Empresa de Mecanização Rural 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 Empresa de Mecanização Rural S.A.

We have audited the accompanying financial statements of Empresa de Mecanização Rural S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Empresa de Mecanização Rural S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, 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 selected 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.

Empresa de Mecanização Rural 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 above present fairly, in all material aspects, the financial position of Empresa de Mecanização Rural S.A. and of Empresa de Mecanização Rural S.A. and its subsidiaries as at December 31, 2014, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil.

Belo Horizonte, June 10, 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].

EMPRESA DE MECANIZAÇÃO RURAL
MANAGEMENT REPORT
2014

In compliance with legal and statutory provisions, we submit for your appreciation the financial statements of EMPRESA DE MECANIZAÇÃO RURAL S.A. (“Parent company”) and of Empresa de Mecanização Rural S.A. and its subsidiaries (“Consolidated”, hereinafter, the "Group"), 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 Group's projections include improvements in the external scenario, with the recovery of the American, European and Asian markets, except for China, the growth in its sugar cane and ethanol operations and the continuity of its real estate projects through the implementation of a corporate governance program, focused on increasing productivity and reducing costs in order to maximize results.

The Group expects to increase its production of pig iron to 180 thousand metric tons/year in its associate CBF INDÚSTRIA DE GUSA S.A., maintaining its share in the domestic market to meet the needs of foundries and steel plants all over the Brazilian territory, as well as customers abroad, which demand special nodular pig iron, a full-fledged product.

The Group expects to increase the production of Anhydrous and Hydrated alcohol by 15% in 2015, and by 10% in the period from 2016 to 2019, aiming to achieve the volume and extending the harvest period, in line with its operating balance, considering the investments, the highest made so far, in genetic development of its plantations and in irrigation equipment, intended to increase the sugar cane production per hectare. The Group expects, for 2015, an increase of 35% in the production of its associated companies DESTILARIA VEREDAS INDÚSTRIA DE AÇÚCAR E ÁLCOOL LTDA E VEREDAS AGRO LTDA. in relation to 2014 and an annual growth of 10% in productivity in the period from 2016 to 2018.

The Group maintains partnerships in real estate projects, one of them located in the city of Contagem, State of Minas Gerais, Cidade Industrial District, carried out together with the construction company Direcional Engenharia S.A,. and others in the States of Minas Gerais and Bahia, with its associates FERROESTE INDUSTRIAL LTDA. and G5 AGROPECUÁRIA LTDA.

EMPRESA DE MECANIZAÇÃO RURAL 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.

Empresa de Mecanização Rural S.A.
Balance sheet at December 31.
All amounts in thousands of reais.

		Parent company		Consolidated	
Assets	**Note**	**2014**	**2013**	**2014**	**2013**
Current assets					
Cash and cash equivalents	5	906	3	1,008	3,493
Financial investments	-	-	-	-	19,291
Trade receivables	6	239	229	26,426	12,968
Inventories	7	100	100	50,275	53,664
Taxes recoverable	8	1	9	13,954	35,374
Prepayments	9	72	17	4,537	6,448
Dividends receivable	11	8,527	6,265	6,113	-

Prepaid expenses	-	32	16	308	187
Other receivables	-	210	-	909	3,022
	-	10,087	6,639	103,530	134,447
Non-current assets					
Long-term receivables	-	-	-	-	-
Trade receivables	6	15	-	5,555	3,412
Taxes recoverable	8	-	3	11,571	21,799
Deferred tax assets	21	-	-	6,918	9,856
Related parties	11	56,412	113,913	61,884	-
Judicial deposits	19	5	4	1,217	3,386
Other receivables	-	-	-	246	246
	-	56,432	113,920	87,391	38,699
Investments	10	430,919	592,136	4,524	14,582
Property, plant and equipment	12	47,135	51,775	367,602	999,680
Biological assets	13	-	-	179,629	297,439
Intangible assets	-	1,594	140	2,945	143
	-	536,080	757,971	642,091	1,350,543
Total assets	-	546,167	764,610	745,621	1,484,990

		Parent company		**Consolidated**	
Liabilities	**Note**	**2014**	**2013**	**2014**	**2013**
Current liabilities					
Trade payables	14	276	232	81,030	143,874
Borrowings	15	299	365	12,043	78,197
Advances on foreign exchange contracts	-	-	-	-	117,001
Prepayments	-	20	2,105	895	56,685
Social security charges	-	877	721	4,418	7,809
Tax liabilities	-	144	152	2,194	11,353
Dividends payable	-	1,271	4,097	1,274	4,115
Taxes in installments	17	-	-	229	1,733
Other debts	-	12	12	41	5,773
	-	2,899	7,684	102,124	426,540
Non-current liabilities					
Borrowings	15	342	725	54,940	217,936
Taxes in installments	17	-	-	5,973	12,478
Related parties	11	66,528	82,530	72	14,959
Contingencies	18	60	330	1,322	5,876
Export agents' commission	16	-	-	15,032	49,018
Deferred tax liabilities	21	12,937	13,228	102,263	97,490
Other debts	-	-	-	280	280
		79,867	96,813	179,882	398,037
Equity	20				
Share capital		210,000	200,000	210,000	200,000
Carrying value adjustment		172,944	239,881	172,944	239,881
Revenue reserve		80,457	220,232	80,457	220,232
Equity (Parent company)		463,401	660,113	463,401	660,113
Non-controlling interests		-	-	214	300
		463,401	660,113	463,615	660,413
Total liabilities and equity		546,167	764,610	745,621	1,484,990

Empresa de Mecanização Rural S.A.
Statement of income.
Years ended December 31.

All amounts in thousands of reais.

		Parent company		**Consolidated**	
	Note	**2014**	**2013**	**2014**	**2013**
Net sales	22	1,928	5,861	235,211	409,331
Cost of sales	23	(289)	(6,017)	(194,666)	(321,359)

Gross profit	-	1,639	(156)	40,545	87,972
Sales and distribution	24	(400)	-	(12,205)	(29,714)
General and administrative	24	(527)	(4,475)	(25,913)	(38,082)
Other income (expenses), net	24	186	3	2,752	11,078
Equity in the results of subsidiaries	10	7,061	11,179	432	(881)
Gain on biological assets	13	-	-	4,882	28,285
Operating profit before finance result and taxes	-	7,959	6,551	10,493	58,658
Finance result, net:	25	(118)	179	(7,035)	(18,801)
Foreign exchange variation, net	25	-	-	5,401	(30,018)
Profit before taxation	-	7,841	6,730	8,859	9,839
Income tax and social contribution	21	25	1,783	(989)	(1,320)
Profit before non-controlling interest	-	7,866	8,513	7,870	8,519
Non-controlling interests	-	-	-	(4)	(6)
Profit for the year	-	7,866	8,513	7,866	8,513
Basic and diluted earnings per share	-	0.04	0.04	-	-

Empresa de Mecanização Rural S.A.

Statements of comprehensive income.

Years ended December 31.

All amounts in thousands of reais.

		Parent company		**Consolidated**	
		2014	**2013**	**2014**	**2013**
Profit for the year	-	7,866	8,513	7,866	8,513
Total comprehensive income for the year	-	7,866	8,513	7,866	8,513

Empresa de Mecanização Rural S.A.

Statement of changes in equity.

All amounts in thousands of reais.

	Attributable to owners of the parent						
	Share capital	**Carrying value adjustments**	**Revenue reserve**	**Retained earnings**	**Total equity - parent company**	**Non-controlling interests**	**Total equity -consolidated**
At December 31, 2012	50,000	251,631	-	349,969	651,600	310	651,910
Capital increase	150,000	-	-	(150,000)	-	-	-
Realization of reserve	-	(11,750)	-	11,750	-	-	-
Profit for the year	-	-	-	8,513	8,513	6	8,519
Allocation of profit:							
Transfer to reserves	-	-	-	-	-	-	-
Legal reserve	-	-	425	(425)	-	-	-
Unrealized revenue reserve	-	-	2,022	(2,022)	-	-	-
Operating reserve	-	-	217,785	(217,785)	-	-	-
Profit distribution - subsidiaries	-	-	-	-	-	(16)	(16)
At December 31, 2013	200,000	239,881	220,232	-	660,113	300	660,413
Capital increase	152,000	-	(152,000)	-	-	-	-
Provision for deferred taxes	-	(15,606)	-	-	(15,606)	(8)	(15,614)
Capital decrease (Note 20(a))	(142,000)	(46,166)	-	-	(188,166)	(82)	(188,248)
Realization of reserve	-	(5,165)	-	5,165	-	-	-
Profit for the year	-	-	-	7,866	7,866	4	7,870
Allocation of profit:							
Legal reserve	-	-	393	(393)	-	-	-
Unrealized revenue reserve	-	-	2,354	(2,354)	-	-	-
Operating reserve	-	-	9,478	(9,478)	-	-	-
Dividend distribution	-	-	-	(806)	(806)	-	(806)
At December 31, 2014	210,000	172,944	80,457		463,401	214	463,615

Empresa de Mecanização Rural S.A.

Statement of cash flows.

Years ended December 31.

All amounts in thousands of reais.

Parent company	**Consolidated**

	2014	2013	2014	2013
Cash flow from operating activities				
Profit for the year	**7,866**	**8,513**	**7,866**	**8,513**
Items not affecting cash and cash equivalents				
Depreciation, amortization and depletion	1,139	1,261	38,160	64,501
Monetary and foreign exchange variations, net	88	60	4,354	42,561
Equity in the results of subsidiaries	(7,061)	(11,179)	(432)	881
Adjustment to present value	-	-	(1,286)	(5,988)
Gain on biological assets	-	-	(4,882)	(28,285)
(Gain) loss on disposal of assets	-	-	192	(5,301)
Deferred taxes	(291)	(2,124)	(7,398)	(10,543)
Disposal of assets	-	-	-	8,519
Provision for contingencies	-	-	84	(18)
Provision for impairment loss	(270)	3,694	726	3,694
Non-controlling interests in the result for the year			(86)	6
	1,471	225	37,298	78,540
(Increase) decrease in operating assets				
Trade receivables	(25)	(37)	(20,622)	10,999
Inventories	-	7,728	(11,372)	27,875
Taxes recoverable	11	-	(5,876)	(1,805)
Prepayments	(55)	2,465	668	2,755
Dividends receivable	152	-	-	-
Prepaid expenses	(16)	5	(172)	111
Judicial deposits	(1)	-	1,801	(843)
Other receivables	(210)	-	2,169	(373)
	(144)	10,161	(33,403)	38,719
Increase (decrease) in operating liabilities				
Trade payables	114	(469)	42,483	82,620
Prepayments	(2,085)	2,105	(15,447)	44,098
Taxes in installments	-	-	(8,009)	33
Social charges	86	73	(168)	(125)
Tax liabilities	(8)	74	(565)	6,516
Export agents' commission	-	-	-	6,270
Other current liabilities	-	6	(936)	1,160
	(1,893)	1,789	17,358	140,572
Net cash provided by (used in) operating activities	(566)	12,175	21,253	257,831
Cash flows from investing activities				
Investments in property plant and equipment	(42)	(2,727)	(20,708)	(163,413)
Investments in biological assets	-	-	(49,678)	(28,967)
Financial investments	(37,377)	-	(2,079)	(4,831)
Investment in intangible assets	(1,455)	-	(3,018)	-
Financial investments	-	-	-	(1,087)
Disposal of investment	-	-		39
Disposal of property, plant and equipment	3,543	-	6,551	150
Disposal of biological assets	-	-	-	10,990
Dividends received	-	334	-	-
Net cash (used in) investing activities	(35,331)	(2,393)	(68,932)	(187,119)
Cash flow from financing activities				
Capital decrease	(532)	-	(532)	-
Payment of dividends	(3,632)	(1,735)	(3,647)	(1,736)
Current account between related parties	41,501	(8,606)	75,550	(857)
Borrowings		757	9,688	199,533
Repayments	(426)	(162)	(33,789)	(268,877)
Payment of interest	(111)	(54)	(2,076)	
Net cash provided by (used in) financing activities	36,800	(9,800)	45,194	(71,937)
Increase (decrease) in cash and cash equivalents	903	(18)	(2,485)	(1,225)
Statement of increase (decrease) in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year	3	21	3,493	4,718
Cash and cash equivalents at the end of the year	906	3	1,008	3,493

Increase (decrease) in cash and cash equivalents	903	(18)	(2,485)	(1,225)

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

Empresa de Mecanização Rural S.A.
Notes to the financial statements at December 31, 2014.

All amounts in thousands of reais unless otherwise stated.

1 General information.

Empresa de Mecanização Rural S.A. ("Meca" or Company"), is mainly engaged in ground-leveling, paving and related works, railway infrastructure and superstructure, development of agricultural mechanized services, forestation, reforestation, development of forestry and agricultural projects, management and sale of forests and related by-products, sale of properties and related subcontractor services, operation of hotels and leasing of assets and properties and investments in other companies.

Meca, the Group's parent company, is a corporation located at Av. Afonso Pena, 4100, 10th floor, Room 1, Cruzeiro District, City of Belo Horizonte, State of Minas Gerais, Brazil. It was formed on October 24, 1968, with its organization documents registered with the Board of Trade of the State of Minas Gerais.

The issue of the financial statements of Empresa de Mecanização Rural S.A. for the year ended December 31, 2014, was authorized by Management on June 10, 2015.

The Company's business includes pig iron production; activities of forestation and reforestation; coal production; electrical energy generation; sugar cane cultivation; ethanol production; and real estate activities, developed through its subsidiaries.

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

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

Ferroeste Industrial Ltda. (“Ferroeste”) is mainly engaged in the transformation or processing, and sale of its own forests and their products, with due regard to the legal provisions, as well as the purchase, sale and lease of its own residential and non-residential properties, land and parking stalls; operation of parking lots; and other activities inherent to the real estate business. Ferroeste is a limited partnership, located at Av. Afonso Pena, 4,100, 10th floor, room 05 - Cruzeiro District, City of Belo Horizonte, State of Minas Gerais, Brazil. It was established on May 26, 1959, with its organization documents registered with the Board of Trade of the State of Minas Gerais.

G5 Agropecuária Ltda. (“G5”) is engaged in activities related to agriculture, cattle raising, forest exploitation, timber extraction, charcoal production and eucalyptus cultivation, and may develop all activities related to agriculture and cattle raising, sale of agricultural 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, as well as perform activities related to the sale of real estate and the provision of business management consultancy.

G5 is a limited partnership, located at Av. Afonso Pena, 4,100, 10th floor, Room 02 - Cruzeiro District, City of Belo Horizonte, State of Minas Gerais, Brazil, established on August 1, 1984, with its organization documents registered with the Board of Trade of the State of Minas Gerais.

Energia Viva Agroflorestal Ltda. ("Energia Viva") is engaged in forestation, reforestation and related activities. Energia Viva is a limited partnership located at Fazenda Sibéria – Rodovia BR 226, km 41, s/n, Zona Rural, City of Grajaú, State of Maranhão, Brazil, which was established on October 10, 2007, with its organization documents registered with the Board of Trade of the State of Maranhão.

Destilaria Veredas Indústria de Açúcar e Álcool Ltda. ("Destilaria Veredas") is engaged in the manufacture and sale of sugar, ethanol and related by-products. Destilaria Veredas is a limited partnership located at Fazenda Tapera – Rodovia BR-040, km 186, left entry, Zona Rural, City of João Pinheiro, State of Minas Gerais, Brazil, which was formed on November 3, 2008, with its organization documents registered with the Board of Trade of the State of Minas Gerais.

Veredas Agro Ltda. ("Veredas Agro") is engaged in the cultivation and sale of sugarcane and related products. Veredas Agro is a limited partnership located at Fazenda Tapera – Rodovia BR-040, km. 186, left entry, Zona Rural, City of João Pinheiro, State of Minas Gerais, Brazil, which was formed on May 20, 2008, with its organization documents registered with the Board of Trade of the State of Minas Gerais.

Ferroeste Industrial do Espírito Santo S.A. ("FIESA") is mainly engaged in the purchase, sale and lease of its own residential and non-residential properties, land and parking stalls; operation of parking lots; and other activities inherent to the real estate segment. FIESA is a privately-held corporation headquartered at Av. Afonso Pena, 4,100, 10th floor, Room 03, Ed. Atlântico, Cruzeiro District, City of Belo Horizonte, State of Minas Gerais, Brazil, which was formed on January 12, 1985, with its organization documents initially registered with the Board of Trade of the State of Espírito Santo and afterwards transferred to Minas Gerais.

Carvalho Projetos, Empreendimentos e Consultoria Ltda. ("Carvalho") which is mainly engaged in forestation activities on its own behalf or on behalf of third parties, and may invest in other companies and sell properties, had its operating activities suspended during the period under analysis. Carvalho is a limited partnership located at Fazenda Godinho, BR 367, KM 06, s/n – Lado Norte Portaria, Posses District, City of Turmalina, State of Minas Gerais, Brazil, which was established on February 8, 1971, with its organization documents registered with the Board of Trade of the State of Minas Gerais.

The financial statements for 2013, presented for comparative purposes, include information on **Gusa Nordeste S.A. ("Gusa")**, which is mainly engaged in the manufacture, sale, import and export of steel products, especially steel and pig iron in all their forms and by-products, as well as inputs and the equipment required for their production, transformation or processing, sale of own forests and their 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 production, extraction of metallic and non-metallic minerals and investments in other companies, with due regard to the legal provisions. As disclosed in Note 20 (a) to the financial statements, on June 6, 2014 the Company's shareholders approved a capital reduction through the return of the entire investment held on Gusa to the shareholders, in proportion to their interest.

Gusa is a privately-held corporation headquartered at Rodovia BR 222, Km 14,5, Pequiá District, City of Açailândia, State of Maranhão, Brazil, which was established on October 3, 1984, with its organization documents registered with the Board of Trade of the State of Maranhão.

2 Summary of significant accounting policies.

The main 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 Preparation basis.

The financial statements have been prepared in accordance with accounting practices adopted in Brazil and issued by the Brazilian Accounting Pronouncements Committee ("CPC"). These financial statements have been prepared under the historical cost convention, as modified by the deemed cost applicable on the transition date to 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.

2.2 Consolidation basis.

The consolidated financial statements include the operations of the Company and the following subsidiaries, in which the Company's ownership interest at the balance sheet date was as follows:

Subsidiaries	Ownership interest (%)	
	2014	2013
Gusa Nordeste S.A.	-	99.95
CBF Indústria de Gusa S.A.	99.95	99.95
Fiesa - Ferroeste Industrial do Espírito Santo S.A.	99.95	99.95
Ferroeste Industrial Ltda.	99.95	99.95
G5 Agropecuária Ltda.	99.95	99.95
Veredas Agro Ltda.	99.95	99.95
Destilaria Veredas Indústria Açúcar e Álcool Ltda.	99.95	99.95
Energia Viva Agroflorestal Ltda.	99.95	99.95
Carvalho Projetos Empreendimentos e Consultoria Ltda.	99.95	99.95

(a) Subsidiaries.

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The financial years of the subsidiaries included in the consolidation coincide with those of the parent company and the accounting practices and policies were uniformly applied in the subsidiaries, on a consistent basis with the prior year. The following criteria are adopted for consolidation purposes: investments in subsidiaries and equity in the results of investees are eliminated; profits from intercompany transactions and the related assets and liabilities are also eliminated; and the amount of non-controlling interest is calculated and shown separately.

(b) Investment in associates.

Associates are all entities over which the Group has significant influence but not control,
generally accompanied by a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for on the equity method of accounting and are initially recognized at cost.

The Group's share of the profit or loss of its associates is recognized in the statement of income and its share of reserve movements is recognized in the Group reserves. When the Group's share of losses in an associate equals or exceeds the carrying amount of its investment in the associate, including any other receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in accounting policies and disclosures.

There are no new CPC pronouncements or interpretations effective from 2014 that would be expected to have a material impact on the parent company or consolidated financial statements.

2.3 Functional currency and translation of foreign currency.

(a) Functional and presentation currency.

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

Foreign exchange gains and losses that relate to "Borrowings", "Advances on foreign exchange contracts" and "Commissions to agents" are presented in the statement of income as "Foreign exchange variations, net".

2.4 Cash and cash equivalents.

Cash and cash equivalents are held with the purpose of meeting the needs for short-term cash, not for investment or any other purposes. The Company and its subsidiaries consider as cash and cash equivalents financial investment readily convertible, bank deposits and other short-term and highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value.

2.5 Financial assets.

2.5.1 Classification.

The Group classifies its financial assets, upon 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.

At December 31, 2014 and 2013, the Group did not have financial assets classified as available-for-sale.

(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 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 Group's loans and receivables comprise "Trade receivables" and "Cash and cash equivalents".

2.5.2 Recognition and measurement.

Normal purchases and sales of financial assets are typically recognized on the trade date. 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. 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 income in the period in which they arise.

2.5.3 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.

2.5.4 Impairment of financial assets.

The Group 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 income. As a practical expedient, the Group 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 income.

2.6 Trade receivables.

Trade receivables are amounts due for products sold in the ordinary course of the Group'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 amount, considering the average term of receipt.

2.7 Inventories.

Inventories are stated at average cost, net of taxes to be offset, when applicable, and the 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.

2.8 Investments (parent company).

These refer to investments in subsidiaries and associates, which are accounted for under the equity method in the parent company's financial statements, based on the Company's ownership interests in these companies. The financial statements of subsidiaries are prepared for the same reporting period as those of the parent company. When necessary, adjustments are made to bring their accounting policies in line with those adopted by the Company.

2.9 Property, plant and equipment.

Property, plant and equipment are stated at acquisition or construction cost, less taxes to be offset, when applicable, and accumulated depreciation.

The Group has opted for adopting the deemed cost, adjusting the opening balances on the transition date, at January 1, 2009, by their fair values estimated by means of a study carried out by specialized company. The assets acquired subsequently to the transition date were recorded at the cost of acquisition.

Depreciation is calculated using the straight line method taking into consideration the estimated useful lives of the assets based on the expectation of the generation of future economic benefits. The estimated useful lives of the assets are reviewed annually and, if necessary, adjusted.

Useful life review	
Buildings	30 to 48 years
Facilities	3 to 10 years
Machinery and equipment	4 to 15 years
Vehicles	3 to 10 years
Furniture and fittings	3 to 5 years
Data center	3 to 8 years

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 income.

2.10 Leases.

Lease payments are allocated between finance charges and a reduction of the lease liability, so as to obtain a constant interest rate on the remaining balance of liabilities. Finance charges are recognized in the statement of income.

2.11 Biological assets.

The Group assesses its biological assets annually and gains or losses on the fair value variation are recognized in the statement of income for 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 is calculated based on the volume cut in relation to the existing potential volume.

2.12 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.

2.13 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 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.

2.14 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.

2.15 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 income over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group 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.

2.16 Provisions.

Provisions are recorded when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources 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.

2.17 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 income, 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 Group in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

2.18 Tax incentives.

Tax incentives are recognized where there is a reasonable assurance that the benefit will be received and that all established conditions for the grant will be met. When the benefit relates to an expense item, it is recognized as revenue over the period of benefit, on a systematic basis in relation to the costs intended to be offset by the benefit. When the benefit relates to an asset, it is recognized as deferred revenue and recorded in the statement of income at equal amounts over the expected useful life of the corresponding asset.

2.19 Revenue recognition.

(a) Sale of goods.

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

The Group 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 the Group's activities. The Group bases its estimates 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 finance 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 Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the 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 broad aspect of international business relations, as well as the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could require future adjustments to tax income and expense already recorded. The Group 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 Group companies.

Deferred tax assets are recognized for unused tax losses to the extent 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 Group's business, the use of this asset in the productive process, the opportunities and restrictions of use, and formation and growth cycle.

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

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

The Group is exposed to risks related to market, credit and liquidity.

(a) Market risk.

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate 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 Group's exposure to the risk of changes in market interest rates mainly refers to long-term liabilities that are subject to variable interest rates. The Group'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 Group's exposure to fluctuations in the foreign exchange rates relate mainly to operating activities and funding obtained in foreign currency.

(iii) Commodity price risk.

The main products sold by the Group, pig iron and ethanol, are commodities 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 with a customer, leading to a financial loss. The Group 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.

(ii) Financial instruments and cash deposits.

The credit risk of balances with banks and other financial institutions is managed by the Group's treasury area. Following its investment policies, the Group maintains its financial investments in low-risk instruments with financial institutions considered by management as prime institutions in Brazil, based on the ratings disclosed by risk rating agencies. Management considers these financial assets as cash and cash equivalents due to their immediate liquidity with financial institutions.

(c) Liquidity risk.

The Group 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 Group is subject to laws and regulations pertinent to its activities. The Group 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 Group's operating activities are exposed to risks of damage caused by climatic changes, plagues, disease, forest fires and other forces of Nature. The Group has processes in place to mitigate these risks, including regular inspections of the plantation area.

4.3 Fair value estimation.

The carrying values of the balances of trade receivables and payables, less impairment provision in the case of trade receivables, 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 that is available to the Group for similar financial instruments.

4.4 Capital management.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Total borrowings (Note 15)	641	1,090	66,983	296,133
Less: cash and cash equivalents (Note 5)	(906)	(3)	(1,008)	(3,493)
Financial investments	-	-	-	(19,291)
Net debt	(265)	1,087	65,975	273,349
Total equity (Note 21)	463,401	660,113	463,401	660,113
Total capital	463,136	661,200	529,376	933,462
Gearing ratio - %	(0.1)	0.2	12	29

5 Cash and cash equivalents.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Fixed fund	6	2	10	7
Demand deposits	7		76	28
Financial investments	893	1	922	3,458
	906	3	1,008	3,493

6 Trade receivables.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Domestic market	254	229	14,372	10,855
Foreign market	-	-	3,581	5,525
Related parties	-	-	14,028	-
	254	229	31,981	16,380
Current	239	229	26,426	12,968
Non-current	15	-	5,555	3,412

Correspond to customers of domestic and foreign market. Management understands that there is no risk on the realization of the balance of trade receivables in the periods under analysis, since its portfolio is mostly comprised of major customers, with long-term contracts and no history of losses. Accordingly, the Group has not recorded any provision for the realization of this amount.

7 Inventories.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Finished product - Pig iron	-	-	13,414	12,530
Finished product - Ethanol	-	-	7,466	5,435
Properties for sale	100	100	10,742	12,313
Livestock and temporary crops	-	-	3,177	4,208
Raw materials	-	-	14,422	16,173
Store room	-	-	870	2,321
Other inventories	-	-	184	684
	100	100	50,275	53,664

8 Taxes recoverable.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
State Value-Added Tax (ICMS) (a)	-	-	15,895	25,665
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS) (b)	1	3	5,315	22,025
Corporate Income Tax (IRPJ)/Social Contribution on Net Income (CSLL)	-	7	801	4,292
Excise Tax (IPI)	-	-	72	273
Reintegra (c)	-	-	1,291	2,553
Other	-	2	2,151	2,365
	1	12	25,525	57,173
Current	1	9	13,954	35,374
Non-current		3	11,571	21,799

(a) Mostly refers to credit arising from exports.

(b) 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).

(c) REINTEGRA - Special Tax Refund Regime for Exporters of Manufactured Goods, which has the purpose of refunding the amounts related to residual tax costs existing in the production chain of export companies. The program gives exporters of domestically manufactured goods a tax refund of up to 3% of the amounts exported from October 2012 through the third quarter of 2014.

9 Advances.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Advances to suppliers	37	3	4,239	6,272
Advances to employees	35	14	298	176
	72	17	4,537	6,448

10 Investments.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
In subsidiaries and associates	430,748	592,136	2,172	14,147
Other investments	171	-	2,352	435
	430,919	592,136	4,524	14,582

(a) Changes.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Opening balance	592,136	614,788	14,582	14,584
(+) Equity in the results of subsidiaries	7,061	11,179	432	(881)
(-) Equity in the results of subsidiaries (derecognition of Reserve)	(15,606)	-	-	-
(+) Increase in ownership interest	37,377	-	2,513	4,810
(-) Decrease in ownership interest	(187,635)	-	(12,965)	(237)

(-) Dividends	(2,414)	(30,137)	-	-
(-) Provision for losses	-	(3,694)	-	(3,694)
(+) Other changes	-	-	(38)	-
	430,919	592,136	4,524	14,582

(b) Information on investees.

	Information on investees						Investment	
	Capital	Number of shares/quotas held	Equity	Profit (loss) for the year	Ownership interest (%)	Equity in the results of subsidiaries	Cost	Total
At December 31, 2014								
Ferroeste Industrial Ltda.	20,000	99,950	57,155	3,645	99.95%	57,128	-	57,128
CBF Indústria de Gusa S.A	34,000	99,946	92,028	7,316	99.95%	91,982	-	91,982
Fiesa Ferroeste do Espírito Santo S.A.	1,000	99,950	7,163	929	99.95%	7,160	-	7,160
G5 Agropecuária Ltda.	11,000	10,994,500	48,518	(2,489)	99.95%	48,494	-	48,494
Veredas Agro Ltda.	60,000	59,970,000	36,974	597	99.95%	36,956	-	36,956
Destilaria Veredas Indústria de Açúcar e Álcool Ltda.	36,000	35,982,000	39,227	(3,037)	99.95%	39,207	-	39,207
Energia Viva Agroflorestal Ltda.	75,100	75,062,450	141,375	252	99.95%	141,305	-	141,305
Carvalho Projeto Empreendimentos Consultoria Ltda.	2,500	2,498,750	6,362	(18)	99.95%	6,406	-	6,406
Escarpas do Corumbá Empreendimentos Ltda.	4,429	2,214,313	4,219	(51)	50.00%	2,110	62	2,172
Other investments	-	-	-	-	-		109	109
						430,748	171	430,919
At December 31, 2013								
Ferroeste Industrial Ltda.	20,000	99,950	53,510	32,925	99.95%	53,484	-	53,484
Gusa Nordeste S.A.	37,418	962,271	268,509	(16,714)	99.95%	268,375	-	268,375
CBF Indústria de Gusa S.A	34,000	99,946	86,907	(7,627)	99.95%	86,860	-	86,860
Fiesa Ferroeste do Espírito Santo S.A.	1,000	99,950	6,455	641	99.95%	6,452	-	6,452
G5 Agropecuária Ltda.	11,000	10,994,500	51,006	8,923	99.95%	50,981	-	50,981
Veredas Agro Ltda.	25,000	24,987,500	1,377	(5,118)	99.95%	1,376	-	1,376
Destilaria Veredas Indústria de Açúcar e Álcool Ltda.	36,000	35,982,000	42,264	(535)	99.95%	42,243	-	42,243
Energia Viva Agroflorestal Ltda.	65,000	64,967,500	75,979	(1,308)	99.95%	75,941	-	75,941
Carvalho Projeto Empreendimentos Consultoria Ltda.	2,500	2,498,750	6,366	(1)	99.95%	6,362	62	6,424
						592,074	62	592,136

	Information on investees						Investment	
	Capital	Number of shares/quotas held	Equity	Profit (loss) for the year	Ownership interest (%)	Equity in the results of subsidiaries	Cost	Total
At December 31, 2014								
Escarpas do Corumbá Empreendimentos Ltda.	4,429	2,214,313	4,219	(51)	50.00%	2,110	62	2,172
Other	-	-	-	-	-	-	2,352	2,352
						2,110	2,414	4,524
At December 31, 2013								
Cimento Verde do Brasil S.A	25,869	12,934,396	25,082	(1,762)	50.00%	12,541	-	12,541
Escarpas do Corumbá Empreendimentos Ltda.	3,502	3,502	4,194	(26)	48.37%	1,606	382	1,988
Other	-	-	-	-	-	-	53	53
						14,147	435	14,582

Escarpas do Corumbá Empreendimentos.

Investment in the associated company Escarpas do Corumbá Empreendimentos Ltda. ("Escarpas do Corumbá") a real estate enterprise located in Abadiânia, State of Goiás.

11 Balances and transactions with related parties.

The amounts refer to receivables and payables between the Group companies, which are interest-free 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.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Assets				
Trade receivables				
Gusa Nordeste S.A.	-	-	14,028	-
	-	-	14,028	-

Dividends receivable				-
Gusa Nordeste S.A.	6,113	6,113	6,113	-
CBF Indústria de Gusa S.A	2,193			-
Fiesa Ferroeste do Espírito Santo S.A.	221	152	-	-
	8,527	6,265	6,113	-
Related parties				
Gusa Nordeste S.A.	30,052	86,651	30,052	-
G5 Agropecuária Ltda.	5,186	217	-	-
Destilaria Veredas Indústria de Açúcar e Álcool Ltda.	-	10,570	-	-
Energia Viva Agroflorestal Ltda.	20,985	16,475	21,471	-
CBF Indústria de Gusa S.A	-	-	10,172	-
Other related parties	189	-	189	-
	56,412	113,913	61,884	-
Liabilities				
Related parties				
Ferroeste Industrial Ltda.	10,119	17,975	-	-
CBF Indústria de Gusa S.A	49,633	64,065	-	-
Destilaria Veredas Indústria de Açúcar e Álcool Ltda.	4,570	-	-	-
Fiesa Ferroeste do Espírito Santo S.A.	2,087	429	-	-
Carvalho Projetos Empreendimentos Consultoria Ltda.	47	61	-	-
Other related parties	72	-	72	14,959
	66,528	82,530	72	14,959
Transactions				
Sales revenues				
Gusa Nordeste S.A.	-	-	8,538	-
	-	-	8,538	-

12 Property, plant and equipment.

Parent company

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data Center	Aircraft	Construction in progress	Total
Cost:									
At December 31, 2013	35,492	14,778	1,852	157	1,178	346	6,075	1,418	61,296
Additions	-	-	8	-	31	3	-	-	42
Disposals	-	(2,091)	-	-	(34)	-	-	(1,418)	(3,543)
At December 31, 2014	35,492	12,687	1,860	157	1,175	349	6,075	-	57,795
Depreciation:									
At December 31, 2013	-	(2,152)	(1,626)	(75)	(985)	(220)	(4,463)	-	(9,521)
Additions	-	(327)	(39)	(12)	(67)	(69)	(625)	-	(1,139)
At December 31, 2014	-	(2,479)	(1,665)	(87)	(1,052)	(289)	(5,088)	-	(10,660)
Net book value:									
At December 31, 2013	35,492	12,626	226	82	193	126	1,612	1,418	51,775
At December 31, 2014	35,492	10,208	195	70	123	60	987	-	47,135

Consolidated

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data Center	Aircraft	Construction in progress	Total
Cost:									
At December 31, 2013	261,043	98,100	217,151	2,499	24,958	1,431	6,075	544,533	1,155,790
Capital decrease	(5,173)	(38,350)	(118,577)	(900)	(7,501)	(415)	-	(535,928)	(706,844)
Additions	-	247	9,682	63	5,718	69	-	4,929	20,708
Disposals/write-offs	-	(2,846)	(1,780)	(162)	(628)	(28)	-	(3,590)	(9,034)
Transfers	4,569	142	181	-	-	-	-	(4,892)	
At December 31, 2014	260,439	57,293	106,657	1,500	22,547	1,057	6,075	5,052	460,620
Depreciation:									
At December 31, 2013	-	(32,809)	(104,644)	(1,330)	(11,865)	(999)	(4,463)	-	(156,110)
Capital reduction	-	10,349	58,321	407	3,397	235	-	-	72,709
Additions	-	(2,561)	(6,705)	(100)	(1,812)	(104)	(626)	-	(11,908)
Disposals/write-offs	-	664	1,086	161	356	24	-	-	2,291
At December 31, 2014	-	(24,357)	(51,942)	(862)	(9,924)	(844)	(5,089)	-	(93,018)
Net book value:									

At December 31, 2013	261,043	65,291	112,507	1,169	13,093	432	1,612	544,533	999,680
At December 31, 2014	260,439	32,936	54,715	638	12,623	213	986	5,052	367,602

13 Biological assets.

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

The balance of the Group's biological assets is made up of the cost of formation and the difference between the fair value and the formation cost, such that the balance of biological assets as a whole is recognized at fair value, less the costs necessary to prepare the assets for use or sale.

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

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

Eucalyptus forests.

(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;-

(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) Estimated forest production volumes are based on stratification by species, genetic material, forest management system, production potential, rotation and age of forests. These characteristics form an index named Average Annual Growth, expressed in cubic meters/ hectare/year, which is used as the basis of productivity projection. The Group's harvesting plan varies between six and seven years for eucalyptus trees;-

(iv) The prices of biological assets, denominated in R$/cubic meter, are obtained through market research, based on information disclosed by specialized companies, and also on prices practiced by the Group in sales to third parties. The prices obtained are adjusted by deducting the capital costs relating to land, since they refer to assets that contribute to the planting of forests, and other costs necessary to prepare the assets for sale or consumption;-

(v) Planting expenses refer to the costs of formation of biological assets;-

(vi) The depletion of biological assets is calculated based on the fair value of biological assets harvested in the period;-

(vii) The Group reviews the fair value of its biological assets annually, understanding that this frequency is sufficient to prevent inconsistency in the fair value of the biological assets reported in its financial statements.

Sugar cane.

(i) Sugar cane plantations are recorded at historical cost, as management understands that during this period, the historical cost of biological assets approximates their fair value;-

(ii) Planting expenses refer to the costs of formation of biological assets;-

(iii) Depletion of biological assets is calculated based on the cost of biological assets harvested in the period;-

(b) Basis for changes in fair value.

The depletion of biological assets for the periods was charged to production cost, after initial allocation to inventories when forests are harvested and the subsequent utilization in the production process or sale to third parties.

Changes

	Total
At December 31, 2012	282,018
Acquisition	36,357
Depletion	(43,506)
Valuation	28,285
Disposals	(5,715)
At December 31, 2013	297,439

Acquisition	53,345
Depletion	(26,351)
Valuation	4,882
Disposals	(23,012)
Return in 2014 (a)	(126,674)
At December 31, 2014	179,629

(a) Refers to cancellation and return of agreement previously signed, due to the non-realization of the expected commercial transaction with third parties.

14 Trade payables.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Domestic market	276	232	81,030	132,232
Foreign market	-	-	-	11,642
	276	232	81,030	143,874

15 Borrowings.

The balances of borrowings in the parent company and consolidated are as follows:

		Parent company		Consolidated	
Description	**Currency**	**2014**	**2013**	**2014**	**2013**
BNB – Industry	R$	-	-	-	181,841
BNB – Rural (1)	R$	-	-	42,221	45,655
Working capital	R$	-	199	-	33,313
BB – Industry (2)	R$	-	-	8,283	26,023
ROF (3)	US$	-	-	9,163	3,919
Government Agency for Machinery and Equipment Financing (FINAME)	R$	-	-	6,619	4,359
Consortium	R$	-	-	56	132
Lease	R$	641	891	641	891
		641	1,090	66,983	296,133
Current		299	365	12,043	78,197
Non-current		342	725	54,940	217,936

Borrowing rates range from 7% and 15% p.a. Borrowings are guaranteed by machinery and equipment, urban plots of land and farms.

The Group is subject to covenants as determined by agreements, based on certain indicators of guarantee coverage. For the year ended December 31, 2014, the Group presents indications that the covenants have been complied with.

Maturity Year	**Amount**
2016	8,716
2017	9,387
2018	10,866
2019	11,839
2020	12,581
2021 to 2023	1,551
	54,940

The nature of the borrowings is described below:

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

(2) Banco do Brasil – Resources intended for the maintenance of the operating ability to acquire inputs and machinery and equipment for the products manufacturing.

(3) Resources obtained with Banco Safra N. Bank of New York, equivalent to US$ 5,000 (US$ 5,585 in 2012), with interest rate of 3.75% per annum.

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 have 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.

17 Taxes payable in installments.

	Consolidated	
	2014	**2013**
REFIS - State (a)	243	288
Brazilian Federal Revenue Service (RFB) – Refis - 2000 (b)	3,606	3,725
RFB – Refis - Law 11,941 (c) and (d)	2,353	10,198
	6,202	14,211
Current	229	1,733
Non-current	5,973	12,478

Based on studies and preliminary assessments, the Group's management has opted to enroll in the State and Federal programs for taxes payable in installments.

a) Refers to the installment payment of debts related to tax rate difference determined in tax audits of the subsidiary G5 Agropecuária, with final payment scheduled for March 2017.
b) Tax Recovery Program (REFIS), including all federal taxes, basically, income tax, social contribution, PIS, COFINS, and INSS. Payments are settled on a monthly basis and are equivalent to 0.6% of the sales of the subsidiary Ferroeste.
c) Amounts related to tax assessment notices issued by the Brazilian Environmental Institute (IBAMA) against the subsidiary CBF. The Company used the benefits of Laws 12,249/2009 and 12,296/2014 for the settlement, which consisted of 180 installments and used the amnesty granted. The debit balance is restated based on the SELIC rate, and final maturity is scheduled for September 2028.
d) Subsidiaries CBF and G5 Agropecuária filed on December 1, 2014 a Request for Early Settlement of Installment Payments with the RFB, based on Article 33 of MP 651 of July 9, 2014, requesting the early settlement under the Joint Ordinance PGFN/RFB No. 15 dated August 22, 2014, of all balances related to tax installment payments administered by the SRF/PGFN..

18 Provisions for contingencies.

The provisions for civil, labor, tax and environmental 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 following provisions were recorded:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Labor	-	-	63	773
Civil	-	330	529	635
Tax	60	-	730	4,468
	60	330	1,322	5,876

The Group also identifies, in the subsidiaries G5, CBF and Veredas, 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$ 1,246 at December 31, 2014 (R$ 7,527 in 2013). The amount was not provided for according to management's judgment and accounting practices adopted in Brazil.

19 Court deposits.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Court deposits	-	-	995	2,255
Judicially frozen amounts	5	4	222	1,131
	5	4	1,217	3,386

20 Equity.

(a) Share capital.

Pursuant to the Minutes of the Extraordinary General Meeting held on June 6, 2014, the Company's Capital was increased by R$152,000, through the incorporation of the revenue reserve. Subsequently, the capital was reduced by R$142,000, through the return, to the shareholders, of their total investment in the subsidiary Gusa Nordeste S.A., which belonged to the Company at date.

The subscribed and paid-up capital of the Company is R$ 210,000, comprised of 210,000,000 shares.

(b) Revenue reserves.

	Parent company	
	2014	**2013**
Legal reserve (i)	819	425
Unrealized revenue reserve (ii)	4,376	2,022
Profit retention reserve (iii)	75,262	217,785
	80,457	220,232

(i) Legal reserve.

The reserve is 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 capital.

(ii) Unrealized revenue reserve.

Refers to the unrealized portion of profit for the year.

(iii) Profit retention reserve.

Comprises the remaining balance of retained earnings after transfers, which is awaiting definition of the General Meeting for its allocation.

(c) 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.

(d) Profit distribution.

The shareholders are entitled to a mandatory minimum dividend corresponding to 25% of the profit for the year, adjusted as established in Article 38 of the bylaws.

	2014	**2013**
Profit for the year	7,866	8,513
Realization of reserve	5,165	-
Transfer to legal reserve	(393)	(425)
Minimum dividend calculation basis	12,638	8,088
Dividends computed	3,160	2,022
Realized profit share to be distributed	806	-
Unrealized profit share (unrealized revenue reserve)	2,354	2,022

21 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 tax losses.

(a) Income tax and social contribution.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Current	(266)	(341)	(7,476)	(13,244)
Deferred	291	2,124	6,487	11,924
	25	1,783	(989)	(1,320)

(b) Current taxes

The Company has opted for computing the presumed profit on a quarterly basis (cash basis), having the amounts determined and allocated to the statement of income as follows:

Parent company

	2014		2013	
	IRPJ	CSLL	IRPJ	CSLL
Domestic market revenue				
Revenue from rental received	2,001	2,001	2,100	2,100
Revenue from real estate received	-	-	4,429	4,429
	2,001	2,001	6,529	6,529
Presumed basis (IRPJ 8%; CSLL 12%) (1)	-	-	354	531
Presumed basis (IRPJ 32%; CSLL 32%) (2)	640	640	672	672
Other revenues (3)	213	213	1	1
Presumed profit calculation basis (1+2+3)	853	853	1,027	1,204
IRPJ (15%)	128	-	154	-
IRPJ (10%)	61	-	79	-
CSLL (9%)	-	77	-	108

		Consolidated
	2014	2013
Profit (loss) before income tax and social contribution	8,859	9,839
Combined standard rate of income tax and social contribution - %	34%	34%
Income tax and social contribution at statutory rates	(1,927)	3,345
Adjustments for the calculation of the effective rate:		
Permanent additions and exclusions	(4,242)	1,975
Realization of tax losses	-	(4,998)
Adjustment related to depreciation	(1,953)	-
Income tax and social contribution losses (i)	- 7,133	-
Superintendency for the Development of the Northeast (SUDENE) benefit	-	(1,642)
Income tax and social contribution expenses in the result for the year	(989)	(1,320)

(i) In 2014, Veredas Agro sold R$20,980 related to income tax losses and R$ 20,980 related to social contribution losses to its parent company Empresa de Mecanização Rural S.A. to be used for early settlement of installment payments, pursuant to article 33 of Provisional Measure (MP) 651 of July 9, 2014 (Joint Ordinance of the General Counsel to the National Treasury (PGFN)/ Brazilian Federal Revenue Service (RFB) No. 15 of August 22, 2014). Consequently, it recorded income from deferred income tax and social contribution on these credits in the amount of R$ 7,133. The deferred asset was written off upon its receipt in kind.

(c) Deferred taxes

	Parent company		Consolidated	
	2014	2014	2014	2014
Assets				
Income tax and social contribution losses	-	-	4,369	4,882
Contingencies	-	-	47	141
Exchange variation	-	-	2,386	4,717
Depreciation difference	-	-	116	116
	-	-	6,918	9,856
Liabilities				
Carrying value adjustment	12,937	13,228	89,315	84,148
Valuation of biological assets	-	-	7,706	8,225
Depreciation difference	-	-	4,000	3,782
Adjustment to present value	-	-	1,194	1,331
Deferred income	-	-	48	4
	12,937	13,228	102,263	97,490

22 Net sales.

The reconciliation between gross sales revenue and net revenue, presented in the statement of income for the year, is as follows:

	Parent company		Consolidated	
	2014	2013	2014	2013
Pig iron – foreign market	-	-	156,908	282,704
Pig iron – domestic market	-	-	43,040	71,275
Electrical energy	-	-	2,327	5,949
Ethanol	-	-	28,959	23,935
Real estate	-	4,000	2,746	50,962
Rental	2,001	2,100	2,444	3,002
Other products	-	-	12,187	4,786
(-) ICMS	-	-	(7,226)	(15,022)
(-) PIS/COFINS	(73)	(238)	(3,811)	(13,028)
(-) IPI	-	-	(407)	(2,821)
(-) INSS	-	-	(925)	(1,227)
(-) Cancellation and returns	-	(1)	(1,031)	(1,184)
	1,928	5,861	235,211	409,331

23 Cost by nature.

	Parent company		Consolidated	
	2014	2013	2014	2013
Raw materials	-	-	(102,244)	(183,464)
Intermediary materials	-	-	(1,223)	(1,175)
Depletion	-	-	(12,216)	(18,360)
Personnel	-	-	(22,027)	(32,501)
Services	-	-	(13,379)	(16,137)
Depreciation	(289)	-	(12,848)	(19,062)
Maintenance	-	-	(9,930)	(9,230)
Electrical energy	-	-	(3,297)	(4,637)
Lease of equipment	-	-	(2,938)	(1,134)
Fuel and lubricants	-	-	(2,488)	(3,557)
Distribution and logistics	-	-	(2,629)	(1,160)
Properties	-	(6,017)	(1,571)	(20,592)
Inventory adjustment	-	-	(413)	(4,727)
General	-	-	(7,463)	(5,623)
	(289)	(6,017)	(194,666)	(321,359)

24 Expenses by nature.

	Parent company		Consolidated	
	2014	2013	2014	2013
Distribution and logistics	-	-	(5,993)	(26,726)
Commercial support	-	-	(5,459)	(3,600)
Personnel	(80)	(72)	(7,387)	(10,129)
Outsourced services	(178)	(9)	(4,334)	(4,014)
Depreciation/amortization/depletion	(617)	-	(2,142)	(712)
Taxes	-	-	(2,840)	(1,538)
Maintenance and preservation	-	-	(704)	(3,786)
Federal tax installments	-	-	(2,690)	-
Losses	(11)	(3,694)	(741)	(5,969)
General	-	-	(884)	(525)
Other income and expenses	145	(697)	(2,192)	281
	(741)	(4,472)	(35,366)	(56,718)
Sales and distribution	(400)	-	(12,205)	(29,714)

General and administrative	(527)	(4,475)	(25,913)	(38,082)
Other operating income (expenses), net	186	3	2,752	11,078
	(741)	(4,472)	(35,366)	(56,718)

25 Finance result.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Discounts obtained	-	-	957	532
Interest	4	389	475	739
Income from financial investments	13	-	1,307	1,819
Finance income	17	389	2,739	3,090
Interest	(109)	(197)	(9,310)	(21,078)
Other	(26)	(13)	(464)	(813)
Finance costs	(135)	(210)	(9,774)	(21,891)
Finance result	(118)	179	(7,035)	(18,801)
Foreign exchange gains	-	-	12,945	2,440
Foreign exchange losses	-	-	(7,257)	(32,458)
Provision for foreign exchange variation	-	-	(287)	-
Foreign exchange variation, net	-	-	5,401	(30,018)

* * *

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 40].