Gusa Nordeste S.A.

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

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[Letterhead of PricewaterhouseCoopers].

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.

To the Shareholders and Directors of Gusa Nordeste S.A.

Açailândia – MA.

We have audited the financial statements of Gusa Nordeste 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 Company'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.

Gusa Nordeste S.A.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gusa Nordeste 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.

Emphasis of matter.

As described in Note 1 to the financial statements, the Company has made investments amounting to R$669,705 thousand, for the construction of its integrated steel project, consisting of steel mill and long steel rolling, in Açailândia unit, which is at the completion stage. In this context, considering the term of the investment, the Company presented negative working capital of R$211,740 thousand at the end of 2014. The construction of this asset is being partially funded by the Northeast Financing Constitutional Fund (FNE) of Banco do Nordeste do Brasil (BNB), which provided resources of R$ 375 million. The completion of this undertaking, the recovery of the investments made by the

Company and its business continuity are contingent upon new borrowings. This situation casts significant doubt as to the ability of the Company to continue as a going concern. No adjustments arising from these uncertainties were included in the financial statements. Our opinion is not qualified in respect of this matter.

Belo Horizonte, May 8, 2015.

PricewaterhouseCoopers.

PricewaterhouseCoopers.

Auditores Independentes.

CRC 2SP000160/O-5 “F” MA.

Signed: [Illegible signature].

Name: Guilherme Campos e Silva.

Position: Accountant CRC 1SP218254/O-1 “S” MA.

[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 GUSA NORDESTE 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.

The results for 2014 reflect the Company's excellent industrial performance, with the full use of all its resources and by-products, gases, slag and electric energy. It is worth emphasizing that the equipment added to the plant in the last four years has contributed to this year's excellence, with the injection of fines, injection of oxygen and gas analyzer, which resulted in the reduction and streamlining of the consumption of inputs and raw materials.

In view of its proven operational excellence, the Company believes in the success of its investment in the production verticalization process of converting pig iron into long steel, considering that 97% of steel is made up of pig iron, which is 100% produced with charcoal from renewable planted forests and iron ore from Carajás. The Company will produce the world's first long steel without consumption of any fossil fuel, which justifies its brand *AÇO VERDE DO BRASIL* [GREEN STEEL FROM BRAZIL], the name of the verticalization process.

The steel mill and rolling equipment is the most modern in the sector, to ensure excellence in the production of long steel.

The need for capital intensive, financing difficulties, implementation issues and other difficulties inherent in a project of this magnitude are being overcome by the Company, which is convinced that it will manufacture the best long steel, completely free of contaminants and at costs that are among the most competitive in the market.

The Company invests in the qualification and development of its staff, having about 150 employees enrolled in training courses through a partnership developed with the National Service for Industrial Training (SENAI), aiming at the operation of the steel mill as from March 2016.

The Company thanks all its customers, suppliers, investors, communities in which it operates, 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 modesty and perseverance, we will continue contributing to the Company's progress and the sustainable development of the society, focusing on the coming startup of the project that, in regional terms, can be considered as the most structuring industrial project at social and economic levels.

The Management.

Gusa Nordeste S.A.

Balance sheet at December 31.

All amounts in thousands of reais.

Assets	Note	2014	2013
Current assets			
Cash and cash equivalents	5	1,378	3,149
Financial investments	6	19,570	19,291
Trade receivables	7	8,987	4,295
Inventories	8	25,360	14,760
Taxes recoverable	9	21,683	18,047
Advances to suppliers	-	5,851	3,607
Other receivables	10	151	3,073
	-	82,980	66,222
Non-current assets			
Long-term receivables	-	-	-
Financial investments	6	100,283	-
Taxes recoverable	9	7,607	19,477
Deferred tax assets	22	6,047	3,550
Related parties	12	-	126,674
Court deposits	10	369	368
	-	114,306	150,069
Investments	11	15,921	12,541
Property, plant and equipment	13	759,527	722,148
Biological assets	14	159,400	-
Intangible assets	-	2,309	-
	-	1,051,463	884,758
Total assets	-	1,134,443	950,980

Liabilities	Note	2014	2013
Current liabilities			
Trade payables	15	97,197	104,041
Borrowings	16	20,833	63,368
Advances on foreign exchange contracts	17	121,111	97,835
Advances from customers	18	36,340	40,343
Social security charges	-	3,936	3,222
Tax liabilities	-	1,632	8,594
Dividends payable	12	13,111	6,116
Other payables	-	560	4,796
	-	294,720	328,315
Non-current liabilities			
Borrowings	16	491,410	164,673
Related parties	12	75,185	125,186
Contingencies and tax debts	20	7,447	4,372
Export agents' commission	19	40,282	35,761
Deferred tax liabilities	22	15,206	23,898
Other payables	-	1,467	266
	-	630,997	354,156
Equity	21		
Share capital	-	40,000	37,418
Carrying value adjustments	-	43,241	117,785
Tax incentives reserve	-	50,456	43,454
Revenue reserve	-	85,292	80,115
Treasury shares	-	(10,263)	(10,263)
	-	208,726	268,509
Total liabilities and equity	-	1,134,443	950,980

Gusa Nordeste S.A.
Statement of operations.
Years ended December 31.

All amounts in thousands of reais.

	Note	2014	2013
Net sales revenue	23	211,227	218,404
Cost of sales	24	(148,585)	(185,160)
Gross profit	-	62,642	33,244
Sales and distribution	25	(19,678)	(23,987)
General and administrative	25	(12,846)	(11,546)
Other operating income/expenses, net	25	3,417	7,217
Equity in the results of subsidiaries	11	3,353	(881)
Gain on biological assets	14	25,018	20,478
Operating profit	-	61,906	24,525
Finance result, net	26	(7,551)	(11,850)
Foreign exchange variations, net	26	(21,371)	(25,167)
Profit before taxation	-	32,984	(12,492)
Income tax and social contribution	22	(3,942)	(4,222)
Profit (loss) for the year	-	29,042	(16,714)
Basic and diluted earnings (loss) per share	-	47.91	(17.36)

Gusa Nordeste S.A.
Statement of comprehensive income (loss).
Years ended December 31.

All amounts in thousands of reais.

	2014	2013
Profit (loss) for the year	29,042	(16,714)
Total comprehensive income (loss) for the year	29,042	(16,714)

Gusa Nordeste S.A.
Statement of changes in equity.

All amounts in thousands of reais.

	Share	Carrying value	Tax incentive	Revenue	Retained	Treasury	

	capital	adjustments	reserve	reserves	earnings	shares	Total
At December 31, 2012	37,418	121,975	43,457	92,636	-	(10,263)	285,223
Loss for the year	-	-	-	-	(16,714)	-	(16,714)
Tax incentive	-	-	(3)	3	-	-	-
Realization of reserves	-	(4,190)	-	-	4,190	-	-
Absorption of loss	-	-	-	(12,524)	12,524	-	-
At December 31, 2013	37,418	117,785	43,454	80,115	-	(10,263)	268,509
Capital increase with reserves	12,639	-	-	(12,639)	-	-	-
Partial split-off (Note 1.1)	(10,057)	(70,681)	-	-	-	-	(80,738)
Realization of reserves	-	(3,863)	-	-	3,863	-	-
Dividends distributed	-	-	-	(3,600)	-	-	(3,600)
Profit for the year	-	-	-	-	29,042	-	29,042
Allocations:	-	-	-	-	-	-	-
Legal reserve	-	-	-	437	(437)	-	-
Tax incentives reserve	-	-	7,002	-	(7,002)	-	-
Unrealized revenue reserve	-	-	-	1,880	(1,880)	-	-
Operating reserve	-	-	-	19,099	(19,099)	-	-
Mandatory minimum dividends	-	-	-	-	(4,487)	-	(4,487)
At December 31, 2014	40,000	43,241	50,456	85,292	-	(10,263)	208,726

Gusa Nordeste 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	29,042	(16,714)
Items not affecting cash and cash equivalents		
Depreciation, amortization and depletion	23,380	24,186
Adjustment to present value	333	(3,761)
Monetary and foreign exchange variations, net	43,862	36,716
Gain on biological assets	(25,018)	(20,478)
Equity in the results of subsidiaries	(3,353)	881
Deferred taxes	1,530	(4,642)
Proceeds from the sale of property, plant and equipment	425	437
Provisions for contingencies	3,075	201
	73,276	16,826
(Increase) decrease in operating assets		
Trade receivables	(4,692)	7,630
Inventories	(10,600)	6,001
Taxes recoverable	8,234	(7,982)
Advances to suppliers	(4,609)	1,101
Other receivables	(159)	(556)
	(11,826)	6,194
Increase (decrease) in operating liabilities		
Trade payables	(7,176)	65,125
Advances from customers	(4,003)	36,798
Social security charges	714	140
Tax liabilities	(6,962)	6,279
Commission to export agents	4,522	4,576
Other payables	(3,036)	2,598
	(15,941)	115,516
Net cash provided by operating activities	45,509	138,536
Cash flow from investing activities		
Investments in property, plant and equipment	(141,292)	(154,769)
Investments	(27)	(4,768)

Investments in biological assets	-	(527)
Investments in intangible assets	(2,309)	-
Financial investments	(100,562)	(1,087)
Disposal of property, plant and equipment	7,399	-
Net cash used in investing activities	(236,791)	(161,151)
Cash flow from financing activities		
Dividend distribution	(1,092)	-
Payables to/receivables from related parties	(73,228)	98,264
Borrowings	412,688	112,551
Amortizations	(121,783)	(158,060)
Payment of interest	(27,289)	(30,890)
Net cash provided by financing activities	189,511	21,865
Decrease in cash and cash equivalents	(1,771)	(750)
Statement of increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	3,149	3,899
Cash and cash equivalents at the end of the year	1,378	3,149
Decrease in cash and cash equivalents	(1,771)	(750)

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

Gusa Nordeste S.A.

Notes to the financial statements at December 31, 2014.

All amounts in thousands of reais unless otherwise stated.

1 General information.

Gusa Nordeste S.A. ("Gusa" or "Company") is mainly engaged in the manufacture, sale, import and export of steel products, especially steel and pig iron in all its forms and by-products, as well as inputs and the equipment necessary for their production, transformation or processing; sale of its own forests and products, focusing on obtaining emission reductions and greenhouse gas removals under the Clean Development Mechanism of the Kyoto Protocol or other carbon credit trading systems, cement manufacturing, extraction of metallic and non-metallic minerals, and investment in other companies, with due regard to the legal provisions.

Gusa is a privately-held corporation headquartered at Rodovia BR 222, Km 14.5 – Pequiá District, City of Açailândia, State of Maranhão, Brazil, established on October 3, 1984. Its organization documents are registered with the Board of Trade of the State of Maranhão.

In 2012, the Company segregated the activity of cement production into "CVB" – CIMENTO VERDE DO BRASIL S/A" and sold 50% of the ownership interest to the Masaveu group, with the expectations of annual dividends of 10% on the capital invested as from 2015.

The Company has been working on the production verticalization process, particularly the construction of a steel rolling mill unit, called AVB - Aço Verde do Brasil, a 100% green steel mill, without consumption of fossil fuel consumption, and with high-tech equipment and high level of automation, with environmental control devices to minimize the emission of effluents of any kind.

The first phase is almost completed, foreseen to start the steel mill production in the first half of 2016. The second phase, which consists of the rolling process, is also foreseen to start in the second half of 2016. This undertaking is preferably intended for the domestic market, mainly the civil construction and industry segments.

The huge investments made by the Company, which are expected in projects of such nature and that are at the realization stage, are reflected in the Company's excess of current liabilities. The financing agent of the verticalization process, Banco do Nordeste do Brasil (BNB), through the Northeast Financing Constitutional Fund (FNE), provided R$375 million of the total investments made up to 2014, of approximately R$670 million. The Company is seeking other sources of funds to complete the works of its steel rolling mill, in addition to the resources generated by its operational activities, which totaled

R$46 million in 2014. The start-up of the Steel Mill operations will provide a more comfortable and less costly financial situation.

The issue of the financial statements of Gusa Nordeste S.A. for the year ended December 31, 2014, was authorized by Management on May 8, 2015.

1.1 Spin-off.

In 2014, the Company's net assets were partially spun-off, based on the balance sheet as of April 30, 2014; net assets in the amount of R$80,738 were spun off and Gusa Nordeste S.A remained with an equity of R$187,635. The spun-off portion was merged into the related party Energia Viva Agroflorestal Ltda.

	4/30/2014	Spun-off portion	Remaining balance
Assets			
Current assets	-	-	-
Prepayments	9,182	(2,365)	6,817
Other receivables	3,606	(3,078)	528
Other current items	102,173	-	102,173
	114,961	(5,443)	109,518
Non-current assets			
PP&E	747,572	(88,015)	659,557
Other non-current items	160,711	-	160,711
	908,283	(88,015)	820,268
Total assets	1,023,244	(93,458)	929,786
Liabilities			
Current liabilities	422,813	-	422,813
Non-current liabilities			
Deferred taxes	23,221	(12,720)	10,501
Other non-current items	308,837	-	308,837
	332,058	(12,720)	319,338
Equity			
Share capital	50,057	(10,057)	40,000
Carrying value adjustments	116,848	(70,681)	46,167
Other items of equity	101,468		101,468
	268,373	(80,738)	187,635
Total liabilities	1,023,244	(93,458)	929,786

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 to the years presented.

2.1 Basis of preparation.

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 in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets have been acquired.

At December 31, 2014 and 2013, the Company had only financial assets classified as loans and receivables, measured at fair value through profit or loss.

(a) Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired mainly for the purpose of selling in the short-term. All financial assets in this category correspond to financial investments and are classified as current assets.

(b) 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 carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of operations. 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.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are recorded in the statement of operations in the period in which they occur.

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 each balance sheet date 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.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, as determined in the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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. In practice, the fair value of trade receivables does not differ from the sales amounts, considering the average collection term.

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. 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 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 in the statement of operations.

2.8 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 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.

2.9 Biological assets.

The valuation of biological assets is carried out annually by the Company, and any gain or loss is recognized in the statement of operations in the period in which it occurs. The increase or decrease in the fair value is determined as the difference between the fair value of biological assets at the beginning and at the end of the period, net of planting costs incurred in the development of the biological assets and the biological assets depleted during the period.

Depletion of forests is calculated based on the volume cut in relation to the potential volume.

2.10 Impairment of non-financial assets.

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the 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 Investment in jointly-controlled subsidiary.

Jointly-controlled subsidiaries are all entities over which the Company has significant influence, but not control. Investments in jointly-controlled subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's share of profits or losses of its jointly-controlled subsidiary is recognized in the statement of operations. When the Company's share of losses in a jointly-controlled subsidiary equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled subsidiary.

2.12 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. In practice, the fair value of trade payables does not differ from the purchases amounts, considering the average payment term.

2.13 Borrowings.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings 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.

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 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 Company and costs can be measured reliably. Other borrowing costs are recognized as finance costs in the period in which they are incurred.

2.14 Provisions.

Provisions are recognized 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. Provisions do not include future operating losses.

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.

2.15 Current and deferred income tax and social contribution.

The income tax and social contribution expenses for the period comprise 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 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.

2.16 Tax incentives.

Tax incentives are recognized when there is reasonable assurance that the benefit will be received and that all related conditions will be satisfied. When the benefit refers to an expense, it is recognized as income over the period of the benefit, in a systematic manner, in relation to the costs intended to be offset by the benefit. When the benefit relates to an asset, it is recognized in the statement of operations as deferred income at equal amounts during the expected economic life of the asset.

2.17 Share capital.

Common and preferred shares are classified in equity.

2.18 Treasury shares.

The Company's own equity instruments that are repurchased (treasury shares) are recorded at cost, as a reduction of equity. No gain or loss is recognized in the statement of operations on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration received on sale is recognized in capital reserves.

2.19 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 the amount of revenue can be reliably measured, 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.

2.20 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.

(b) 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 all unused tax losses to the extent it is probable that future taxable profit will be available against which the tax losses can be utilized. The exercise of significant judgment by management is required to determine the amount of deferred tax assets that can be recognized, based on the probable term and level of future taxable income, together with future tax planning strategies.

The offset of accumulated tax losses is restricted 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. The assessment of the likelihood of a loss includes the evaluation of existing evidence, the 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. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation periods, 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 and 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 relates primarily to the operational activities, since most of the Company's sales are made to the foreign market.

(iii) Commodity price risk.

The main product sold by the Company, the pig iron, is a commodity whose selling price is determined by the international market, taking into account various economic factors.

(b) Credit risk.

Credit risk is the risk that a counterparty does not fulfill an obligation established in a financial instrument or contract, 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 a provision for impairment losses is analyzed at each reporting date on an individual basis for major customers.

(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), bank loans and financing for investments.

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 carrying values of the balances of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate and approximates the carrying amount.

The fair value of biological assets is computed annually. 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 16)	512,243	228,041
Less: cash and cash equivalents (Note 5)	(1,378)	(3,149)
Financial investments (Note 6)	(119,853)	(19,291)
Net debt	391,012	205,601
Total equity	208,726	268,509
Total share capital	599,738	474,110
Gearing ratio - %	65	43

5 Cash and cash equivalents.

	2014	**2013**
Fixed fund	3	3
Demand deposits and financial investments	1,375	3,146
	1,378	3,149

6 Financial investments.

As contractually established, the Company maintains an account related to investments in Bank Deposit Certificates (CDB) with Banco do Nordeste do Brasil (BNB), at market rates, to guarantee the borrowings.

7 Trade receivables.

	2014	**2013**
Foreign market - pig iron	1,288	3,297
Domestic market - energy	6,380	314
Domestic market - other	310	-
Related parties (Note 12)	1,009	684
	8,987	4,295

Management believes that the risk of default on trade receivables is minimized by the fact that its portfolio is comprised of major customers, with long-term contracts that include interruption clauses. There is no history of loss recorded in the balances of trade receivables and, therefore, no provision has been recorded for the realization of this amount.

8 Inventories.

	2014	**2013**
Finished products	20,318	5,000
Raw materials	3,519	8,056
Intermediary materials	119	181
Store room	1,404	1,523
	25,360	14,760

9 Taxes recoverable.

	2014	**2013**
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	15,696	20,660
State Value-Added Tax (ICMS) (b)	11,955	12,958
Corporate Income Tax (IRPJ)/Social Contribution on Net Income (CSLL)	1,347	3,453
Excise Tax (IPI)	231	231

	2014	2013
Other	61	222
	29,290	37,524
Current liabilities	21,683	18,047
Non-current liabilities	7,607	19,477

(a) Refers to credits on purchases of goods and services in compliance with the non-cumulative tax system (Laws 10,637/2002 and 10,833/2003) and the Special Tax Refund Regime for Exporters (REINTEGRA), the objective of which is to refund amounts related to existing residual tax costs in production chains of the exporting companies, by returning to the exporter of manufactured goods up to 3% (three per cent) of the amount exported.

(b) Mainly refers to credit on exports.

10 Other receivables.

	2014	**2013**
Prepaid expenses	45	224
Court deposits	369	368
Expropriation of Fazenda Lagoa	-	2,380
Other receivables	106	469
	520	3,441
Current	151	3,073
Non-current	369	368

11 Investment.

	2014	**2013**
Cimento Verde do Brasil S.A (a)	15,894	12,541
Other	27	-
	15,921	12,541

(a) Cimento Verde do Brasil S.A. - Changes in investments.

The Company started its cement manufacturing activities in 2011 and established the subsidiary Cimento Verde do Brasil S.A.("CVB") on April 27, 2012, by paying its capital with all equipment required for the manufacturing of cement. On October 1, 2012, the Company sold 50% of its holding to Masaveu.

	2014	**2013**
Opening balance	12,541	8,660
Payment of capital	-	4,762
Equity in the results of subsidiaries	3,353	(881)
	15,894	12,541

In 2014, the investee's equity totaled R$ 31,788 and the profit for the year, R$6,706. The Company held a 50% interest in the investee.

12 Transactions with related parties.

The amounts refer to receivables and payables between the Group companies, without remuneration and with 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.

	2014	**2013**
Assets		
Trade receivables (Note 7)		
Cimento Verde do Brasil S.A	1,009	682
G5 Agropecuária Ltda.	-	2
	1,009	684

Related parties		
G5 Agropecuária Ltda.	-	-
Energia Viva Agroflorestal Ltda. (Note 14)	-	126,674
	-	126,674
Liabilities		
Trade payables (Note 15)		
Cimento Verde do Brasil S.A	24	-
G5 Agropecuária Ltda.	14,027	13,399
	14,051	13,399
Dividends payable		
Empresa de Mecanização Rural S.A.	6,113	6,113
Carvalho Nascimento Participações Ltda.	-	3
Other shareholders	6,998	-
	13,111	6,116
Related parties		
Empresa de Mecanização Rural S.A.	30,052	86,651
G5 Agropecuária Ltda.	-	292
CBF Indústria de Gusa S.A.	10,171	23,284
Energia Viva Agroflorestal Ltda.	21,471	-
Other related parties	13,491	14,959
	75,185	125,186
Transactions		
Purchases		
G5 Agropecuária Ltda.	8,538	44,509
	8,538	44,509

13 Property, plant and equipment.

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data center	Construction in progress (a)	Total
Cost:								
At December 31, 2013	93,186	38,350	118,577	900	7,501	415	535,928	794,857
Additions	-	-	2,577	39	10	-	138,666	141,292
Spin-off	(88,015)	-	-	-	-	-	-	(88,015)
Disposals /Write-offs	-	-	(3,110)	(3)	(526)	-	(4,889)	(8,528)
At December 31, 2014	5,171	38,350	118,044	936	6,985	415	669,705	839,606
Depreciation:								
At December 31, 2013	-	(10,349)	(58,321)	(407)	(3,397)	(235)	-	(72,709)
Additions	-	(1,637)	(5,899)	(61)	(424)	(55)	-	(8,076)
Disposals /Write-offs	-	-	277	-	429	-	-	706
At December 31, 2014	-	(11,986)	(63,943)	(468)	(3,392)	(290)	-	(80,079)
Net book value:								
At December 31, 2013	93,186	28,001	60,256	493	4,104	180	535,928	722,148
At December 31, 2014	5,171	26,364	54,101	468	3,593	125	669,705	759,527

(a) The balance of construction in progress refers to the construction of the steel mill and includes borrowing costs.

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

14 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 owned 22,903 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	74,678	43,122	117,800

Addition	4,543	-	4,543
Depletion	(6,195)	(9,952)	(16,147)
Valuation	-	20,478	20,478
Disposal	(73,026)	(53,648)	(126,674)
At December 31, 2013	-	-	-
Cancelation (a)	126,674	-	126,674
Addition	23,012	-	23,012
Depletion	(15,304)	-	(15,304)
Valuation	-	25,018	25,018
At December 31, 2014	134,382	25,018	159,400

(a) In 2013, the Company decided to sell its entire forest massif, of 22,190 hectares planted, to the related company Energia Viva Agroflorestal Ltda. for the market price of R$126,674, in accordance with the assumptions for fair value of biological assets. In 2014, the Company cancelled the agreement signed, due to the non-realization of the expected commercial transaction.

(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 planting, eucalyptus forests are measured at fair value, which reflects the sale price of the assets less the costs necessary to prepare them for the intended use or sale.

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

15 Trade payables.

	2014	**2013**
Domestic market	72,937	79,000
Foreign market	10,209	11,642
Related parties (Note 12)	14,051	13,399
	97,197	104,041

16 Borrowings.

			2014		**2013**	
Description	**Currency**	**Maturity**	**Current**	**Non-Current**	**Current**	**Non-current**
BNB Rural (a)	R$	11/13/2017	4,717	2,606	-	6,750
BNB Industrial (b)	R$	12/26/2023	15,471	354,123	25,158	156,719
Working capital (c)	R$	12/31/2017	341	134,205	37,899	425
Government Agency for Machinery and Equipment Financing (FINAME)	R$	10/15/2017	296	476	273	771
Consortium	R$	6/10/2015	8	-	38	8
			20,833	491,410	63,368	164,673

Borrowing rates range from 1.4% to 14.3% p.a. Borrowings are guaranteed by investments, surety and property, plant and equipment items, in the amount of 663 million.

Maturity

Year	**Amount**
2016	123,214
2017	116,396
2018 to 2022	251,800
	491,410

The nature of the main borrowings is described below:

(a) Banco do Nordeste - Rural – Resources intended for eucalyptus planting.

(b) Banco do Nordeste – Industrial – Resources for the construction of a steel mill and rolling unit intended for the process of transforming pig iron into steel.

(c) Working capital – R$ 134,120, refers to amounts originally received as advances for future supplies, which, by virtue of changes in the contracts that governed said supplies, shall be refunded by the Company to the payer. As a guarantee of the fulfillment of this obligation to the payers, the Company pledged properties as collateral.

17 Advances on foreign exchange contracts.

Advances on foreign exchange contracts (ACCs) are borrowings aiming at financing the production to be exported. Interest rates range from 5.40% to 8.50% p.a. and maturities are up to 360 days.

18 Advances from customers.

	2014	2013
Cimento Verde do Brasil	-	400
Domestic market	24	24
Foreign market (a)	36,316	39,919
	36,340	40,343

(a) The balance refers to advances received from customers to be settled with future deliveries of pig iron.

19 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 is not expected in the next 12 months. The amounts do not bear interest.

20 Contingencies and tax debts.

	2014	2013
Contingencies	-	
Civil	969	-
Labor	2,571	465
	3,540	465
Tax debts		
Tax assessment notice (a)	3,907	3,907
Total	7,447	4,372

(a) Refers to the amount of the tax assessment notice received in 2005, in the amount of R$3,402, related to federal tax and contributions. At the administrative level, Gusa used tax-offsetting statements concerning the settlement of the tax assessment notices issued. However, no administrative decisions in respect of the requests to offset have been issued to date.

Contingencies.

The provisions for civil and labor proceedings were estimated by Management, significantly based on the assessment of its legal advisors, being recorded only provisions for proceedings with probable risk of loss.

The Company also identifies the existence of judicial proceedings, the risk of loss of which was classified as possible by the legal advisors, with contingency of R$2,579 (R$5,863 in 2013). The amount was not provided for according to management's judgment and accounting practices adopted in Brazil.

21 Equity.

(a) Capital.

The subscribed and paid-up capital of Gusa Nordeste S.A. is R$40,000, comprising 970,049 shares, of which 606,590 are registered common shares and 363,459, registered preferred shares. Each common share entitles the holder to one vote in General Shareholders' Meetings.

(b) Revenue reserves.

	2014	2013
Legal reserve (i)	8,000	7,563
Unrealized revenue reserve (ii)	1,880	-
Operating and investment reserve (iii)	75,412	72,552
	85,292	80,115

(i) Legal reserve.

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) Unrealized revenue reserve.

Refers to the portion of the mandatory dividend in excess of the profit realized for the year, in accordance with Law 6,404/76, Article 197.

(iii) Operating and investment reserve.

Refers to profits in excess of the mandatory dividends intended to support the Company's investments and operations.

The shareholders shall decide as to the allocation of the excess of revenue reserves over the Company's share capital, in compliance with Article 199 of Law 6,404/76, which determines that the balance of reserves shall not exceed the share capital.

(c) Tax incentive reserves.

The Company has been granted by the Superintendency for the Development of the Northeast (SUDENE, formerly ADENE), a reduction of 75% on its income tax calculated based on the exploitation profit, limited to the production of 450,000 metric tons/year, maximum. This reduction was valid for 10 (ten) years, expiring on December 31, 2014. During 2014, the Company requested its renewal for other 10 (ten) years. The Company believes that this benefit will probably be maintained, in view of the history and the fulfillment of the legal obligations required by SUDENE.

The Company has been granted by the State of Maranhão, the Industry and Foreign Trade Support System ("SINCOEX"), which is a tax incentive in the form of subsidized financing, intended for Industrial and Agribusiness Companies (EIA) which have implementation, expansion and relocation projects, and Foreign Trade Companies (ECEX).

Accordingly, the Company can deduct up to 75% of the ICMS due for a period of 10 (ten) years, with a grace period of three years. It should be noted that SINCOEX regulation foresees a 95% reduction on the debit balance.

The income tax reduction (SUDENE) and the SINCOEX are incentives accounted for in the statement of operations for the year. The portion of net income resulting from these incentives is allocated to the tax incentive reserve and excluded from the mandatory dividend calculation basis.

(d) Carrying value adjustment.

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

(e) Treasury shares.

At the Extraordinary General Shareholder's Meeting held on August 9, 2010, the shareholders unanimously decided to acquire 400 common shares and 363,459 preferred shares from the shareholder Ricardo Nascimento, for R$ 10,263, to be held in Treasury, in accordance with the provisions of Law 6,404/76, item "b", paragraph 1.

(f) 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	29,042	(16,714)
Realization of reserve	3,863	-
Transfer to legal reserve	(437)	-
Transfer to tax incentive reserve	(7,002)	-
Minimum dividend calculation basis	25,466	-
Dividends computed (25%)	6,367	-
Portion of unrealized profit	(1,880)	-

Dividends proposed by management	4,487	-

At the Extraordinary General Shareholder's Meeting held on August 27, 2014, the shareholders approved the distribution of dividends in the amount of $ 3,600, using the revenue reserve.

22 Income tax and social contribution.

The current and deferred income tax and social contribution were calculated based on the current tax rates. Deferred income tax and social contribution are calculated on temporary differences, and accumulated income tax and social contribution losses.

(a) Income tax and social contribution.

	2014	2013
Current	(2,414)	(8,864)
Deferred	(1,528)	4,642
	(3,942)	(4,222)

(b) Deferred taxes

	2014	2013
Assets		
Income tax and social contribution losses	353	1,052
On temporary differences	5,694	2,498
	6,047	3,550
Liabilities		
Temporary differences	3,610	2,640
Carrying value adjustments	7,781	21,195
Valuation of biological assets	3,815	63
	15,206	23,898

(c) Reconciliation of income tax

	2014
Profit (loss) before income tax and social contribution	32,984
Combined standard rate of income tax and social contribution - %	15.25%
Income tax and social contribution at statutory rates	(5,030)
Adjustments for the calculation of the effective rate	
Permanent additions and exclusions	685
Tax losses not recognized in 2013	403
Income tax and social contribution in the result for the year	(3,942)

23 Net sales revenue.

	2014	2013
Pig iron - foreign market	158,700	203,899
Pig iron - domestic market	7,547	8,538
Electrical energy	51,212	5,949
Granulated slag	2,772	1,845
Other products	15	1,055
(-) ICMS	(3,215)	(1,111)
(-) PIS	(1,018)	(284)
(-) COFINS	(4,689)	(1,306)
(-) IPI	-	(22)
(-) INSS - tax burden reduction	(97)	(159)
	211,227	218,404

24 Cost by nature

	2014	2103
Raw material	(68,329)	(134,542)
Intermediary materials	(786)	(766)
Depletion of biological assets	(16,073)	(14,514)
Depreciation/amortization	(7,457)	(7,234)
Personnel	(17,451)	(10,083)
Services	(6,663)	(950)

Maintenance and preservation	(4,385)	(5,358)
Electrical energy	(9,065)	(5,218)
Lease of equipment	(9,380)	(800)
Fuel and lubricants	(1,142)	(622)
Distribution and logistics	(2,744)	-
Inventory adjustment	(1,231)	(3,761)
General	(3,879)	(1,312)
	(148,585)	(185,160)

25 Expenses by nature.

	2014	2013
Distribution and logistics	(13,243)	(23,388)
Commercial support	(6,395)	(304)
Personnel	(4,459)	(4,100)
Legal and judicial	(3,096)	(350)
Outsourced services	(2,792)	(2,159)
Depreciation /amortization / depletion	(1,045)	(300)
Taxes	(984)	(617)
Annual and monthly payments	(554)	(371)
Result from PP&E	(425)	(437)
Travel and lodging	(335)	(304)
Fuel and lubricants	(298)	(293)
Losses	-	(892)
Non-recurring income	2,817	959
Tax incentive - ICMS	2,385	800
Tax incentive - Reintegra	2,048	5,473
Other	(2,731)	(2,033)
	(29,107)	(28,316)
Sales and distribution	(19,678)	(23,987)
General and administrative	(12,846)	(11,546)
Other operating income (expenses), net	3,417	7,217
	(29,107)	(28,316)

The Company, as well as other exporting companies, benefits from the Special Tax Refund Regime for Exporters of Manufactured Goods ("REINTEGRA"), "which has the purpose of refunding the amounts related to residual federal taxes existing in the production chain" (Art. 1), published in Federal Law 12,546/11, regulated by Decree 7,633/11, in effect up December 2013. The RFB Normative Instruction 1,529 issued in 2014 determined that the credits under Reintegra could be computed only from October 1, 2014, with no expiration date. Law 13043/2014, Article 22, paragraph 6 determines that the calculation basis shall not include PIS/COFINS contributions, or CSLL/IR of legal entities.

26 Finance result and foreign exchange variations.

	2014	2013
Discounts obtained	737	500
Interest	148	301
Income from financial investments	6,801	1,818
Finance income	7,686	2,619
Interest	(12,987)	(14,417)
Electric Energy Trade Chamber (CCEE)	(1,543)	-
Discounts granted	(509)	-
Fines	(77)	(52)
Banking expenses	(121)	-
Finance cost	(15,237)	(14,469)
Finance result	(7,551)	(11,850)
Foreign exchange gains	6,321	1,389
Foreign exchange losses	(27,692)	(26,556)

Exchange variation	(21,371)	(25,167)

* * *

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 - S-MA.
[Pages numbered from 1 to 33].