective at December 31, 2012 (Continued)

The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for fiscal years beginning on or after January 1, 2013, and will be applied on the Company's financial statements when they become effective.

- IAS 28 *Investments in Associates and Joint Ventures (revised in 2011)* - As a consequence of the new IFRS 11 and IFRS 12, IAS 28 "*Investments in Associates*" has been renamed to IAS 28 "*Investments in Associates and Joint Ventures"*, and describes the application of the equity method for investments in joint ventures, in addition to investments in associates. This revised standard becomes effective for annual periods beginning on or after January 1, 2013. The Company understands that there are no impacts on its financial statements from this new standard.

- IAS 32 *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)* - These amendments clarify the meaning of "currently have a legally enforceable right of set-off". The amendments also clarify the application of the IAS 32 offset criteria to settlement systems (such as the clearing house systems), which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position, performance or disclosures effective for annual periods beginning on or after January 1, 2014.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

z) IFRS pronouncements (Continued)

2. IFRS pronouncements not effective at December 31, 2012 (Continued)

- IFRS 7 - *Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* - These amendments require an entity to disclose information about rights to set-off and related arrangements (for example, colateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are setoff in accordance with IAS 32 - *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are setoff in accordance with IAS 32. These amendments will become effective for annual periods beginning on or after January 1, 2013. The Company understands that there are no impacts on its financial statements.

- *IFRS 9 Financial Instruments: Classification and Measurement* - This standard, as issued, reflects the first phase of the IASB project regarding the replacement of IAS 39 and is applicable to the classification and measurement of financial assets and liabilities, as defined in IAS 39. This standard was initially effective for annual periods beginning on or after January 1, 2013; however, the amendments to IFRS 9 - Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015.

  In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets; but will not have an impact on the classification and measurement of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

z) IFRS pronouncements (Continued)

2. IFRS pronouncements not effective at December 31, 2012 (Continued)

- IFRS 10 *Consolidated Financial Statements*, IAS 27 *Separate Financial Statements* - IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation - Special Purpose Entities*.

  IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent company, compared with the requirements that were in IAS 27. Based on preliminary analyses performed, there is no expectation that IFRS 10 will have an impact on the investments currently held by the Company.

  This amendment will become effective for annual periods beginning on or after January 1, 2013. The Company verified that there is no effect from this new standard on its financial statements.

- IFRS 11 *Joint Arrangements* - IFRS 11 replaces IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*. IFRS 11 removes the option to account jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of joint venture must be accounted for using the equity method.

  The application of this new standard will not have an impact on the Company's financial position.

2. Presentation of financial statements and summary of significant accounting practices (Continued)

z) IFRS pronouncements (Continued)

2. IFRS pronouncements not effective at December 31, 2012 (Continued)

- IFRS 12 *Disclosures of Interest in Other Entities* - IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to and entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position and performance. This standard will become effective for annual periods beginning on or after January 1, 2013.

- IFRS 13 *Fair Value Measurement* - IFRS 13 establishes a single source of guidance in IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure the fair value under IFRS when fair value is required or permitted. This standard will become effective for annual periods beginning on or after January 1, 2013. The Company verified that there are no impacts on its financial statements.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from stripping activity. The interpretation will become effective for annual periods beginning on or after January 1, 2013. The Company verified that there is no impact on its financial statements.

(In thousands of reais, unless otherwise stated)

3. Consolidated financial statements

The consolidated financial statements include the financial statements of Cimento Tupi S.A. and the subsidiaries listed below.

	Interest held - %			
	Capital		Voting capital	
	Dec/2012	Dec/2011	Dec/2012	Dec/2011
Cimento Touro Ltda.	**99.99**	99.99	**99.99**	99.99
Cimento Tupi do Nordeste Ltda.	**99.99**	99.99	**99.99**	99.99
Cimento Tupi Overseas Inc.	**100.00**	100.00	**100.00**	100.00
CP Cimento Overseas Co.	**100.00**	100.00	**100.00**	100.00
Suape Granéis do Nordeste Ltda.	**50.00**	50.00	**50.00**	50.00
Sandra Mineração Ltda.	**99.99**	99.99	**99.99**	99.99
Tupi Rio Transportes S.A.	**100.00**	100.00	**100.00**	100.00
Tupimec - Indústria Mecânica Ltda.	**99.99**	99.99	**99.99**	99.99
Mape Incorporação e Empreendimentos Ltda.	**99.95**	99.94	**99.95**	99.94
Tupi Mineradora de Calcário Ltda.	**99.82**	99.73	**99.82**	99.73

The consolidated balance sheet and statement of income reflect the aggregate of the balances of assets, liabilities, income and expenses, according to their nature, considering the following eliminations:

- Intercompany investments, reserves and retained earnings or accumulated losses;
- Current account balances and other asset and/or liability accounts between companies, whose balance sheets were consolidated;
- Balances of revenues and expenses arising from operations between the consolidated companies; and
- The effects of significant intercompany transactions.

The fiscal year of the subsidiaries included in the consolidation coincide with the Company’s fiscal year, and the accounting policies were consistently applied to all consolidated companies.

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents

	Company		Consolidated	
	Dec/2012	Dec/2011	Dec/2012	Dec/2011
Cash and banks	**3,254**	8,947	**6,141**	9,984

Cash and cash equivalents mostly comprise bank deposits available.

5. Marketable securities

	Company		Consolidated	
	Dec/2012	Dec/2011	Dec/2012	Dec/2011
Temporary deposits - Bank Certificate of Deposit (CDB) - Interbank Deposits (DI) 1	**2,508**	2,311	**2,508**	2,311
Investment fund - reference to DI	**-**	8,665	**-**	8,665
Government bonds	**14,297**	15,012	**14,297**	31,025
	16,805	25,988	**16,805**	42,001

Temporary deposits - CDB DI 1 refer to short-term investments at Banco ABC Brasil, bearing interest that approximates the Interbank Certificates of Deposit (CDI) variation, and with daily liquidity in exchange of receivables.

The investment fund share by reference to DI refers to guarantee margin investments at BMF, bearing interest that approximates the CDI variation.

Government bonds refer to short-term investments at Banco Santander and Banco Alfa represented by Government Bonds-DI Funds.

6. Trade accounts receivable

	Company		Consolidated	
	Dec/2012	Dec/2011	Dec/2012	Dec/2011
Trade accounts receivable	**32,313**	37,467	**32,517**	43,653
Allowance for doubtful accounts	**(10,408)**	(10,457)	**(10,408)**	(10,457)
	21,905	27,010	**22,109**	33,196

(In thousands of reais, unless otherwise stated)

6. Trade accounts receivable (Continued)

The changes in allowance for doubtful accounts in 2012 are as follows:

Balance at December 31, 2011	**(10,457)**
(+) ADA complement	**(227)**
(-) Amounts written off	**276**
Balance at December 31, 2012	**(10,408)**

The allowance for doubtful accounts includes the provision for loss with a specific customer in the amount of R$ 8,665, related to a foreign transaction entered in the past.

The aging list of trade accounts receivable is shown below:

	Company		Consolidated	
	Dec/2012	**Dec/2011**	**Dec/2012**	**Dec/2011**
Falling due	**19,368**	25,365	**19,572**	31,551
Past due within 90 days	**2,465**	1,567	**2,465**	1,567
Past due from 91 to 180 days	**72**	78	**72**	78
Past due over 181 days	**10,408**	10,457	**10,408**	10,457
	32,313	37,467	**32,517**	43,653

7. Inventories

	Company		Consolidated	
	Dec/2012	**Dec/2011**	**Dec/2012**	**Dec/2011**
Current				
Finished products	**2,319**	2,015	**2,319**	1,482
Work-in-process	**974**	3,363	**1,600**	4,832
Raw material - slag	**399**	9,355	**399**	9,355
Raw material - coke	**3,421**	9,067	**3,421**	9,067
Other raw materials	**2,373**	3,530	**3,085**	3,885
Maintenance and consumption materials	**19,256**	9,999	**19,551**	10,243
Inventory in transit	**1,360**	507	**1,360**	507
	30,102	37,836	**31,735**	39,371
Noncurrent				
Plots of land for sale (i)	**-**	-	**16,384**	12,404
	-	-	**16,384**	12,404

(i) This refers to inventories of assets held for sale owned by the subsidiary Mape Incorporação e Empreendimentos Ltda.

(In thousands of reais, unless otherwise stated)

7. **Inventories** (Continued)

In December 2009, the Company entered into an agreement with Companhia Siderúrgica Nacional (CSN), to close the dispute in relation to the slag price adjustments, whereby CSN agreed to provide the Company with 850,000 tons of wet ground granulated slag ("new slag"). In June 2012, the delivery of all new slag was completed. Such slag was recorded in inventory, when received, with a contra-entry in other operating income (See Note 23), with the related cost were transferred to production cost as it was used.

8. Taxes recoverable

	Company		Consolidated	
	Dec/2012	**Dec/2011**	**Dec/2012**	**Dec/2011**
Current assets				
State VAT (ICMS)	**1,688**	1,483	**1,688**	1,483
Income tax	**1,621**	5,239	**1,664**	5,247
Social contribution tax	**839**	1,350	**1,083**	1,742
PIS/COFINS	**15,920**	2,634	**16,484**	3,362
IPI	**3,371**	642	**3,483**	642
Other	**680**	677	**816**	852
	24,119	12,025	**25,218**	13,328
Noncurrent assets				
State VAT (ICMS)	**3,455**	2,575	**3,455**	2,575
Other	**-**	24	**-**	24
	3,455	2,599	**3,455**	2,599

The State VAT recoverable balance classified as noncurrent assets is related to ICMS on capital expenditures of property, plant and equipment, and shall be recovered after the next 12-month period.

(In thousands of reais, unless otherwise stated)

9. Notes receivable

	Company		Consolidated	
	Dec/2012	**Dec/2011**	**Dec/2012**	**Dec/2011**
CAL Itaú Participações S.A. (i)	**26,330**	25,829	**26,330**	25,829
Cimento Brasília Ltda. (former Chausey Mineração e Participações Ltda.) (ii)	**-**	26,893	**-**	26,893
Itaendá Participações S.A. (iii)	**-**	-	**29,662**	-
Current assets	**26,330**	52,722	**32,574**	52,722
Noncurrent assets	**-**	-	**23,418**	-

(i) Refers to the balance receivable from the sale of Cimento Ribeirão Grande's shares, maturing on December 30, 2013. The balance is subject to interest of 7.63% p.a.

(ii) On October 18, 2012, the Company entered into an Agreement for Accord and Satisfaction, Settlement Term and Other Covenants ("Accord and Satisfaction") with Cimento Santo Estevão e Participações S.A. ("Santo Estevão"), through which Santo Estevão assigned and transferred to the Company the mining rights in the region of Formosa, Goiás State. By means of said Accord and Satisfaction, Santo Estevão debt wi h the Company was fully repaid.

(iii) Refers to the sale of properties in Mogi das Cruzes, State of São Paulo (see Note 10) to be paid in 5 biannual installments from March 31, 2013, restated by reference to the Extended Consumer Price Index (IPCA).

(In thousands of reais, unless otherwise stated)

10. Investments in subsidiaries

a) Information on the main subsidiaries

	Dec/2012					Dec/2011				
	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.
Interest held in capital - %	99.95	99.99	99.82	99.99	100	99.94	99.99	99.73	99.99	100
Equity	66,265	2,898	34,295	966	3,811	34,199	2,259	22,315	744	3,125
Net income (loss) for the year	26,578	639	-	(340)	(3)	1,803	(943)	-	(4,705)	-

b) Changes in investments

	Dec/2012							Dec/2011
	Mape Incorporação e Empreendimentos Ltda.	Tupimec Indústria Mecânica Ltda.	Tupi Mineradora de Calcário Ltda.	Cimento Tupi do Nordeste Ltda.	CP Cimento Overseas CO.	Other	Total	Total
Balance at beginning of the year	34,179	2,259	22,256	744	3,125	4,164	66,727	42,042
Payments	5,495				375		5,870	157
Acquisition of investments	-	-	-	-	-	-	-	2,602
Dividends received	-	-	-	-	-	-	-	(37,489)
Equity pick-up	26,559	639	-	(340)	(3)	(122)	26,733	37,770
Foreign exchange variation on investments	-	-	-	-	314	-	314	366
Reversal of provision for loss	-	-	-	-	-	-	-	(4,275)
Investee's equity adjustment with absorption of intercompany loans	-	-	11,979	563	-	617	13,159	25,554
Balance at end of the year	66,233	2,898	34,235	967	3,811	4,659	112,803	66,727

10. Investments in subsidiaries (Continued)

b) Changes in investments (Continued)

Mape Incorporação e Empreendimentos Ltda.

Mape is primarily engaged in development, management, purchase and sale of real estate.

On December 20, 2012, Mape Incorporação e Empreendimentos Ltda. sold two properties located in the Municipality of Mogi das Cruzes, State of São Paulo, to Itaendá Participações S.A., realizing a gain of R$ 27,091 and R$ 2,259.

Tupimec Indústria Mecânica Ltda.

Tupimec is engaged in the manufacturing, sale and export of parts and mechanical equipment, assembly services as well as the provision of processing services related thereto.

Tupi Mineradora de Calcário Ltda.

Tupi Mineradora is a company in pre-operating phase engaged in the exploration and utilization of mineral deposits in the region of Adrianópolis, State of Paraná.

Cimento Tupi do Nordeste Ltda.

Cimento Tupi do Nordeste Ltda. is engaged in the manufacturing of cement, sale, transportation and export of cement products, as well as utilization of natural deposits in the region of Mossoró, State of Rio Grande do Norte.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment

	Company				
	Dec/2012			Dec/2011	Annual
Account	**Cost**	**Accumulated depreciation**	**Net**	**Net**	**depreciation rate**
Land	**3,864**	**-**	**3,864**	3,345	
Buildings	**20,058**	**(11,741)**	**8,317**	12,931	**2%**
Machinery, equipment and industrial facilities	**220,070**	**(163,078)**	**56,992**	38,835	**3.333%**
Furniture and fixtures	**2,807**	**(2,582)**	**225**	233	**10%**
Vehicles	**4,184**	**(1,701)**	**2,483**	2,394	**20%**
Railway wagons	**1,846**	**(828)**	**1,018**	1,025	**3.333%**
Leasehold improvements	**2,198**	**(1,979)**	**219**	250	**(*)**
Uninstalled machinery and equipment	**2,714**	**-**	**2,714**	33,123	
Other	**4,839**	**(4,341)**	**498**	790	**4 to 20%**
Construc ions in progress	**370,432**	**-**	**370,432**	73,839	**(**)**
Advances to suppliers	**1,219**	**-**	**1,219**	20,506	
Limestone mines	**21,858**	**(165)**	**21,693**	21,786	**(***)**
	656,089	**(186,415)**	**469,674**	209,057	

	Consolidated				
	Dec/2012			Dec/2011	Annual
Account	**Cost**	**Accumulated depreciation**	**Net**	**Net**	**depreciation rates**
Land	**14,920**	**-**	**14,920**	8,260	
Buildings	**21,001**	**(12,514)**	**8,487**	13,132	**2%**
Machinery, equipment and industrial facilities	**221,419**	**(163,990)**	**57,429**	39,305	**3.33%**
Furniture and fixtures	**2,892**	**(2,660)**	**232**	240	**10%**
Vehicles	**4,354**	**(1,834)**	**2,520**	2,453	**20%**
Railway wagons	**1,846**	**(828)**	**1,018**	1,025	**3.33%**
Leasehold improvements	**2,198**	**(1,979)**	**219**	250	**(*)**
Uninstalled machinery and equipment	**2,714**	**-**	**2,714**	33,123	
Other	**7,246**	**(5,085)**	**2,161**	2,487	**20%**
Construc ions in progress	**371,735**	**-**	**371,735**	74,723	**(**)**
Advances to suppliers	**6,458**	**-**	**6,458**	21,242	
Limestone mines	**21,858**	**(165)**	**21,693**	21,786	**(***)**
	678,641	**(189,055)**	**489,586**	218,026	

(*) Depreciation in accordance with lease agreement terms.

(**) This includes capitalized financial charges in the amount of R$19,624 (R$4,160 - 2011).

(***) Limestone mines are amortized at their exhaustion term, proportionally to the ore mined.

At December 31, 2012, depreciation amounting to R$ 3,345 (R$ 3,819 at December 31, 2010) was recorded under cost of sales.

Uninstalled machinery and equipment are represented by items to be used in future projects for expansion of the Company’s activities.

Management reviews the net book value of the Company’s assets in order to assess events that may indicate impairment loss, and no indications of impairment were identified.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

At December 31, 2012, changes in property, plant and equipment are as follows:

Company

Cost of property, plant and equipment	Land	Buildings	Machinery, equipment and industrial facilities	Furniture and fixtures	Vehicles	Railway wagons	Leasehold improvements	Uninstalled machinery and equipment	Other	Constructions in progress	Advances to suppliers	Limestone mines	Total
Balance at 12/31/11	3,345	30,335	213,056	2,955	3,690	1,908	2,198	33,123	4,825	73,840	20,505	21,858	411,638
Additions	1,804	-	356	32	781	-	-	-	50	297,584	-	-	300,607
Transfers	10	-	23,110	-	-	-	-	(24,922)	-	2,479	(677)	-	-
Write-offs	(1,295)	(10,277)	(16,452)	(180)	(287)	(62)	-	(5,487)	(36)	(3,471)	(18,609)	-	(56,156)
Balance at 12/31/2012	3,864	20,058	220,070	2,807	4,184	1,846	2,198	2,714	4,839	370,432	1,219	21,858	656,089

Consolidated

Cost of property, plant and equipment	Land	Buildings	Machinery, equipment and industrial facilities	Furniture and fixtures	Vehicles	Railway wagons	Leasehold improvements	Uninstalled machinery and equipment	Other	Constructions in progress	Advances to suppliers	Limestone mines	Total
Balance at 12/31/2011	8,260	31,278	214,392	3,038	3,860	1,908	2,198	33,123	7,222	74,723	21,241	21,858	423,101
Additions	7,945	-	369	34	781	-	-	-	60	298,004	-	-	307,193
Transfers	10	-	23,110	-	-	-	-	(24,922)	-	2,479	(677)	-	-
Write-offs	(1,295)	(10,277)	(16,452)	(180)	(287)	(62)	-	(5,487)	(36)	(3,471)	(14,106)	-	(51,653)
Balance at 12/31/2012	14,920	21,001	221,419	2,892	4,354	1,846	2,198	2,714	7,246	371,735	6,458	21,858	678,641

(In thousands of reais, unless otherwise stated)

12. Intangible assets

	Company				Consolidated			
	Goodwill	Mining rights	Other	Total	Goodwill	Mining rights	Other	Total
Balance at December 31, 2011	**93,564**	**1,175**	**64**	**94,803**	**93,564**	**21,392**	**208**	**115,164**
Additions	**-**	**26,893**	**243**	**27,136**	**-**	**28,401**	**243**	**28,644**
Amortization	**-**	**-**	**(5)**	**(5)**	**-**	**-**	**(5)**	**(5)**
Balance at December 31, 2012	**93,564**	**28,068**	**302**	**121,934**	**93,564**	**49,793**	**446**	**143,803**

Impairment test for cash-generating units with goodwill

The recoverable amount of assets was calculated based on the discounted cash flow methodology over the useful life of the asset. The main assumptions used in the calculation of the recoverable amount are the discounted cash flow rate, cement price and operating costs in relation to extraction and production.

As a result of the impairment test of the Company's assets, the recoverable amount is higher than the book value of assets.

13. Loans and financing

	Dec/2012		Dec/2011	
	Current	Non current	current	Non current
Company				
Local currency				
BDMG and other - interest from 4.5% to 8.5% p.a. (Dec/2011 - 4.5% to 7% p.a.) and monetary restatement based on indexation based on official basket of rates, maturing up to 2021	**5,094**	**26,857**	2,497	18,330
Working capital				
Santander, Fibra, Alfa, Pine, ABC Brasil, BDMG and Panamericano - with average charges of 11.80% p.a. (17% p.a. in Dec/11) maturing up to April/2014	**92,022**	**10,750**	36,264	555
	97,116	**37,607**	38,761	18,885
Foreign currency - US$150,000				
Senior Unsecured Notes - interest of 9.75% p.a. with semi-annual payments. Principal maturing in May/2018	**4,870**	**306,526**	2,744	187,580
Transaction cost to be appropriated	**-**	**(13,984)**	-	(11,596)
	4,870	**292,542**	2,744	175,984
Company	**101,986**	**330,149**	41,505	194,869
Other	**2,265**	**1,666**	1,500	-
Consolidated	**104,251**	**331,815**	43,005	194,869

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

a) Local currency

The financing is guaranteed by security interest linked to the assets of “Pedra do Sino” plant and by respective financed items.

b) Foreign currency

On May 6, 2011, the Company issued unsecured debt securities (9.75% Senior Unsecured Notes) totaling US$ 100,000, equivalent to R$ 161,780 on that date, maturing on May 11, 2018, subject to nominal interest of 9.75% (effective rate of 10.68% per year), payable semi-annually on November and May 11 each year, as from 2011. The Company intends to use the proceeds to expand the Pedra do Sino plant, to prepay outstanding debts and for corporate purposes.

On February 7, 2012, the Company issued US$ 50,000 in additional debt securities, equivalent to R$86,305 on that date, intended for placement in the foreign market, bearing the same characteristics of the initial issuance.

Total transaction cost of the loans raised was R$ 17,606 (R$13,984 at December 31, 2012). This amount includes commissions paid to underwriters responsible for the fundraising, lawyers, external auditors, consultants, and in addition to expenses for the preparation of prospectus and reports. This amount was recorded as a reduction of loans and financing, as debt issuance costs, net of tax effects.

The transaction costs will be amortized in the same period of the corresponding debts.

2013	**2,622**
2014 to 2017	**10,488**
2018	**874**
	13,984

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

c) Debt repayment schedule

Loans and financing recorded as noncurrent liabilities as of December 31, 2012 mature as follows:

2014	**20,228**
2015	**5,893**
2016	**4,465**
2017	**4,465**
2018	**295,840**
2019 thereafter	**924**
	331,815

d) Covenants

Under the terms of the Senior Unsecured Notes, the Company is subject to certain financial covenants, such as: (i) increase in debt once certain financial indices are observed; (ii) payment of dividends in amount higher than mandatory dividends, once certain conditions are observed and (iii) disposal of operating assets, except for reinvestments in the Company.

At December 31, 2012, the Company was in compliance with all existing covenants.

14. Transactions with related parties

Current and noncurrent assets, current liabilities and transactions

	Company					
	Dec/2012					Dec/2011
	Mape Incorporação e Empreend. Ltda.	Tupimec Indústria Mecânica Ltda.	CP Cimento Overseas CO.	Other	Total	Total
Current liabilities						
Current account	**23,657**	**-**	**2,337**	**-**	**25,994**	2,427
Transactions						
Cost of sales	**-**	**(9,908)**	**-**	**-**	**(9,908)**	(9,258)

Transactions with related parties refer primarily to current account balances and the supply of services and products for the production and operation of the companies.

Cost of sales corresponds mainly to the purchase of maintenance materials.

(In thousands of reais, unless otherwise stated)

15. Taxes and contributions in installments

These refer to the Special Installment Payment Program (PAES), ICMS and Law No. 11941/2009, obtained principally by the Company from Federal and State agencies since 2003.

	Company		Consolidated	
	Dec/2012	Dec/2011	Dec/2012	Dec/2011
Current liabilities	**5,273**	5,926	**5,273**	5,926
Noncurrent liabilities	**28,759**	32,347	**28,828**	32,450

The current portion is included in taxes payable.

The balance recorded in noncurrent liabilities at December 31, 2012 matures as follows:

	Company	Consolidated
2014	**5,006**	**5,075**
2015	**3,280**	**3,280**
2016	**2,045**	**2,045**
2017 thereafter	**18,428**	**18,428**
	28,759	**28,828**

16. Equity

a) Capital stock

At December 31, 2012 and 2011, fully subscribed and paid-in capital was represented by 107,336,023 common shares and 107,336,023 preferred shares, with no par value. Preferred shareholders do not have voting rights and are not entitled to minimum or fixed dividends.

b) Capital reserves

The premium on share subscription reserve represents the excess paid in the share issuance or capitalization, as related to the basic value of the shares issued in 1996.

(In thousands of reais, unless otherwise stated)

16. Equity (Continued)

c) Legal reserve

The legal reserve is recorded based on the allocation of 5% of the net income for the year, up to the limit of 20% of the capital stock, as provided for in the Brazilian corporation law, and should be used to offset accumulated losses.

d) Income reserve

The income reserve is related to the retention of a portion of net income for the year. Such retention shall be based on a capital budget to support future investment plans prepared by the Company's Management, to be submitted for approval by the shareholders at an Annual General Meeting.

e) Dividends

Shareholders are entitled to minimum mandatory dividend of 25% of the net income for the year, adjusted according to legal provisions.

Net income for 2012	**31,179**
Legal reserve	**(1,559)**
Dividend calculation base	**29,620**
% Minimum dividend	**25%**
Minimum dividend	**7,405**

f) Treasury shares

The Company acquired 19,426,917 preferred shares from shareholders of CP Cimento e Participações S.A. which dissented from its merger by the Company in March 2011, for the total amount of R$25,999 and held such shares in treasury.

g) Earnings per share

Pursuant to CPC 41, the Company presents information on earnings per share for the years ended December 31, 2012 and 2011.

Basic earnings per share are calculated by dividing net income for the year attributed to the Company's common and preferred shareholders by the weighted average number of common and preferred shares outstanding in the year.

16. Equity (Continued)

g) Earnings per share (Continued)

The table below shows the net income and shares used to calculate basic and diluted earnings per share:

	Dec/2012			Dec/2011		
	Common shares	Preferred shares	Total	Common shares	Preferred shares	Total
Net income for the year	**16,402**	**14,777**	**31,179**	34,838	33,667	68,505
Weighted average of the number of shares (in thousands of shares)	**107,336**	**87,909**	**195,245**	107,336	94,296	201,632
Basic and diluted earnings per share	**0.1528**	**0.1681**	**-**	0.3246	0.3570	-

For the years ended December 31, 2012 and 2011, there is no difference between the computation of basic and diluted earnings per share, since there are no dilutive instruments.

17. Income and social contribution taxes

a) Reconciliation of income and social contribution tax expense

	Company			
	Income tax		Social contribution	
	2012	2011	2012	2011
Income before income taxes	**31,810**	73,341	**31,810**	74,840
Equity pick-up	**(26,733)**	(37,770)	**(26,733)**	(37,770)
Tax deductible interest on shareholders' equity	**-**	(16,500)	**-**	(16,500)
Write-off of provision for PP&E	**(6,716)**	-	**(6,716)**	-
Realization of goodwill	**(18,712)**	(14,032)	**(18,712)**	(14,032)
Interest on quantifiable assets	**(19,624)**	(4,160)	**(19,624)**	(4,160)
Other additions and exclusions, net	**(15,739)**	(2,430)	**(15,739)**	(2,430)
Adjusted income (loss)	**(55,714)**	(1,551)	**(55,714)**	(1,551)
Applicable rates				
Current income and social contribution taxes	**-**	-	**-**	-
Tax debts setup on goodwill tax benefits	**(4,678)**	(3,508)	**(1,684)**	(1,263)
Deferred income and social contribution tax credits on tax loss carryforward and temporary differences	**4,214**	(70)	**1,517**	5
Income and social contribution taxes on profit or loss	**(464)**	(3,578)	**(167)**	(1,258)

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes (Continued)

a) Reconciliation of income and social contribution tax expense (Continued)

	Consolidated			
	Income tax		Social contribution	
	2012	2011	**2012**	2011
Income before income taxes	**33,005**	74,840	**33,005**	74,840
Subsidiaries losses	**(26,733)**	(37,770)	**(26,733)**	(37,770)
Tax deductible interest on shareholders' equity	**-**	(16,500)	**-**	(16,500)
Write-off of provision for PP&E	**(6,716)**	-	**(6,716)**	-
Realization of goodwill	**(18,712)**	(14,032)	**(18,712)**	(14,032)
Interest on quantifiable assets	**(19,624)**	(4,160)	**(19,624)**	(4,160)
Other additions and exclusions, net	**(15,739)**	1,442	**(15,739)**	3,366
Adjusted income (loss)	**(54,519)**	3,820	**(54,419)**	5,744
Applicable rates	**-**	25%	**-**	9%
Current income and social contribution taxes	**-**	-	**-**	-
Presumed profit regime	**(771)**	(955)	**(405)**	(517)
Tax debts setup on goodwill tax benefits	**(4,678)**	(3,508)	**(1,684)**	(1,263)
Deferred income and social contribution tax credits on tax loss carryforward and temporary differences	**4,214**	(70)	**1,517**	(5)
Loss (income) from income and social contribution taxes	**(1,235)**	(4,533)	**(572)**	(1,775)

b) Breakdown of deferred income and social contribution taxes

	2012	**2011**
Tax losses carryforward	**50,312**	31,369
Provision for legal claims	**341**	1,074
Deferred tax assets	**50,653**	32,443
Deferred income taxes on temporary differences	**(17,835)**	(5,356)
Transactions taxed on cash basis	**(6,470)**	(6,470)
Goodwill tax amortization	**(11,305)**	(4,943)
Deferred tax liabilities	**(35,610)**	(16,769)
	15,043	15,674

Considering the generation of taxable profit over the past three years and the expected generation of taxable profit in upcoming years, the Company recorded deferred income taxes on income and social contribution tax losses carryforward and temporary differences. Income and social contribution tax losses carryforward have no expiration dates, but the Company may only use up to 30% of the taxable income per year.

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes (Continued)

b) Breakdown of deferred income and social contribution taxes (Continued)

At December 31, 2012 and 2011, the total tax credits are expected to be realized as follows:

	2012	2011
2012	**-**	7,741
2013	**11,008**	10,667
2014	**14,579**	14,035
2015	**17,750**	-
2016	**7,317**	-
	50,653	32,443

18. Provisions for legal claims

At December 31, 2012, the Company recorded provision for legal claims arising from labor proceedings, whose likelihood of loss is considered probable, amounting to R$ 1,003 (R$ 3,159 at December 31, 2011).

At December 31, 2012, the Company has judicial deposits in the amount of R$ 3,468 (R$ 3,850 at December 31, 2011).

In addition, the Company is party to tax, civil and labor claims, involving risks of loss classified by management and its legal advisors as possible, for which no provision has been recorded. The amount of such proceedings as at December 31, 2012 was R$ 65,434 (R$ 64,458 at December 31, 2011), as follows:

Nature	Dec/2012
Tax proceedings	**58,035**
Labor proceedings	**7,399**
	65,434

19. Insurance coverage

The Company and its subsidiaries entered into insurance contracts to cover their respective inventories and property, plant and equipment in the type of Named Perils and Civil Liability. When assessing the risks, the following factors are considered: (a) decentralization of the industrial plants (in the States of Minas Gerais, Rio de Janeiro and São Paulo); (b) nature of activities; and (c) preventive measures against accidents. The maximum limit of indemnity is R$ 90,400 for industrial plants. The total amount insured takes into account estimates made to cover losses in locations with high concentration of risk and the maximum claim possible in a single event.

The risk assumptions adopted, given their nature, were determined by management.

20. Financial instruments and risk management

20.1. Analysis of financial instruments

The Company and its subsidiaries measured their financial assets and liabilities in relation to the market value through available information and appropriate valuation methodologies. However, market data interpretation and the selection of valuation methods require considerable judgment and estimates to determine fair value. As such, the estimates presented do not necessarily indicate the amounts which may be realized in the current market. The use of different market hypothesis and/or methodologies may have a significant effect on the estimated realizable values.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.2. Classification of financial instruments by category

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

	Company					
	Dec/2012			Dec/2011		
Financial assets	Receivables	At fair value through profit or loss	Total	Receivables	At fair value through profit or loss	Total
Cash and cash equivalents	**3,254**	**-**	**3,254**	8,947	-	8,947
Marketable securities	**-**	**16,805**	**16,805**	-	25,988	25,988
Derivative instruments	**-**	**-**	**-**	-	5,005	5,005
Trade accounts receivable	**21,905**	**-**	**21,905**	27,010	-	27,010
Taxes recoverable	**27,574**	**-**	**27,574**	14,624	-	14,624
Notes receivable	**26,330**	**-**	**26,330**	52,722	-	52,722
	79,063	**16,805**	**95,868**	103,303	30,993	134,296

	Consolidated					
	Dec/2012			Dec/2011		
Financial assets	Receivables	At fair value through profit or loss	Total	Receivables	At fair value through profit or loss	Total
Cash and cash equivalents	**6,141**	**-**	**6,141**	9,984	-	9,984
Marketable securities	**-**	**16,805**	**16,805**	-	42,001	42,001
Derivative instruments	**-**	**-**	**-**	-	5,005	5,005
Trade accounts receivable	**22,109**	**-**	**22,109**	33,196	-	33,196
Taxes recoverable	**28,673**	**-**	**28,673**	15,927	-	15,927
Notes receivable	**32,574**	**-**	**32,574**	52,722	-	52,722
	89,497	**16,805**	**106,302**	111,829	47,006	158,835

At December 31, 2012, the Company and its subsidiaries did not record financial assets held to maturity.

The major financial liabilities of the Company and its subsidiaries were classified as loans and financing, as follows:

	Company	
Financial liabilities	Dec/2012	Dec/2011
Trade accounts payable	**18,992**	11,917
Loans and financing	**432,135**	236,374
Payable to related parties	**25,994**	2,427
Interest on shareholders' equity and dividends	**8,527**	9,916
	485,648	260,634

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.2. Classification of financial instruments by category (Continued)

	Consolidated	
Financial liabilities	**Dec/2012**	**Dec/2011**
Trade accounts payable	**16,889**	11,972
Loans and financing	**436,066**	237,874
Interest on shareholders' equity and dividends	**8,527**	9,916
	461,482	259,762

The fair value of financial assets and liabilities is included in the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced sale or liquidation. The following methods and assumptions were used to estimate fair value.

- Cash and cash equivalents, trade accounts receivable, trade accounts payable and other current liabilities approximate their carrying amounts principally due to the short-term maturities of these instruments.

- The fair value of receivables does not significantly differ from their carrying amount, as the monetary restatement is consistent with market rates and/or they are adjusted by a provision for impairment losses.

- Loans and financing are subject to variable interest rates consistent with observable market rates; as such, the reported book values approximate to the related fair values.

20.3. Fair value measurement

The table below states an analysis of financial instruments recognized at fair value, after their initial recognition, at December 31, 2012. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

a) Level 1: fair value measurement is derived from prices quoted (not corrected) in active markets, based on equal assets and liabilities;

20. Financial instruments and risk management (Continued)

20.3. Fair value measurement (Continued)

b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e. as the prices) or indirectly (i.e. derivative of prices);

c) Level 3: fair value measurement is derived from valuation techniques that include an asset or liability that are not included in an active market.

	Level 1	Level 2	Level 3
Company			
Marketable securities	**-**	**16,805**	**-**
Consolidated			
Marketable securities	**-**	**16,805**	**-**

20.4. Risk management

The financial operations of the Company and its subsidiaries are conducted by the finance department using conservative strategies that seek to maximize security, profitability and liquidity, as approved by Management. According to the Company's policy, protective mechanisms must be adopted against financial risks arising from contractual obligations, whether in local or foreign currency, so that risk exposures associated with foreign exchange and interest rate fluctuations can be managed.

Derivative financial instruments to hedge against exchange rate variations may be contracted in relation to debt originating foreign exchange risk, following management's analysis of the risk involved.

20. Financial instruments and risk management (Continued)

20.4. Risk management (Continued)

Financial institutions are selected on criteria which obey parameters that consider the rating awarded by recognized risk analysis agencies, equity and operation and resource concentration levels. The major market risk factors that could impact the Company's and its subsidiaries' businesses are as follows:

a) Foreign currency risk

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

b) Credit risk

The financial instruments that are subject to credit risks refer to cash and cash equivalents, marketable securities and trade accounts receivable. Operations are conducted with banks having acknowledged liquidity, thus minimizing risks.

The risk of incurring losses arising from difficulty to receive amounts invoiced to customers is minimized since sales are spread in a large number of customers, and conditioned to a credit limit established individually per customer. The allowance for doubtful account as at December 31, 2012 and 2011 is basically related to a specific customer.

c) Interest rate risk

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

d) Liquidity risk

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

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

20.5. Sensitivity analysis table - effect on fair value variation

The table below shows the sensitivity analysis performed based on hypothetic changes of risks considered significant by management that may adversely impact the financial statements.

Sensitivity analysis (*)	Estimated effect on profit or loss before tax effects - December 31, 2012 R$
Interest rate sensitivity	
20% increase in the basic interest rate	**(5,167)**
20% reduction in the basic interest rate	**4,306**
Sensitivity in foreign currency	**-**
Increase of 5% in dollar variation	**(15,326)**
Reduction of 5% in dollar variation	**14,596**

(*) Based on the actual effects for year 2012, management performed the sensitivity analyses above with all other variables held constant.

21. Management compensation

Management compensation for the year ended December 31, 2012 totaled R$7,371 (R$7,742 in 2011). Related management compensation charges are recorded under general and administrative expenses amounting to R$1,831 and R$1,896 in 2012 and 2011, respectively.

At the Special General Meeting held on June 28, 2011, the Company's shareholders approved a share-based payment plan in accordance with Article 168, paragraph 3 of the Brazilian Corporation Law and Article 6 of the Company’s By-laws. The Special General Meeting has delegated to the Board of Directors the future implementation of stock option plans. No options were issued until December 31, 2012.

(In thousands of reais, unless otherwise stated)

22. Net operating revenue

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Gross operating revenue				
Sales of products	**437,942**	463,476	**474,858**	513,541
Sales deductions	**(115,575)**	(116,460)	**(119,272)**	(121,083)
Sales returns	**(379)**	(213)	**(382)**	(759)
ICMS on sales	**(76,300)**	(81,086)	**(77,567)**	(82,269)
PIS and COFINS on sales	**(38,896)**	(35,129)	**(41,172)**	(37,933)
IPI on other sales	**-**	(32)	**(20)**	(122)
Service Tax (ISS)	**-**	-	**(131)**	-
Net operating revenue	**322,367**	347,016	**355,586**	392,458

23. Other operating income (expenses), net

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Write-off of non-current assets	**(13,483)**	-	**(13,483)**	-
Reversal of impairment loss	**6,716**	-	**6,716**	-
Slag received (*)	**10,333**	9,772	**10,333**	9,772
PIS/COFINS credits	**4,190**	3,844	**4,190**	3,844
Other	**333**	(2,934)	**1,583**	(935)
	8,089	10,682	**9,339**	12,681

(*) Slag received from CSN relating to an agreement entered in December 2009 (see Note 7).

24. Financial income (expenses)

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Financial expenses				
Expenses with interest on loans and financing	**(25,837)**	(16,255)	**(28,783)**	(16,255)
Foreign exchange variation on loans and financing	**(21,845)**	(9,599)	**(21,845)**	(9,599)
Short-term investment losses	**(2,909)**	(9,649)	**(2,909)**	(9,649)
Present value adjustment	**(3,624)**	-	**(3,624)**	-
IOF/IOC	**(1,888)**	-	**(1,888)**	-
Other financial expenses	**(5,395)**	(10,450)	**(6,165)**	(10,543)
	(61,498)	(45,953)	**(65,215)**	(46,046)
Financial income				
Income from monetary indexation of notes receivable-Cal Itaú	**2,292**	2,486	**2,292**	2,486
Income from short-term investments	**3,435**	12,943	**3,435**	12,943
Other financial income	**1,857**	3,241	**2,294**	3,241
	7,584	18,670	**8,021**	18,670
	(53,914)	(27,283)	**(57,194)**	(27,376)

(In thousands of reais, unless otherwise stated)

25. Receivables from third parties

These mainly refer to amounts deposited at Bank of America, associated with letters of credit issued in favor of the Company; in connection with the acquisition of imported equipment for the expansion of the Pedra do Sino plant. In 2012, the amount of R$48,959 was released to suppliers for to the expansion of the Pedra do Sino plant (State of Minas Gerais), remaining a balance of R$ 4,605.

26. Segment reporting

The Company has two different segments:

a) Cement

Its main corporate purpose is the production of cement and mortar at the Company's manufacturing plants.

b) Real estate development

The main corporate purpose is the development and management of real estate.

Management separately monitors operating results of its business units in order to make decisions on allocation of resources and performance evaluation.

Segment performance is evaluated in view of the operating income and measured in a consistent manner to the statement of income of the consolidated financial statements.

Information of the Company's segments is shown in the following tables:

	2012				
	Cement	Real estate development	Other	Exclusions	Total Consolidated
Net operating revenue	322,367	33,443	9,685	(9,908)	355,586
Gross profit	89,577	31,570	1,349	-	122,496
Depreciation, amortization and depletion	(3,633)	-	(22)	-	(3,655)
Income (loss) before financial income (expenses) and income taxes	85,724	27,202	(25,804)	3,078	90,199
Financial income (expenses)	(53,914)	(3,208)	(72)	-	(57,194)
Income before income taxes	31,810	27,752	(3,076)	(23,481)	33,005
Income and social contribution taxes	(631)	(1,174)	(2)	-	(1,807)
Net income	31,179	26,578	(3,078)	(23,500)	31,179
Current assets	140,296	8,863	7,230	(3,227)	153,162
Noncurrent assets	727,364	64,769	42,894	(138,835)	696,192
Current liabilities	177,814	5,700	3,256	(29,187)	157,582
Noncurrent liabilities	359,911	1,667	68	-	361,646

(In thousands of reais, unless otherwise stated)

26. Segment reporting (Continued)

b) Real estate development (Continued)

	2011				
	Cement	Real estate development	Other	Exclusions	Total Consolidated
Net operating revenue	347,016	45,161	9,539	(9,258)	392,458
Gross profit	93,913	40,764	949	(353)	135,273
Depreciation, amortization and depletion	(4,088)	-	(124)	-	(4,212)
Income (loss) before financial income (expenses) and income taxes	100,624	38,493	(438)	(36,463)	102,216
Financial income (expenses)	(27,283)	-	-	(93)	(27,376)
Income before income taxes	73,341	39,692	275	(38,108)	74,840
Income and social contribution taxes	(4,836)	(1,470)	-	(2)	(6,308)
Net income	68,505	38,222	275	(38,470)	68,532
Current assets	240,720	23,365	2,528	928	267,541
Noncurrent assets	394,792	13,714	571	(39,230)	369,847
Current liabilities	93,540	2,880	737	(2,037)	95,120
Noncurrent liabilities	230,375	-	104	(1)	230,478

27. Subsequent events

On January 8, 2013, Cimento Tupi S.A. entered into a financing from Agricultural Bank of China LTD, in the amount of US$25,500, equivalent to R$51,765 at that date. The principal will be paid in semi-annual installments from August 20, 2014 to February 20, 2018. Interest will also be paid semi-annually as from February 20, 2013, calculated by LIBOR-12M + 2.80% p.a.

THE ISSUER

Cimento Tupi S.A.
Rua Lauro Müller,
116 – Salas 1906 e 1907
22290-160 – Rio de Janeiro – RJ
Brazil

**TRUSTEE,
REGISTRAR, TRANSFER AGENT,
AND PAYING AGENT**

The Bank of New York Mellon
101 Barclay Street – Floor 7E
New York, New York 10286
United States of America

**LUXEMBOURG PAYING AGENT
AND LISTING AGENT**

**The Bank of New York Mellon
(Luxembourg) S.A.**
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

To the issuer as to US law
Clifford Chance LLP
Rua Funchal, 418 - 15º andar
04551- 060 – São Paulo – SP
Brazil

To the Initial Purchasers as to US law
Milbank, Tweed, Hadley & McCloy LLP
Rua Colômbia, 325
01438-000 – São Paulo – SP
Brazil

To the issuer as to Brazilian law
Barbosa, Müssnich e Aragão
Av. Almirante Barroso, 52 - 31º andar
20031-000 – Rio de Janeiro – RJ
Brazil

To the Initial Purchasers as to Brazilian law
Machado, Meyer, Sendacz e Opice Advogados
Avenida Brigadeiro Faria Lima,
3144 - 10º andar
01451-000 – São Paulo – SP
Brazil

INDEPENDENT AUDITORS

Ernst & Young Auditores
Independentes S.S.
Praia de Botafogo, 370 – 5th-8th
floors,
22250-040 – Rio de Janeiro – RJ
Brazil

U.S.$35,000,000

CIMENTO TUPI S.A.

9.75% Senior Unsecured Notes due 2018

OFFERING MEMORANDUM

BofA Merrill Lynch **Credit Suisse**

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