CBF Indústria de Gusa S.A.

Financial statements-
in accordance with accounting-
practices adopted in Brazil-
at December 31, 2014.

[Letterhead of PricewaterhouseCoopers].

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.

To the Shareholders and Directors of CBF Indústria de Gusa S.A.
Belo Horizonte – MG .

We have audited the accompanying financial statements of CBF Indústria de Gusa S.A. ("Company"), which comprise the balance sheet as at December 31, 2014 and the statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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 entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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 audit opinion.

CBF Indústria de Gusa S.A.

Opinion.

In our opinion, the financial statements referred above present fairly, in all material aspects, the financial position of CBF Indústria de Gusa S.A. as at December 31, 2014, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Belo Horizonte, May 18, 2015.
PricewaterhouseCoopers.
PricewaterhouseCoopers.
Auditores Independentes.
Regional Accounting Council (CRC) 2SP000160/O-5 “F” MG.
Signed: [Illegible signature].
Name: Guilherme Campos e Silva.
Position: Accountant CRC 1SP218254/O-1 “S” MG.

[Pages numbered from 1 to 3].

CBF – MANAGEMENT REPORT
2014

In compliance with legal and statutory provisions, we submit for your appreciation the financial statements of CBF INDÚSTRIA DE GUSA S.A, as required by the provisions of the Brazilian Accounting Pronouncement Committee (CPC) applicable to them, for the year ended December 31, 2014, together with the independent auditor's report.

In 2014, CBF INDÚSTRIA DE GUSA S.A. has streamlined its production, putting into operation a second furnace, modern and with better performance, through an investment of 11 million, which has increased production by 18% in relation to 2013, with an output of 146 thousand metric tons.

Since 2011, CBF INDÚSTRIA DE GUSA S.A. has been using as a reducer only coal of planted forests, basically coming from massifs owned by the associated company Ferroeste Industrial Ltda., in the city of Turmalina, State of Minas Gerais and from its properties in the State of Bahia.

After obtaining the proper qualification, the Company started selling the excess of its self-produced energy.

The Company settled borrowings previously contracted, in the amount of 7.4 million, and renegotiated pending debts to be paid in installments, in order to clear its liabilities and conduct business in a better manner.

It started loading ships in Porto de Paul, currently owned by the Union of Pig Iron Industries of Minas Gerais, which has reduced the costs of stevedoring services and committed to the shipping deadlines.

CBF INDÚSTRIA DE GUSA S.A. expects to increase its production to 180 thousand metric tons/year, while maintaining its share of the domestic market, by selling to foundries and steel mills throughout the Brazilian territory and to foreign customers of special nodular pig iron, which has become the Company's specialty, considering that this product has an added value far above that of the conventional pig iron. The Company maintains its focus on increased productivity, cost reduction and realization of tax credits to maximize the results.

CBF INDÚSTRIA DE GUSA S.A. believes that the results of the coming years will be better, not only due to an increase in production, but also because of the recovery of American, European and Asian markets, except for China.

CBF INDÚSTRIA DE GUSA S.A. thanks all its customers, suppliers, business partners in general, and, particularly, its employees, who contributed to the achievement of the results for 2014. We would also like to emphasize that, through dedication, hard work and perseverance, we will continue contributing to the Company's progress and the sustainable development of the region in which we operate.

The Management.

CBF Indústria de Gusa S.A.

Balance sheet at December 31.

All amounts in thousands of reais.

Assets	Note	2014	2013	Liabilities	Note	2014	2013
Current assets				**Current liabilities**			
Cash and cash equivalents	5	14	16	Trade payables	12	61,285	45,125
Trade receivables	6	8,191	3,625	Borrowings	13	298	2,376
Inventories	7	23,083	12,994	Advances on foreign exchange contracts	-	-	19,166
Taxes recoverable	8	11,967	15,306	Advances from customers	-	362	6,324
Prepayments	-	640	259	Social security charges	-	1,615	1,342
Prepaid expenses	-	14	33	Tax liabilities	-	1,679	109
				Dividends payable	18(e)	2,195	-
		43,909	32,233	Taxes in installments	14	163	1,392
Non-current assets				Other payables	-	29	-
Long-term receivables	-	-	-		-	-	-
Taxes recoverable	8	10,086	2,086		-	67,626	75,834
Deferred tax assets	17	1,107	1,033	**Non-current liabilities**	-		

Related parties	9	59,804	87,349	Borrowings	13	353	639
Judicial deposits	-	639	2,100	Taxes in installments	14	2,161	5,943
				Contingencies	15	76	145
	-	71,636	92,568	Export agents' commission	16	12,604	11,115
				Deferred tax liabilities	17	12,552	13,662
Investments	-	3	34				
Property, plant and equipment	10	51,844	48,004		-	27,746	31,504
Biological assets	11	18,875	21,403	**Equity**	18		
Intangible assets	-	1,133	3	Share capital	-	34,000	34,000
				Tax incentive reserve	-	18,809	18,809
	-	143,491	162,012	Revenue reserve	-	22,250	15,301
				Carrying value adjustment	-	16,969	18,797
						92,028	86,907
Total assets	-	187,400	194,245	**Total liabilities and equity**	-	187,400	194,245

CBF Indústria de Gusa S.A.
Statement of operations.
Years ended December 31.

All amounts in thousands of reais unless otherwise stated.

	Note	2014	2013
Net sales	19	150,654	119,098
Cost of sales	20	(118,565)	(111,803)
Gross profit	-	32,089	7,295
Operating (expenses) income			
Sales and distribution	21	(6,691)	(5,146)
General and administrative	21	(11,907)	(7,891)
Other operating income (expenses), net	21	(1,356)	530
Gain on biological assets	11	927	937
Operating profit (loss) before finance result and taxes	-	13,062	(4,275)
Finance result, net:	22	(225)	(3,018)
Exchange variation	22	(748)	(3,096)
Profit (loss) before taxation	-	12,089	(10,389)
Income tax and social contribution	17	(4,773)	2,762
Profit (loss) for the year	-	7,316	(7,627)
Basic and diluted earnings (loss) per share	-	73.16	(76.27)

CBF Indústria de Gusa S.A.
Statement of comprehensive income (loss).
Years ended December 31.

All amounts in thousands of reais.

	2014	2013
Profit (loss) for the year	7,316	(7,627)
Total comprehensive income (loss) for the year	7,316	(7,627)

CBF Indústria de Gusa S.A.
Statement of changes in equity.

All amounts in thousands of reais.

	Share capital	Tax incentives reserves	Revenue reserves	Carrying value adjustments	Retained earnings	Total
At December 31, 2012	33,497	18,809	21,524	20,704	-	94,534
Capital increase	503	-	(503)	-	-	-
Loss for the year	-	-	-	-	(7,627)	(7,627)
Realization of reserves	-	-	-	(1,907)	1,907	-
Absorption of loss	-	-	(5,720)	-	5,720	-
At December 31, 2013	34,000	18,809	15,301	18,797	-	86,907
Profit for the year	-	-	-	-	7,316	7,316
Realization of reserves	-	-	-	(1,828)	1,828	-
Allocations:						
Dividend distribution	-	-	-	-	(2,195)	(2,195)
Transfer to legal reserve	-	-	366	-	(366)	-
Transfer to operating reserve	-	-	6,583	-	(6,583)	-
At December 31, 2014	34,000	18,809	22,250	16,969	-	92,028

CBF Indústria de Gusa S.A.
Statement of cash flows.
Years ended December 31.
All amounts in thousands of reais.

	2014	2013
Cash flow from operating activities		
Profit (loss) for the year	7,316	(7,627)
Items not affecting cash and cash equivalents		
Depreciation, amortization and depletion	10,461	12,616
Adjustment to present value	(1,286)	(2,227)
Monetary and foreign exchange variations, net	67	1,629
Gain (loss) on biological assets	(927)	(937)
Deferred taxes	(1,184)	(3,238)
Loss on disposals of property, plant and equipment	192	2,210
Provision for contingencies	(69)	(150)
	14,570	2,276
(Increase) decrease in operating assets		
Trade receivables	(4,566)	1,059
Inventories	(10,089)	4,195
Taxes recoverable	(4,661)	6,986
Prepayments	(381)	199
Prepaid expenses	19	25
Court deposits	1,461	(874)
	(18,217)	11,590
Increase (decrease) in operating assets		
Trade payables	17,447	33,058
Prepayments	(5,962)	6,324
Social security charges	274	(254)
Tax liabilities	1,570	(1,670)
Taxes in installments	(5,011)	412
Export agents' commission	1,488	1,421
Other debts	29	
	9,835	39,291
Net cash provided by operating activities	6,188	53,157
Cash flows from investing activities		
Investments	-	(15)
Investments in property, plant and equipment	(11,249)	(2,444)
Investments in biological assets	(2,193)	(2,007)
Investments in intangible assets	(1,130)	-
Disposal of investment	-	39
Disposal of property, plant and equipment	2,404	150
Disposal of biological assets	-	10,990
Net cash (used in) provided by investing activities	(12,168)	6,713
Cash flow from financing activities		
Checking account between related parties	27,545	(70,644)
Borrowings	17	54,225
Amortizations	(20,981)	(43,568)
Payment of interest	(603)	-
Net cash (used in) provided by financing activities	5,978	(59,987)
Increase (decrease) in cash and cash equivalents	(2)	(117)
Statement of increase (decrease) in cash and cash equivalents		

Cash and cash equivalents at the beginning of the year	16	133
Cash and cash equivalents at the end of the year	14	16
Increase (decrease) in cash and cash equivalents	(2)	(117)

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

CBF Indústria de Gusa S.A.

Notes to the financial statements at December 31, 2014.

All amounts in thousands of reais unless otherwise stated.

1 General information.

CBF Indústria de Gusa S.A. ("CBF") is engaged in the manufacture, sale, import and export of steel products, especially pig iron in all its forms, as well as inputs and the equipment required for their production, transformation or processing; sale of own forests and their products; and investments in other companies, with due regard to the legal provisions.

CBF is a company of the Ferroeste Group, subsidiary of Empresa de Mecanização Rural S.A., which is the Group's parent company.

CBF is a privately-held corporation, headquartered at Av. Afonso Pena, 4,100, 10th floor – Cruzeiro District, in Belo Horizonte, State of Minas Gerais, Brazil, which was formed on December 19, 1991, with its organization documents initially registered with the Board of Trade of the State of Espírito Santo and afterwards transferred to Minas Gerais.

The issue of the financial statements of CBF Indústria de Gusa S.A. for the year ended December 31, 2014, was authorized by Management on May 18, 2015.

2 Summary of significant accounting policies.

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPC).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented.

2.1 Preparation basis.

The financial statements were prepared under the historical cost convention, which, in the case of financial assets and liabilities, as well as biological assets, are adjusted to reflect the measurement to fair value and the deemed cost applied at the date of transition of CPCs.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Changes in accounting policies and disclosures.

There are no new CPC pronouncements or interpretations effective as from 2014 that would be expected to have a material impact on the Company's financial statements.

2.2 Foreign currency translation.

(a) Functional and presentation currency.

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Brazilian reais (R$), which is the Company's functional and presentation currency.

(b) Transactions and balances.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured and recognized in the statement of operations as "Foreign exchange variations, net".

2.3 Cash and cash equivalents.

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly-liquid investments with original maturities of three months or less, and with immaterial risk of change in value.

2.4 Financial assets.

2.4.1 Classification.

The Company classifies its financial assets, at initial recognition, in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets have been acquired.

The Company had no financial assets measured at fair value through profit or loss and available for sale at December 31, 2014 and 2013.

Loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise "Trade receivables" and "Cash and cash equivalents".

2.4.2 Recognition and measurement.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

2.4.3 Offsetting of financial instruments.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal right shall not be contingent upon future events and shall be applicable in the ordinary course of business, in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.4.4 Impairment of financial assets.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of operations.

2.5 Trade receivables.

Trade receivables are amounts due for products sold in the ordinary course of the Company's activities. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

2.6 Inventories.

Inventories are stated at average cost, net of taxes to be offset, when applicable, and fair value of biological assets at the cut-off date, which are both lower than net realizable values. The costs of finished products comprise processed raw materials, direct labor, other direct costs and related production overheads.

When necessary, inventories are net of a provision for inventory losses, established for cases of depreciation in the value of inventories, obsolescence of products and losses identified in physical inventory counts.
In addition, because of the nature of the Company's products, obsolete finished products may be recycled for reuse in production.

2.7 Property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation. This cost was adjusted to reflect the deemed cost of land, buildings, machinery and equipment at the transition date to CPCs. Historical cost includes expenditures directly attributable to the acquisition, as well as the borrowing costs related to the acquisition of qualifying assets.
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company and they can be measured reliably. The carrying amounts of the replaced items or parts are derecognized. All other repairs and maintenance are charged to the statement of operations during the financial year in which they are incurred.
Land is not depreciated. Depreciation of other assets is calculated using the straight line method to reduce their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings	32-48
Facilities	3-10
Machinery and equipment	10-15
Furniture, fittings and equipment	3-5
Vehicles	3-8
Data center	3-8

The residual values and the useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.
An asset's carrying amount is immediately written down to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income (expenses), net" in the statement of operations.

2.8 Biological assets.

The valuation of biological assets is carried out annually by the Company, and any gains or losses on fair value valuation are recognized in the statement of operations in the period in which they occur. The increase or decrease in the fair value is determined as the difference between the fair values of the biological assets at the beginning and at the end of the period, net of the planting costs incurred in the development of the biological assets, and biological assets depleted during the period.
Depletion of forests is calculated based on the volume cut in relation to the potential volume.

2.9 Intangible assets.

Computer software.

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.
Costs associated with maintaining computer software programs are recognized as an expense as incurred.
Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following recognition criteria are met:

. It is technically feasible to complete the software product so that it will be available for use.
. Management intends to complete the software product and use or sell it.
. There is an ability to use or sell the software product.

- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development, employee costs and an appropriate portion of applicable overheads. Costs also include finance costs related to the development of the software product.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recorded as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed five years.

2.10 Impairment of non-financial assets.

Assets that are subject to depreciation, amortization and depletion are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). Non-financial assets that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.11 Trade payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.12 Borrowings.

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of operations over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Both general and specific borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the entity and such costs can be measured reliably. Other borrowing costs are recognized as finance costs in the period in which they are incurred.

2.13 Provisions.

Provisions are recorded when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of funds will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.14 Current and deferred income tax and social contribution.

The income tax and social contribution expenses for the period are comprised of current and deferred taxes. Taxes on income are recognized in the statement of operations, except to the extent that they relate to items recognized directly in equity or in comprehensive income.

The current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on the amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented on a net basis, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total due on the reporting date.

Deferred income tax and social contribution balances are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized only to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them on the calculation of current taxes.

2.15 Revenue recognition.

(a) Sale of products.

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the ordinary course of the Company's activities. Revenue is shown net of taxes, returns, rebates and discounts.

The Company recognizes revenue when its amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of its activities. The estimates are based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(b) Finance income.

Finance income is recognized on an accruals basis, using the effective interest rate method. Subsequently, as time elapses, interest is incorporated, against finance income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

2.16 Distribution of dividends.

Distribution of dividends to the shareholders of the Company is recognized as a liability in the Company's financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the shareholders.

3 Significant accounting estimates and assumptions.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Impairment of non-financial assets.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on available information on sales of similar assets or market prices less incremental costs to dispose of the asset. The value-in-use calculation is based on the discounted cash flow model. The recoverable amount is influenced by the discount rate used under the discounted cash flow method, as well as by the expected future cash receipts and the growth rate used for extrapolation purposes.

(a) Income tax, social contribution and other taxes.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual instruments, differences between actual results and the assumptions adopted, or future changes in these assumptions could require future adjustments to tax income and expense already recognized. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. The amount of such provisions is based on various factors, such as experience of past tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the probable time and level of future taxable profits together with future tax planning strategies.

The offset of accumulated tax losses is limited to 30% of the taxable income generated in a certain fiscal year.

(c) Biological assets.

The determination of a fair value for biological assets is a complex exercise of judgment and estimate that requires understanding of the Company's business, the use of this asset in the productive process, the opportunities and restrictions of use and, also, formation and growth cycle.

(d) Provisions for tax, civil and labor risks.

The Company recognizes provisions for tax, civil and labor contingencies. Assessing the likelihood of loss includes the evaluation of available evidence, hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation period, conclusions arising from tax audits or additional exposures identified based on new issues or court decisions.

4 Risk management and financial instruments.

4.1 Financial risk factors.

The Company's management is responsible for the risk management, ensuring that all financial risks are properly identified, assessed and managed. The Company's policy is not to take part in any derivative trades for speculative purposes.

The Company is exposed to market risk, including currency risk, cash flow or fair value interest rate risk, price risk, credit risk and liquidity risk.

(a) Market risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market prices. It can be segregated into interest rate risk, foreign exchange risk and commodity price risk.

(i) Interest rate risk.

The Company’s exposure to the risk of changes in market interest rates refers mainly to long-term obligations subject to floating interest rates. The Company's liabilities are subject to the Special System for Settlement and Custody (SELIC), Long-Term Interest Rate (TJLP) and General Market Price Index (IGP-M) fixed rates.

(ii) Foreign exchange risk.

The Company's exposure to the risk of changes in foreign exchange rates refers mainly to operating, predominantly export-related activities.

(iii) Commodity price risk.

The main products sold by the Company, pig iron and ethanol, are commodities whose selling price is determined by the international market, taking into account various economic factors, and is, therefore, subject to variations.

(b) Credit risk.

Credit risk is the risk that a counterparty of a business does not fulfill an obligation established in a financial instrument or contract with a customer, leading to a financial loss. The Company is exposed to credit risk in its operating activities (mainly in connection with trade receivables) and financing activities, including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

(i) Trade receivables.

The credit risk arising from trade receivables is managed on an individual basis, in accordance with policy previously established. Furthermore, sales operations are often supported by letters of credit issued by top tier financial institutions, or through advances from customers.

The need for recording a provision for impairment loss is reviewed at each reporting date, on an individual basis for the main customers.

Management believes that the risk of default on trade receivables is minimized by the fact that its portfolio is comprised of major clients, with long-term contracts that include interruption clauses. There is no history of loss recorded in the balances of trade receivables.

(ii) Financial instruments and cash deposits.

The credit risk of balances with banks and other financial institutions is managed by the Company's treasury area according to the policy established.

(c) Liquidity risk.

The Company maintains the continuity and flexibility of its financial resources through overdraft accounts, advances on foreign exchange contracts (ACC) and bank loans.

4.2 Other risk factors.

(a) Regulatory and environmental risks.

The Company is subject to laws and regulations pertinent to its activities. The Company has established environmental policies and procedures aimed at mitigating this risk. Management performs periodical analyses in order to identify environmental risks and to ensure that the systems in place are sufficient to manage such risks.

(b) Climatic risks.

The Company's operating activities are exposed to the risk of damage caused by climate changes, plagues, diseases, forest fires and other forces of Nature. The Company's processes aimed at mitigating these risks include regular inspections in the plantation area.

4.3 Fair value of financial instruments.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

In determining the fair values of its assets, the Company takes into consideration all the costs with implementation, renovation and maintenance, net of taxes paid to third-parties. The price was determined based on the cost plus margin criterion.

4.4 Capital management.

	2014	2013
Total borrowings (Note 13)	651	3,015
Less: cash and cash equivalents (Note 5)	(14)	(16)
Net debt	637	2,999
Total equity	92,028	86,907
Total share capital	92,665	89,906
Gearing ratio - %	1	3

5 Cash and cash equivalents.

	2014	2013
Demand deposits	6	14
Financial investments	8	2
	14	16

6 Trade receivables.

	2014	2013
Foreign market	3,581	2,229
Domestic market	4,610	1,396
	8,191	3,625

Management understands that there is no risk on the realization of the balance of trade receivables in the periods under analysis and, therefore, no provision has been recorded for the realization of the amount.

7 Inventories.

	2014	2013
Finished products	13,414	7,874
Raw materials	8,665	4,230
Intermediary materials	184	159
Store room	820	731
	23,083	12,994

8 Taxes recoverable.

	2014	2013
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	4,147	2,085
State Value-Added Tax (ICMS) (b)	13,772	11,208
Corporate Income Tax (IRPJ)/Social Contribution on Net Income (CSLL)	730	728
Special System for Refund of Tax Amounts to Exporting Companies (Reintegra)	1,291	1,264
Other	2,114	2,107
	22,053	17,392
Current	11,967	15,306
Non-current	10,086	2,086

(a) Refers to credits earned on purchases of goods and services in compliance with the non-cumulative principle (Laws 10,637/2002 and 10,833/2003).

(b) The Company has been using ICMS credits arising from the increase in the sales to the domestic market, while maintaining its exports as the main activity.

9 Transactions with related parties.

The amounts refer to receivables and payables between the Group companies, which are interest-free and without established maturity date.

The transactions with related parties are carried out at normal market prices. The balances outstanding at the end of the year have no guarantees, are not interest-bearing and are settled in cash. No guarantees have been given or received in relation to any accounts receivable or payable between related parties. The Company has not recorded any impairment loss on the receivables from related parties. This assessment is carried at each year and comprises the analysis of the financial position of the related party and the market in which it operates.

Management's remuneration was established at R$360 for the years ended December 31, 2014 and 2013.

	2014	2013
Assets		
Related parties		
Gusa Nordeste S.A.	10,171	23,284
Empresa de Mecanização Rural S.A.	49,633	64,065
	59,804	87,349
Liabilities		
Trade payables (Note 12)		
G5 Agropecuária Ltda.	-	9
Gusa Nordeste S.A.	22	-
Ferroeste Industrial Ltda.	1.580	760
	1,602	769
Dividends payable		
Carvalho Nascimento Participações Ltda.	2	-
Empresa de Mecanização Rural S.A.	2,193	-
	2,195	-
Transactions		
Purchases		
G5 Agropecuária Ltda.	196	9
Ferroeste Industrial Ltda.	19,703	17,748
	19,899	17,757

10 Property, plant and equipment.

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data center	Construction in progress	Total
Cost:								
At December 31, 2013	6,723	17,981	56,499	891	1,412	473	1,996	85,975
Additions	-	247	9,622	63	149	54	1,114	11,249
Disposals/write-offs	-	(561)	(1,618)	(4)	(162)	(18)	(1,476)	(3,839)
Transfers	-	142	256	-	-	-	(398)	-
At December 31, 2014	6,723	17,809	64,759	950	1,399	509	1,236	93,385
Depreciation:								
At December 31, 2013	-	(9,692)	(26,820)	(520)	(511)	(428)	-	(37,971)
Additions	-	(1,010)	(3,672)	(51)	(62)	(18)	-	(4,813)
Disposals/write-offs	-	561	611	4	49	18	-	1,243
At December 31, 2014	-	(10,141)	(29,881)	(567)	(524)	(428)	-	(41,541)
Net book value:								
At December 31, 2013	6,723	8,289	29,679	371	901	45	1,996	48,004
At December 31, 2014	6,723	7,668	34,878	383	875	81	1,236	51,844

At December 31, 2014, there were no indications of impairment loss on property, plant and equipment items.

11 Biological assets.

The Company's biological assets comprise the plantation and cultivation of eucalyptus forests for processing and utilization in the production of pig iron.

At December 31, 2014, the Company had 2,604 thousand (2,859 thousand in 2013) hectares of planted forests, not considering the permanent preservation and legal reserve areas which must be maintained to comply with Brazilian environmental legislation.

	Cost	Valuation	Total
At December 31, 2012	16,984	15,248	32,232
Addition	2,007	-	2,007
Disposals	(624)	(5,091)	(5,715)
Depletion	(2,783)	(5,275)	(8,058)
Valuation	-	937	937

At December 31, 2013	15,584	5,819	21,403
Addition	2,193	-	2,193
Depletion	(2,083)	(3,565)	(5,648)
Valuation	-	927	927
At December 31, 2014	15,694	3,181	18,875

(a) Assumptions for the recognition of the fair value of biological assets.

In accordance with CPC 29 - Biological Assets and Agricultural Products, the Company recognizes its biological assets at fair value, based on the following assumptions:

(i) Eucalyptus forests are recorded at historical cost up to the sixth year from planting, as management understands that, during this period, the historical cost of biological assets approximates their fair value. The Company's harvesting plan varies from six to seven years for the cultures it maintains;

(ii) After the sixth year of eucalyptus planting, forests are measured at fair value, which reflects the sale price of the asset less the costs necessary to prepare it for the intended use or sale.

(iii) The prices of biological assets, denominated in R$/cubic meter, are obtained through market research.

12 Trade payables.

	2014	**2013**
Domestic market	59,705	44,356
Related parties (Note 9)	1,580	769
	61,285	45,125

13 Borrowings

	2014		**2013**	
Description	**Current**	**Non-current**	**Current**	**Non-current**
Working capital	-	-	2,084	-
FINAME	269	338	270	605
Consortium	29	15	22	34
	298	353	2,376	639

Government Agency for Machinery and Equipment Financing (FINAME).

Resources intended for acquisition of machinery and equipment, with contractual rates ranging between 8.7% and 5.7% per annum, plus Long-Term Interest Rate (TJLP), guaranteed by the respective equipment acquired.

Maturity:

	2014	**2013**
2015	-	296
2016	281	270
2017	72	73
	353	639

14 Taxes payable in installments.

These are amounts referring to tax assessment notices issued by the Brazilian Environmental Institute (IBAMA). The Company used the benefits of Law 12,249/2009 and 12,296 /2014 to settle the debt in 180 installments and the amnesty granted.

The debit balance is restated based on the SELIC rate and annual payables amount to R$163, foreseen to be fully settled in September 2028.

On December 1, 2014, the Company filed with the Brazilian Federal Revenue Service, the Application for Early Settlement of Installments, based on Article 33 of Provisional Measure 651, of July 9, 2014, requesting the early settlement of all its taxes payable in installments, according to the rules defined in the Joint Ordinance 15, issued by the Federal Revenue Secretariat (RFB) and Attorney-General of the National Treasury (PGFN) on August 22, 2014.

15 Contingencies.

Provisions for civil, labor, tax and environmental proceedings were estimated by management, significantly based on the opinion of its legal advisors, and only the cases expected to result in probable losses were provided for.

Description.	2014	2013
Civil	9	-
Labor	67	112
Tax	-	33
Total	76	145

The Company also identifies the existence of administrative and judicial proceedings, the risk of loss of which was classified as possible by the legal advisors, with contingency of R$ 19 at December 31, 2014 (R$ 524 in 2013), which were not provided for in accordance with management's judgment and accounting practices adopted in Brazil.

16 Export agents' commission.

The balance refers to the commission payable to external export agents. The agents' average remuneration is 3% of the balance they traded.

There is no maturity negotiated for the liability and its settlement should not take place in the next 12 months. The amounts do not bear interest.

17 Income tax and social contribution.

Current and deferred income tax and social contribution were calculated, based on the current tax rates, on temporary differences and income tax and social contribution losses.

(a) Income tax and social contribution.

	2014	2013
Current	(5,957)	(476)
Deferred	1,184	3,238
	(4,773)	2,762

(b) Reconciliation of income tax.

	2014	2013
Profit (loss) before income tax and social contribution	12,089	(10,389)
Combined standard rate of income tax and social contribution - %	34.00%	34.00%
Income tax and social contribution at statutory rates	(4,110)	3,532
Adjustments for the calculation of the effective rate		
Permanent additions and exclusions	(663)	(770)
Income tax and social contribution expenses in the result for the year	(4,773)	2,762

(c) Deferred income tax and social contribution

Assets	2014	2013
On temporary differences	1,107	1,033
	1,107	1,033
Liabilities		
Temporary differences	2,728	1,962
Carrying value adjustment	8,742	9,683
Valuation of biological assets	1,082	2,017
	12,552	13,662

18 Equity.

(a) Capital.

The Company's capital amounts to R$ 34,000, represented by 100,000 nominative common shares with no par value.

(b) Capital reserve - tax incentives.

This reserve corresponds to the income tax reduction arising from the tax benefit granted by the Superintendency for the Development of the Northeast (SUDENE) up to 2005, which can only be used for absorption of losses or capital increase for investment in activities directly related to production.

(c) Revenue reserve.

	2014	2013
Legal reserve (i)	2,367	2,001
Operating reserve (ii)	19,883	13,300
	22,250	15,301

(i) Legal reserve.

This refers to the legal reserve recorded at the rate of 5% of the profit of each year, in compliance with article 193 of Law 6,404/76, up to the limit of 20% of the share capital.

(ii) Operating reserve.

Refers to profits in excess of the mandatory dividends intended to support the Company's operations, in accordance with Article 30 0f its bylaws.

(d) Carrying value adjustment.

Recorded, net of tax charges, as a result of the adoption of the deemed cost for property, plant and equipment items, being realized through depreciation or write-off.

(e) Dividends.

The shareholders are entitled to a mandatory minimum dividend corresponding to 25% of the profit for the year, adjusted in accordance with the Brazilian Corporate Law and as established in the Company's bylaws.

	2014	2013
Profit (loss) for the year	7,316	(7,627)
Realization of reserve	1,827	-
Transfer to legal reserve	(366)	-
Calculation basis for minimum dividends	8,777	-
Dividends computed	2,195	-

19 Net sales revenue.

	2014	2013
Domestic market gross revenue – pig iron	40,515	78,805
Domestic market gross revenue - energy	155	-
Foreign market gross revenue	119,525	62,737
(-) ICMS	(4,961)	(10,978)
(-) PIS	(664)	(1,254)
(-) COFINS	(3,056)	(5,777)
(-) IPI	(407)	(2,799)
(-) INSS - tax burden reduction	(402)	(707)
(-) Cancellations and returns	(51)	(929)
	150,654	119,098

20 Cost by nature

	2014	2013
Raw materials	(89,723)	(79,250)
Intermediary materials	(1,184)	(706)
Depreciation /amortization / depletion	(9,627)	(11,600)
Personnel	(6,708)	(9,122)
Services	(3,237)	(1,713)
Maintenance and preservation	(2,500)	(1,860)
Distribution and logistics	(2,225)	(1,379)
Electrical energy	(766)	(386)
Fuel and lubricants	(135)	(533)
Inventory adjustment	(107)	(2,227)
General	(2,353)	(3,027)

	(118,565)	(111,803)

21 Expenses by nature.

	2014	2013
Distribution and logistics	(2,403)	(2,272)
Personnel	(4,990)	(3,206)
Commercial support	(3,648)	(2,725)
Outsourced services	(2,418)	(1,074)
Result from property, plant and equipment	192	(2,192)
Tax incentive - Special Tax Refund Regime for Exporters (Reintegra)	2,190	1,739
Taxes	(1,918)	(518)
Depreciation /amortization / depletion	(566)	(262)
Maintenance and preservation	(314)	(216)
Non-recurring income	-	982
Interest on installment payments of federal taxes	(2,690)	-
Other income and expenses	(3,389)	(2,763)
	(19,954)	(12,507)
Sales and distribution	(6,691)	(5,146)
General and administrative	(11,907)	(7,891)
Other operating income (expenses), net	(1,356)	530
	(19,954)	(12,507)

22 Finance result and foreign exchange variations.

	2014	2013
Finance result		
Other finance income	235	25
Discounts obtained	937	-
Discounts granted	(38)	(224)
Interest on loans and Advances on Exchange Contracts (ACC)	(1,260)	(2,725)
Other	(99)	(94)
	(225)	(3,018)
Foreign exchange variations.		
Foreign exchange gains	2,201	1,050
Foreign exchange losses	(2,662)	(1,467)
Provision for foreign exchange variation	(287)	(2,679)
	(748)	(3,096)

* * *

Signed: [Illegible signature].
Name: **Silvia Carvalho Nascimento e Silva**.
Position: Director.
Individual Taxpayers’ Registry (CPF): 004.855.976-83.
Signed: [Illegible signature].
Name: **Ricardo Carvalho Nascimento**.
Position: Director.
CPF: 004.855.936-96.
Signed: [Partially legible signature].
Name: **Valéria de Campos Oliveira**.
Position: Accountant.
CRC-MG No. 062.894/O.
[Pages numbered from 1 to 28].