CBF Indústria de Gusa S.A.

**Financial statements
in accordance with accounting
practices adopted in Brazil
at December 31, 2015**

Independent auditor's report

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

We have audited the accompanying financial statements of CBF Indústria de Gusa S.A. ("Company"), which comprise the balance sheet as at December 31, 2015 and the 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 consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

CBF Indústria de Gusa S.A.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of CBF Indústria de Gusa S.A. as at December 31, 2015, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Emphasis of matter

The Company presented negative working capital of R$ 125,050 thousand at December 31, 2015 (R$ 23,717 thousand at December 31, 2014), which casts doubt as to its ability to continue as a going concern. As mentioned in Note 1 to the financial statements, the Company's management is maintaining the investments intended to improve its production, and understands that sufficient future profit will be generated for the continuity of its activities. 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, 09, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 “F” MG

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1 “S” MG

CBF – MANAGEMENT REPORT
2015

In compliance with legal and statutory provisions, we submit for your appreciation the financial statements of CBF INDÚSTRIA DE GUSA S.A. for the year ended December 31, 2015, as required by the provisions of the Brazilian Accounting Pronouncement Committee (CPC) applicable to them, together with the independent auditor's report.

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

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

The Company settled borrowings previously contracted, in the amount of 7.4 million, and renegotiated payment in installments for existing outstanding debts, in order to clear its liabilities and conduct business in a better manner. It started loading ships in Porto de Paul, currently owned by the Union of Pig Iron Industries of Minas Gerais, which reduced the costs of stevedoring services and committed to the shipping deadlines.

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

CBF INDUSTRY OF GUSA S.A. believes that the results will improve in coming years, not only due to an increase in production, but also because of the recovery of American, European and Asian markets.

CBF INDÚSTRIA DE GUSA S.A. thanks all its customers, suppliers, business partners in general, and, particularly its employees, who contributed to the achievement of the results for 2015. We would also like to emphasize that, through dedication, hard work and perseverance, we will continue contributing to the Company's progress and the sustainable development of the region in which we operate.

The Management.

CBF Indústria de Gusa S.A.

Balance sheet at December 31

All amounts in thousands of reais

Assets	**Note**	**2015**	**2014**
Current assets			
Cash and cash equivalents		63	14
Trade receivables	5	3,392	8,191
Inventories	6	8,582	23,083
Taxes recoverable	7	19,956	11,967
Advances to suppliers		564	640
Prepaid expenses		110	14
		32,667	**43,909**
Non-current assets			
Long-term receivables			
Taxes recoverable	7	2,085	10,086
Deferred tax assets	15	6,472	1,107
Related parties	8	178,608	59,804
Deposits in court		501	639
		187,666	**71,636**
Biological assets	9	22,577	18,875
Investments		3	3
Property, plant and equipment	10	50,868	51,844
Intangible assets		1,207	1,133
		262,321	**143,491**
Total assets		**294,988**	**187,400**

Liabilities	**Note**	**2015**	**2014**
Current liabilities			
Trade payables	11	80,510	61,285
Borrowings	12	2,691	298
Advances on foreign exchange contracts	13	66,953	
Advances from customers		130	362
Social security charges		1,667	1,615
Tax liabilities		3,160	1,679
Dividends payable	16	2,340	2,195
Taxes payable in installments		253	163
Other payables		13	29
		157,717	**67,626**
Non-current liabilities			
Borrowings	12	2,030	353
Taxes payable in installments		2,119	2,161
Contingencies	19	76	76
Export agents' commission	14	18,529	12,604
Deferred tax liabilities	15	13,166	12,552
		35,920	**27,746**
Equity	16		
Share capital		34,000	34,000
Carrying value adjustments		15,276	16,969
Tax incentive reserve		22,224	18,809
Revenue reserve		29,851	22,250
		101,351	92,028
Total liabilities and equity		**294,988**	**187,400**

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

CBF Indústria de Gusa S.A.

Statement of income
Years ended December 31
All amounts in thousands of reais unless otherwise stated

	Note	2015	2014
Net sales revenue	17	**171,117**	**150,654**
Cost of sales	18	(118,790)	(118,565)
Gross profit		**52,327**	**32,089**
Operating income (expenses)			
Sales and distribution	18	(9,629)	(6,691)
General and administrative	18	(12,943)	(11,907)
Other operating income (expenses), net	18	2,857	(1,356)
Gain on biological assets	9	5,337	927
Operating profit		**37,949**	**13,062**
Finance result			
Finance costs		(3,624)	(1,396)
Finance income		133	1,171
Foreign exchange variation, net		(18,212)	(748)
Profit before taxation		**16,246**	**12,089**
Income tax and social contribution	15	(4,584)	(4,773)
Profit for the year		11,662	7,316
Earnings per share - R$		116.62	73.16

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

CBF Indústria de Gusa S.A.

Statement of comprehensive income
Years ended December 31
All amounts in thousands of reais

	2015	2014
Profit for the year	11,662	7,316
Total comprehensive income for the year	11,662	7,316

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

CBF Indústria de Gusa S.A.

Statement of changes in equity
All amounts in thousands of reais

	Share capital	Carrying value adjustments	Tax incentive reserve	Revenue reserves	Retained earnings	Total
At December 31, 2013	34,000	18,797	18,809	15,301		86,907
Profit for the year					7,316	7,316
Realization of reserves		(1,828)			1,828	
Allocations						
Mandatory dividends					(2,195)	(2,195)
Transfer to legal reserve				366	(366)	
Transfer to profit retention reserve				6,583	(6,583)	
At December 31, 2014	34,000	16,969	18,809	22,250		92,028
Profit for the year					11,662	11,662
Realization of reserves		(1,693)			1,693	
Allocations						
Mandatory dividends					(2,339)	(2,339)
Tax incentive reserve			3,415		(3,415)	
Transfer to legal reserve				583	(583)	
Transfer to profit retention reserve				7,018	(7,018)	
At December 31, 2015	34,000	15,276	22,224	29,851		101,351

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

CBF Indústria de Gusa S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of reais

	Note	2015	2014
Cash flows from operating activities			
Profit for the year		11,662	7,316
Items not affecting cash and cash equivalents			
Depreciation, amortization and depletion		8,546	10,461
Adjustment to present value		2,012	(1,286)
Monetary and foreign exchange variations, net		18,545	354
Gain on biological assets	9	(5,337)	(927)
Gain (loss) on sale of property, plant and equipment		(162)	192
Deferred taxes		(4,751)	(1,184)
Provisions for contingencies			(69)
		30,515	14,857
(Increase) decrease in operating assets			
Trade receivables		4,773	(4,559)
Inventories		13,999	(10,089)
Taxes recoverable		12	(4,661)
Advances to suppliers		(2,359)	(115)
Prepaid expenses		(96)	19
Deposits in court		138	1,461
		16,467	(17,944)
Increase (decrease) in operating liabilities			
Trade payables		17,213	17,446
Advances from customers		(253)	(5,962)
Social security charges		52	274
Tax liabilities		1,481	1,570
Taxes payable in installments		48	(5,011)
Other payables		(16)	29
		18,525	8,346
Net cash provided by operating activities		65,507	5,259
Cash flows from investing activities			
Investments in property, plant and equipment	10	(4,476)	(11,249)
Investments in biological assets		(923)	(2,193)
Investments in intangible assets		(214)	(1,130)
Disposal of property, plant and equipment		268	2,404
Net cash used in investing activities		(5,345)	(12,168)
Cash flows from financing activities			
Payment of dividends		(2,194)	
Payables to/receivables from related parties		(118,804)	27,545
Advances on foreign exchange contracts		57,045	(18,237)
Borrowings		4,700	17
Amortizations		(694)	(2,352)
Payment of interest		(166)	(66)
Net cash provided by (used in) financing activities		(60,113)	6,907
Increase (decrease) in cash and cash equivalents		49	(2)
Statement of increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		14	16
Cash and cash equivalents at the end of the year		63	14
Increase (decrease) in cash and cash equivalents		49	(2)

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

1 General Information

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

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

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

CBF presented negative working capital at the end of the year. However, based on the belief that the market will recover in next years, the Company expects to increase its production to 180 thousand metric tons/year, while maintaining its share of the domestic market, by selling to foundries and steel mills throughout the Brazilian territory and to foreign customers of special nodular pig iron, which has become the Company's expertise, considering that this product has a value added far above that of the conventional pig iron. The Company maintains its focus on increased productivity, cost reduction and realization of tax credits to maximize the results.

The issue of the financial statements of CBF Indústria de Gusa S.A. for the year ended December 31, 2015, was authorized by Management on May, 09, 2015.

2 Summary of significant accounting policies

The financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

2.1 Basis of preparation

These financial statements have been 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 from 2015, or not effective yet, 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 income as "Foreign exchange variations, net".

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, 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, 2015 and 2014, the Company had only financial assets classified as loans and receivables, and 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 acquired principally 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 longer 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 income. 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 subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of income in the period in which they arise.

2.4.3 Offsetting 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 them 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.

If, in a subsequent period, the amount of 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.

2.5 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of the Company's business. If collection is expected in one year or less, trade receivables 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 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 purchase 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.

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 the other repair and maintenance costs are charged to the statement of income during the financial period 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 and fittings	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 income.

2.8 Intangible assets

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 expensed as incurred.

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 income 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 to develop the biological assets and biological assets depleted during the period.

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

2.10 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 Trade payables

Trade payables are obligations to pay for goods or services acquired in the ordinary course of business. They are classified as current liabilities if payment is due in one year or less. Otherwise, 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 method. In practice, the fair value of trade payables does not differ from the purchases amounts, considering the average payment term.

2.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income 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.

2.13 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 are not recognized for future operating losses.

Where there is 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 may be 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.

The assessment of the likelihood of loss includes the evaluation of existing evidence, hierarchy of laws, available case law, most recent court decisions and their relevance in the law system, as well as the opinion of outside 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.

2.14 Current and deferred income tax and social contribution

Current and deferred income tax and social contribution charged are calculated on the basis of tax laws enacted. Management periodically evaluates the 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, based on the estimated amounts expected to be paid to the tax authorities, except to the extent that they relate to items recognized in comprehensive income or directly in equity.

Current income tax and social contribution are presented net in liabilities where there are amounts payable, or in assets when the amounts prepaid exceed the total amount due at the reporting date.

Deferred income tax and social contribution balances are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.15 Revenue recognition

(a) Sale of products

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

The Company recognizes revenue when the related amount 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 the accrual 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.

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mainly related to deferred income tax and social contribution, fair value of biological assets, provisions for contingencies and useful lives of property, plant and equipment items.

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 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 refers mainly to operating, predominantly export-related activities.

(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. subject to variations.

(b) Credit risk

Credit risk is the risk that a counterparty fails to fulfill an obligation established in a financial instrument or contract, which may lead 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 carried out through advances from customers.

The need for recording a provision for impairment losses is analyzed at each reporting date on an individual basis for major customers.

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

(ii) Financial instruments and cash deposits

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

(c) Liquidity risk

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

All amounts in thousands of reais unless otherwise stated

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) Climate 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 Capital management

	2015	2014
Total borrowings (Note 12)	4,721	651
Less: cash and cash equivalents	(63)	(14)
Net debt	4,658	637
Total equity	101,351	92,028
Total share capital	106,009	92,665
Gearing ratio (%)	4.4	0.7

5 Trade receivables

	2015	2014
Foreign market	816	3,581
Domestic market	2,576	4,610
	3,392	8,191

Management understands that there is no risk on the realization of the balance of trade receivables in the periods under analysis, and, therefore, no provision has been recorded. At December 31, 2015, the amount of R$ 330 (2014 – R$ 58) was overdue for more than 180 days.

All amounts in thousands of reais unless otherwise stated

6 Inventories

	2015	2014
Finished products	4,933	13,414
Raw materials	2,759	8,665
Intermediary materials	97	184
Store room	793	820
	8,582	23,083

7 Taxes recoverable

	2015	2014
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	893	4,147
State Value-Added Tax (ICMS) (b)	15,937	13,772
Corporate Income Tax (IRPJ)/Social Contribution on Net Income (CSLL)	307	730
Special System for Refund of Tax Amounts to Exporting Companies (REINTEGRA)	2,795	1,291
Other	2,109	2,113
	22,041	22,053
Current liabilities	19,956	11,967
Non-current assets	2,085	10,086

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

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

8 Transactions with related parties

The amounts refer to receivables and payables between the Group companies, without established remuneration or maturity date.

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.

Management's remuneration was established at R$360 for the years ended December 31, 2015 and 2014.

All amounts in thousands of reais unless otherwise stated

	2015	2014
Assets		
Non-current assets		
Related parties		
Gusa Nordeste S.A.	18,812	10,171
Empresa de Mecanização Rural S.A.	159,796	49,633
	178,608	59,804
Liabilities		
Current liabilities		
Trade payables (Note 11)		
Gusa Nordeste S.A.		22
Ferroeste Industrial Ltda.	17,581	1,580
	17,581	1,602
Dividends payable		
Carvalho Nascimento Participações Ltda.	2	2
Empresa de Mecanização Rural S.A.	2,338	2,193
	2,340	2,195
Transactions		
Purchases		
G5 Agropecuária Ltda.		196
Ferroeste Industrial Ltda.	21,752	19,703
	21,752	19,899

9 Biological assets

The Company's biological assets comprise the plantation and cultivation of eucalyptus forests for processing and utilization in pig iron production. Depletion is calculated based on the volume cut in relation to the existing potential volume.

At December 31, 2015, the Company had 1,857 (2014 - 2,604) hectares of planted forests, not considering the permanent preservation and legal reserve areas that should be maintained to comply with Brazilian environmental legislation.

All amounts in thousands of reais unless otherwise stated

	Cost	Valuation	Total
At December 31, 2013	15,584	5,819	21,403
Addition	2,193		2,193
Depletion	(2,083)	(3,565)	(5,648)
Valuation		927	927
At December 31, 2014	15,694	3,181	18,875
Addition	923	502	1,425
Depletion	(2,767)	(293)	(3,060)
Valuation		5,337	5,337
At December 31, 2015	13,850	8,727	22,577

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

(i) 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;

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

All amounts in thousands of reais unless otherwise stated

10 Property, plant and equipment

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data center	Contruction in progress	Total
Cost:								
At December 31, 2014	6,723	17,809	64,759	950	1,399	509	1,236	93,385
Additions		884	863	20	26	17	2,666	4,476
Disposals /Write-offs			(23)		(96)	(7)		(126)
At December 31, 2015	6,723	18,693	65,599	970	1,329	519	3,902	97,735
Depreciation:								
At December 31, 2014		(10,141)	(29,881)	(567)	(524)	(428)		(41,541)
Additions		(1,088)	(4,117)	(53)	(67)	(21)		(5,346)
Disposals /Write-offs			6		7	7		20
At December 31, 2015		(11,229)	(33,992)	(620)	(584)	(442)		(46,867)
Net book value:								
At December 31, 2014	6,723	7,668	34,878	383	875	81	1,236	51,844
At December 31, 2015	6,723	7,464	31,607	350	745	77	3,902	50,868

At December 31, 2015, there was no indication of impairment loss on property, plant and equipment items.

All amounts in thousands of reais unless otherwise stated

11 Trade payables

	2015	2014
Domestic market	62,929	59,705
Related parties (Note 8)	17,581	1,580
	80,510	61,285

12 Borrowings

	2015		2014	
Description	**Current**	**Non-current**	**Current**	**Non-current**
Working capital	2,410	1,958		
Government Agency for Machinery and Equipment Financing (FINAME) (a)	268	72	269	338
Consortium	13		29	15
	2,691	2,030	298	353

(a) Funds intended for acquisition of operating machinery and equipment, with contractual rates between 8.7% and 5.7% p.a., plus Long-Term Interest Rate (TJLP), guaranteed by the respective equipment acquired.

Maturity:

	2015	2014
2016		281
2017	2,030	72
	2,030	353

13 Advances on foreign exchange contracts

Advances on foreign exchange contracts (ACCs) are borrowings taken to finance the production for export. Interest rates range from 5.75% to 9.50 % p.a. and maturities are up to 360 days.

In 2015, the amounts of R$ 2,562 (2014 - R$ 363) referring to interest on advances on future exchange contracts, and R$ 9,908 (2014 - R$ 461) referring to foreign exchange variation were recorded, respectively, under interest expense and foreign exchange variation, net, with a corresponding entry to profit or loss for the year.

All amounts in thousands of reais unless otherwise stated

14 Export agents' commission

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

There is no maturity established for the liability and its settlement is not expected in the next 12 months. The amounts do not bear interest. The amount of R$ 5,925 (2014 - R$ 1,488) was recorded under foreign exchange variation, net, in the statement of income.

15 Income tax and social contribution

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

(a) Income tax and social contribution

	2015	2014
Current	(9,336)	(5,957)
Deferred	4,752	1,184
	(4,584)	(4,773)

(b) Reconciliation of income tax and social contribution at standard rate

	2015	2014
Profit before income tax and social contribution	16,246	12,089
Standard rate	34%	34%
	(5,523)	(4,110)
Permanent exclusions (additions)		
- Federal government grants	1,161	698
- Fines	(148)	(1,592)
- Other	(157)	174
Income tax and social contribution	(4,667)	(4,830)
Workers' Meal Program (PAT) and Rouanet Law	83	57
Income tax and social contribution	(4,584)	(4,773)

All amounts in thousands of reais unless otherwise stated

(c) Deferred taxes

Assets	**2015**	**2014**
Contingencies	26	26
Foreign exchange variation	6,446	1,081
	6,472	1,107
Liabilities		
Difference in depreciation	1,819	1,535
Adjustment to present value	510	1,194
Carrying value adjustments	7,870	8,742
Valuation of biological assets	2,967	1,081
	13,166	12,552

(d) **Law 12,973/14** At January 1, 2015, the provisions of Law 12,973/14 entered into effect, since the Company did not opt for the early adoption, in 2014. From 2015, sub-accounts were opened for the recording of positive and negative differences between the value of assets measured according to the Brazilian corporate law and the accounting criteria in force at December 31, 2007 (Transitional Tax System (RTT)), so that the tax effects of these adjustments are reflected as the assets are realized.

16 Equity

(a) Share capital

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

(b) Capital reserve - tax incentive

	2015	**2014**
SUDENE (a)	18,809	18,809
REINTEGRA (b)	3,415	
	22,224	18,809

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

(b) REINTEGRA - Special Tax Refund Regime for Exporters of Manufactured Goods, the objective of which is to refund amounts related to existing residual tax costs in the production chains of exporting companies, by returning to the exporter of manufactured goods up to 3% (three per cent) of the amount exported.

All amounts in thousands of reais unless otherwise stated

(c) Revenue reserves

	2015	2014
Legal reserve (i)	2,950	2,367
Profit retention reserve (ii)	26,901	19,883
	29,851	22,250

(i) Legal reserve

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

(ii) Profit retention reserve

This reserve refers to profits in excess of the mandatory dividends intended to support the Company's operations, in accordance with Article 30 of its bylaws.

(d) Carrying value adjustments

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

(e) Dividends

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

	2015	2014
Profit for the year	11,662	7,316
Realization of reserve	1,693	1,827
Transfer to legal reserve	(583)	(366)
Transfer to tax incentive reserve	(3,415)	
Minimum dividend calculation basis	9,357	8,777
Dividends computed (25%)	2,339	2,195

All amounts in thousands of reais unless otherwise stated

17 Net sales revenue

	2015	2014
Gross revenue from domestic market - pig iron	28,423	40,515
Gross revenue from domestic market - Electrical energy	797	155
Gross revenue from foreign market	149,482	119,525
(-) ICMS	(3,804)	(4,961)
(-) PIS	(469)	(664)
(-) COFINS	(2,161)	(3,056)
(-) IPI	(689)	(407)
(-) INSS - tax burden reduction	(361)	(402)
(-) Cancellations and returns	(101)	(51)
	171,117	150,654

18 Costs and expenses by nature

	2015	2014
Raw materials and intermediate materials	(71,971)	(90,907)
Salaries, payroll charges and benefits	(21,888)	(11,698)
Depletion of biological assets	(4,364)	(5,396)
Depreciation and amortization	(9,705)	(4,796)
Outsourced services	(4,913)	(5,674)
Maintenance and upkeep	(2,985)	(2,011)
Electrical energy	(2,535)	(801)
Lease of equipment	(2,462)	(2,100)
Taxes	(6,460)	(4,628)
Distribution and logistics	(5,839)	(3,648)
Tax incentives	3,414	2,190
Inventory adjustment	(2,929)	(107)
Other income (expenses)	(5,868)	(8,943)
	(138,505)	(138,519)
Cost of sales	(118,790)	(118,565)
Sales and distribution	(9,629)	(6,691)
General and administrative	(12,943)	(11,907)
Other operating income (expenses), net	2,857	(1,356)
	(138,505)	(138,519)

19 Contingencies

At December 31, 2015, the Company had contingent liabilities of R$ 76 (2014 - R$ 76), referring to provisions for labor and civil claims, for which the likelihood of loss was classified as probable, as well as contingent liabilities of R$ 34 (2014 – R$19), referring to administrative and judicial proceedings, for which the likelihood of loss was classified as possible.

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