Empresa de Mecanização Rural 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
Empresa de Mecanização Rural S.A.
Belo Horizonte – MG

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, 2015 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, 2015 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 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.

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, 2015, , 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.

Emphasis of matter

The Group presented negative working capital of R$ 88,612 thousand at December 31, 2015, which casts doubt as to its ability to continue as a going concern. As mentioned in Note 1 to the financial statements, the Group's management is changing its portfolio of products and considers that sufficient future profit will be generated to ensure the maintenance 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 13, 2016.

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

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

EMPRESA DE MECANIZAÇÃO RURAL
MANAGEMENT REPORT
2015

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, 2015, together with the independent auditor's report.

The Group's projections include improvements in the external scenario, with the recovery of American, European and Asian markets, except for China, the growth in its sugarcane and ethanol operations and the continuity of its real estate developments, through the implementation of the corporate governance program, focused on increasing productivity and reducing costs in order to maximize its results.

The Group expects to increase its production of pig iron to 180 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 and 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 2016, and by 10% in the period from 2016 to 2019, aiming to achieve the volume expected and extend the crop season, in line with its operational equilibrium, considering the investments, the highest made so far, in genetic development of its plantations and irrigation equipment, intended to increase the sugarcane production per hectare. The Group expects that the production in its associated companies DESTILARIA VEREDAS INDÚSTRIA DE AÇÚCAR E ÁLCOOL LTDA E VEREDAS AGRO LTDA. increases by 35% in 2016, in relation to 2015, as well as an annual growth of 10% in the period from 2016 to 2018.

The Group maintains partnerships in real estate projects, one of them in the city of Contagem, State of Minas Gerais, Cidade Industrial District, carried out together with the construction company Direcional Engenharia S.A., in addition to 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 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.

Empresa de Mecanização Rural S.A.

Balance sheet at December 31
All amounts in thousands of reais

		Parent company		Consolidated	
Assets	**Note**	**2015**	**2014**	**2015**	**2014**
Current assets					
Cash and cash equivalents		2,885	906	2,993	1,008
Trade receivables	5	157	239	10,792	26,426
Inventories	6	100	100	37,632	50,275
Taxes recoverable	7	2	1	22,184	13,954
Advances			72	4,966	4,537
Dividends receivable	8	8,451	8,527	6,113	6,113
Prepaid expenses		32	32	240	308
Other receivables			210		909
		11,627	10,087	84,920	103,530
Non-current assets					
Long-term receivables					
Trade receivables:	5	3	15	17,966	5,555
Taxes recoverable	7			3,386	11,571
Deferred tax assets	18			11,143	6,918
Related parties	8	170,097	56,412	166,150	61,884
Deposits in court		4	5	1,143	1,217
Other receivables				651	246
		170,104	56,432	200,439	87,391
Biological assets	9			197,545	179,629
Investments	10	437,109	430,919	3,519	4,524
Property, plant and equipment	11	44,995	47,135	360,552	367,602
Intangible assets		1,443	1,594	2,839	2,945
		653,651	536,080	764,894	642,091
Total assets		665,278	546,167	849,814	745,621

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

Empresa de Mecanização Rural S.A.

Balance sheet at December 31
All amounts in thousands of reais

		Parent company		Consolidated	
Liabilities	**Note**	**2015**	**2014**	**2015**	**2014**
Current liabilities					
Trade payables	12	161	276	78,826	81,030
Borrowings	13	1,636	299	17,967	12,043
Advances on foreign exchange contracts	14			66,953	
Advances			20	578	895
Social security charges		1	877	4,061	4,418
Tax liabilities		61	144	3,841	2,194
Dividends payable	8	456	1,271	459	1,274
Taxes payable in installments				402	229
Other payables		432	12	445	41
		2,747	2,899	173,532	102,124
Non-current liabilities					
Borrowings	13	4,753	342	74,192	54,940
Taxes payable in installments				6,018	5,973
Related parties	8	175,087	66,528	169	72
Contingencies	16		60	1,238	1,322
Export agents' commission	15			22,100	15,032
Deferred tax liabilities	18	12,256	12,937	100,088	102,263
Other payables				280	280
		192,096	79,867	204,085	179,882
Equity	17				
Share capital		210,000	210,000	210,000	210,000
Carrying value adjustments		168,538	172,944	168,538	172,944
Revenue reserve		91,897	80,457	91,897	80,457
Shareholders' equity		470,435	463,401	470,435	463,401
Non-controlling interests				1,762	214
		470,435	463,401	472,197	463,615
Total liabilities and equity		665,278	546,167	849,814	745,621

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

Empresa de Mecanização Rural S.A.

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

	Note	Parent company 2015	Parent company 2014	Consolidated 2015	Consolidated 2014
Net sales revenue	19	1,572	1,928	227,252	235,211
Cost of sales	20	(289)	(289)	(167,977)	(194,666)
Gross profit		1,283	1,639	59,275	40,545
Sales and distribution	20	(379)	(400)	(10,123)	(12,205)
General and administrative expenses	20	(618)	(527)	(18,357)	(25,913)
Other operating expenses (income), net	20	(1,122)	186	4,038	2,752
Equity in the results of subsidiaries	10	7,522	7,061		432
Gains on biological assets	9			7,455	4,882
Operating profit		6,686	7,959	42,288	10,493
Other income/expense					
Finance costs		(244)	(135)	(7,993)	(10,352)
Finance income		128	17	469	3,317
Foreign exchange variations, net				(22,849)	5,401
Profit before taxation		6,570	7,841	11,915	8,859
Income tax and social contribution	18	464	25	(4,943)	(989)
Profit for the year		7,034	7,866	6,972	7,870
Attributable to owners of the parent				7,034	7,866
Attributable to non-controlling interests				(62)	4
				6,972	7,870
Earnings per share - R$		0.03	0.04		

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

Empresa de Mecanização Rural S.A.

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

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Profit for the year	7,034	7,866	7,034	7,866
Total comprehensive income for the year	7,034	7,866	7,034	7,866

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

Empresa de Mecanização Rural S.A.

Statement of changes in equity
All amounts in thousands of reais

	Share capital	Carrying value adjustments	Revenue reserves	Retained earnings	Total	Non-controlling interest	Total consolidated equity
	Attributable to owners of the parent						
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 15(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
Appropriations							
Legal reserve			393	(393)			
Unrealized profit reserve			2,354	(2,354)			
Profit retention reserve			9,478	(9,478)			
Mandatory dividends				(806)	(806)		(806)
At December 31, 2014	210,000	172,944	80,457		463,401	214	463,615
Realization of reserve		(4,406)		4,406			
Profit for the year				7,034	7,034	(62)	6,972
Allocations to:							
Legal reserve			352	(352)			
Unrealized profit reserve			2,771	(2,771)			
Profit retention reserve			8,317	(8,317)			
Transactions with non-controlling interests						1,610	1,610
At December 31, 2015	210,000	168,538	91,897		470,435	1,762	472,197

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

Empresa de Mecanização Rural S.A.

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Cash flow from operating activities				
Profit for the year	7,034	7,866	7,034	7,866
Items not affecting cash and cash equivalents				
Depreciation, amortization and depletion	1,485	1,139	38,950	38,160
Adjustment to present value			2,012	(1,286)
Monetary and foreign exchange variations, net	79	88	25,286	(198)
Gain on biological assets			(7,455)	(4,882)
Gain (loss) on sale of property, plant and equipment	(1,135)		(1,302)	192
Deferred taxes	(681)	(291)	(6,400)	(7,399)
Equity in the results of subsidiaries	(7,522)	(7,061)		(432)
Provisions for contingencies	(60)	(270)	(84)	84
Provision for impairment loss			(181)	726
Non-controlling interest			1,736	(86)
	(800)	1,471	59,596	32,745
(Increase) decrease in operating assets				
Trade receivables	94	(25)	3,378	(20,615)
Inventories			12,643	(11,372)
Taxes recoverable	(1)	11	(45)	(5,876)
Advances	72	(55)	(2,864)	934
Dividends receivable	2	152		
Prepaid expenses		(16)	68	(172)
Deposits in court	1	(1)	74	1,801
Other receivables	210	(210)	504	2,169
	378	(144)	13,758	(33,131)
Increase (decrease) in operating liabilities				
Trade payables	(115)	44	(4,216)	42,483
Advances from customers	(20)	(2,085)	(338)	(15,447)
Social security charges	(876)	156	(357)	(169)
Tax liabilities	(83)	(8)	1,647	(565)
Taxes payable in installments			218	(8,009)
Other payables	420		404	(936)
	(674)	(1,893)	(2,642)	17,357
Net cash provided by (used in) operating activities	(1,096)	(566)	70,712	(16,971)
Cash flows from investing activities				
Financial investments	(1,167)	(37,377)	657	(2,079)
Investments in property, plant and equipment	(211)	(42)	(8,514)	(20,708)
Investments in biological assets			(32,040)	(46,326)
Investments in intangible assets	(263)	(1,455)	(484)	(3,018)
Disposal of investment	159		160	
Disposal of property, plant and equipment	2,415	3,543	3,901	6,551
Payables to/receivables from related parties			(118,804)	27,545
Net cash provided by (used in) investing activities	933	(35,331)	(155,124)	(38,035)
Cash flow from financing activities				
Payment of dividends	(815)	(3,632)	(815)	(3,645)
Payables to/receivables from related parties	(2,712)	41,501	14,635	48,005
Advances on foreign exchange contracts			57,045	(18,238)
Borrowings	6,049		34,424	9,688
Amortizations	(318)	(426)	(16,766)	(15,160)
Payment of interest	(62)	(111)	(2,126)	(1,539)
Capital decrease		(532)		(532)
Net cash provided by (used in) financing activities	2,142	36,800	86,397	18,579
Increase (decrease) in cash and cash equivalents	1,979	903	1,985	(2,485)
Cash and cash equivalents at the beginning of the year	906	3	1,008	3,493
Cash and cash equivalents at the end of the year	2,885	906	2,993	1,008
Increase (decrease) in cash and cash equivalents	**1,979**	**903**	**1,985**	**(2,485)**

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

1 General information

Empresa de Mecanização Rural S.A. ("Meca" or Company"), is engaged in the rendering of services of earthmoving, paving and related works; railway infrastructure and superstructure; exploration of agricultural mechanized services; forestation and reforestation; preparation of forest and agribusiness projects; handling (management) and sale of forests and by-products; sale of real estate properties and similar developments; exploration of hotel services; lease of chattels and properties; and investment in other companies.

Meca, the Group's parent company, is a corporation headquartered at Av. Afonso Pena, 4,100, 10th floor, room 1 - Cruzeiro District, in Belo Horizonte, State of Minas Gerais, Brazil. It was formed on October 24, 1968, with its articles of incorporation registered at 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, 2015, was authorized by Management on May 13, 2016.

The Company's businesses include the production of pig iron, charcoal, cement and ethanol, forestation and reforestation activities, power generation, sugarcane cultivation, and real estate activities, developed through its subsidiaries that, together with Meca are referred to as the "Group".

Escarpas
Do Corumbá

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 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 registered at the Board of Trade of the State of Espírito Santo and subsequently transferred to Minas Gerais.

Ferroeste Industrial Ltda. ("Ferroeste") is mainly engaged in the transformation/processing and sale of its own forests and products, in compliance with the legal provisions; purchase, sale and lease of its own residential and non-residential properties, land and parking spaces; exploration of parking lots; and other activities inherent in the real estate segment.

Ferroeste is a limited partnership, located at Av. Afonso Pena, 4,100, 10th floor, room 05 - Cruzeiro District, in Belo Horizonte, State of Minas Gerais, Brazil. It was formed on May 26, 1959, with its articles of organization registered at the Board of Trade of the State of Minas Gerais.

G5 Agropecuária Ltda. ("G5") is engaged in agricultural and livestock farming, forest exploration, wood extraction, charcoal production and eucalyptus cultivation. G5 may also carry out all the agribusiness activities and sell 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. The company can also sell properties and services of corporate management consulting.

G5 is a limited partnership, located at Av. Afonso Pena, 4,100, 10th floor, room 02 - Cruzeiro District, in Belo Horizonte, State of Minas Gerais, Brazil. It was formed on August 1, 1984, with its articles of organization registered at 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 - Grajaú – State of Maranhão, Brazil, formed on October 10, 2007, with its articles of organization registered at 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, alcohol and related by-products.

Destilaria Veredas is a limited partnership located at Fazenda Tapera – Rodovia BR-040, km 186, left entry, Zona Rural - João Pinheiro, State of Minas Gerais, Brazil, formed on November 3, 2008, with its articles of organization registered at 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, João Pinheiro, State of Minas Gerais, Brazil, formed on May 20, 2008, with its articles of organization registered at The Board of Trade of the State of Minas Gerais.

FIESA - 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 spaces; exploration of parking lots; and other activities inherent in 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 in Belo Horizonte, State of Minas Gerais, Brazil, formed on January 12, 1985, with its articles of incorporation registered at the Board of Trade of the State of Espírito Santo and subsequently transferred to Minas Gerais.

Carvalho Projetos, Empreendimentos e Consultoria Ltda. **("Carvalho")** is engaged in its own or third-parties' forestation activities, and may also invest in other companies and sell real estate properties. Its operational activities have been suspended during this period.

Carvalho is a limited partnership located at Fazenda Godinho, BR 367, KM 06, s/nº – Lado Norte Portaria – Bairro Posses – Turmalina, State of Minas Gerais, Brazil, formed on February 8, 1971, with its articles of organization registered at the Board of Trade of the State of Minas Gerais.

From 2015, Escarpas do Corumbá Empreendimentos Ltda. ("Escarpas") was included in the consolidation. The company is engaged in projects of land subdivision of its own properties.

Escarpas is headquartered at Al. dos Buritis, 408, Ed. Buriti Center, Room 1,005, Centro, Goiânia, State of Goiás. It was formed on April 19, 2006, with its articles of organization registered at the Board of Trade of the State of Goiás.

The Group's projections include improvements in the external scenario, with the recovery of American, European and Asian markets, except for China, the growth in its sugarcane and ethanol operations and the continuity of its real estate developments, through the implementation of the corporate governance program, focused on increasing productivity and reducing costs in order to maximize its results.

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

The Group also expects to increase the production of Anhydrous and Hydrated alcohol by 15% in 2016, and by 10% in the period from 2017 to 2019, aiming to achieving volume and extending the harvest period, in line with its operational equilibrium, considering the investments made in genetic development of its plantations and irrigation equipment, intended to increase the sugarcane production per hectare. The Group expects that the production in its associated companies Destilaria Veredas and Veredas Agro increases by 35% in 2016 in relation to 2015 and an annual growth of 10% in the period from 2016 to 2018. At December 31, 2015, the Group presented negative working capital.

The companies Empresa de Mecanização Rural S.A., Gusa Nordeste S.A., CBF Indústria de Gusa S.A., Ferroeste Industrial Ltda., G5 Agropecuária Ltda., Energia Viva Agroflorestal Ltda., Destilaria Veredas Indústria de Açúcar e Álcool Ltda., Veredas Agro Ltda., FIESA - Ferroeste Industrial do Espírito Santo S.A., and Carvalho Projetos, Empreendimentos e Consultoria Ltda. are all entities under common control, engaged in complementary activities. They are controlled by the same group of shareholders. and the same key management personnel is responsible for making decisions. The companies use the operational and administrative structure of Empresa de Mecanização Rural S.A. e CBF Indústria de Gusa S.A.

All amounts in thousands of reais unless otherwise stated

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 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 Group'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 is summarized below:

Subsidiaries	**Ownership interest (%)**	
	2015	**2014**
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
Escarpas do Corumbá Empreendimentos Ltda.	62.50	50.00

(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 associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 49% 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 2015 that would be expected to have a material impact on the parent company or consolidated financial statements.

2.3 Functional currency and foreign currency translation

(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 "Agents' commissions" are presented in the statement of income as "Foreign exchange variation, net".

2.4 Cash and cash equivalents

Cash and cash equivalents include 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.

2.5 Financial assets

2.5.1 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 Group did not have financial assets classified as available for sale and held to maturity.

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

2.5.2 Recognition and measurement

Purchases and sales of financial assets are normally 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 Group has transferred substantially all the risks and rewards of ownership. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets 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 them 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.

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.

2.6 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of the Group's business. 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 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 the 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 into line with those adopted by the Company.

2.9 Property, plant and equipment

Property, plant and equipment items 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 based on a study carried out by specialized company. The goods acquired after the transition date were recorded at the acquisition cost.

The Group calculates depreciation on a straight-line basis taking into consideration the estimated useful lives of each asset, which is based on the expected future economic benefits. The estimated useful lives of these assets are reviewed annually and adjusted, when necessary.

Useful life review	
Buildings	From 30 to 48 years
Facilities	From 3 to 10 years
Machinery and equipment	From 4 to 15 years
Vehicles	From 3 to 10 years
Furniture and fittings	From 3 to 5 years
Data center	From 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 carries out the valuation of its biological assets annually, and any gain or loss on fair value variation 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 values of the biological assets at the beginning and at the end of the period, net of the planting costs incurred to develop 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 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.

2.13 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 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.

2.15 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.

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 the 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 recognized 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 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 passage of time is recognized as interest expense.

2.17 Current and deferred income tax and social contribution

The current and deferred income tax and social contribution 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 it is probable that future taxable income will be available against which the temporary differences can be utilized.

The Group sets up provisions, based on reasonable estimates, for possible consequences of the audits carried out by tax authorities in the jurisdictions where 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 companies.

2.18 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 Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognizes revenue when the amount of can be reliably measured, it is probable that future economic benefits will result from the transaction 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 interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

2.19 Distribution of dividends

Distribution of dividends to the shareholders of the Company is recognized as a liability in the respective financial statements, based on the Company's bylaws. Any amount that exceeds the minimum established, when applicable, 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.

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 mainly relate 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 Group's management is responsible for risk management, ascertaining that all financial risks be 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 market risk, (including currency risk, cash flow or fair value interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

Market risk is the risk of fluctuations in the fair value of future cash flows of a financial instrument 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 Group's exposure to the risk of changes in market interest rates refers mainly to long-term obligations subject to floating 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 the risk of changes in foreign exchange rates refers mainly to operating activities and borrowings 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, which may lead 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 carried out through advances from customers.

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

(ii) Financial instruments and cash deposits

The credit risk of balances with banks and other financial institutions is managed by the Group's treasury department, in accordance with the policy established by the latter.

(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.

All amounts in thousands of reais unless otherwise stated

(b) Climate risks

The Group's operating activities are exposed to risks of damage caused by climate changes, plagues, diseases, forest fires and other forces of nature. The Group has processes in place aimed at mitigating these risks, including regular inspections in 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**	
	2015	**2014**	**2015**	**2014**
Total borrowings (Note 13)	6,389	641	159,112	66,983
Less: cash and cash equivalents	(2,885)	(906)	(2,993)	(1,008)
Net debt	3,504	(265)	156,119	65,975
Total equity	470,435	463,401	472,197	463,615
Total capital	473,939	463,136	628,316	529,590
Gearing ratio (%)	0.7	(0.1)	24	12

All amounts in thousands of reais unless otherwise stated

5 Trade receivables

	Parent company		Consolidated	
	2015	2014	2015	2014
Domestic market	160	254	13,805	14,846
Foreign market			817	3,581
Related parties (Note 8)			14,570	14,028
Less: provision for impairment			(434)	(474)
	160	254	28,758	31,981
Current	157	239	10,792	26,426
Non-current	3	15	17,966	5,555

6 Inventories

	Parent company		Consolidated	
	2015	2014	2015	2014
Finished products - Pig iron			4,933	13,414
Finished product - Ethanol			3,359	7,466
Properties for sale	100	100	15,005	10,742
Livestock and temporary crops			3,994	3,177
Raw materials			9,401	14,422
Store room			843	870
Other inventories			97	184
	100	100	37,632	50,275

7 Taxes recoverable

	Parent company		Consolidated	
	2015	2014	2015	2014
State Value-Added Tax (ICMS) (a)			18,631	15,897
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS) (b)	2	1	1,523	5,313
Corporate Income Tax (IRPJ)/Social Contribution on Net Income (CSLL)			387	815
REINTEGRA (c)			2,795	1,291
Other			2,234	2,209
	2	1	25,570	25,525
Current	2	1	22,184	13,954
Non-current			3,386	11,571

(a) Mainly refers to credit on exports.

All amounts in thousands of reais unless otherwise stated

(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, 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.

8 Balances and transactions with related parties

These amounts refer to receivables and payables between the Group companies, without remuneration and with established 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 Group has not recorded any impairment loss on receivables from related parties.

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Assets				
Current				
Trade receivables				
Gusa Nordeste S.A.				14,028
				14,028
Dividends receivable				
Gusa Nordeste S.A.	6,113	6,113	6,113	6,113
CBF Indústria de Gusa S.A	2,338	2,193		
Fiesa Ferroeste do Espírito Santo S.A.		221		
	8,451	8,527	6,113	6,113
Non-current				
Trade receivables				
Gusa Nordeste S.A.			14,570	
			14,570	
Related parties				
Gusa Nordeste S.A.	133,260	30,052	133,260	30,052
G5 Agropecuária Ltda.	4,276	5,186		
Ferroeste Industrial Ltda.	10,387			
Energia Viva Agroflorestal Ltda.	21,975	20,985	13,879	21,471
CBF Indústria de Gusa S.A			18,812	10,172
Other related parties	199	189	199	189
	170,097	56,412	166,150	61,884
Liabilities				
Current				
Dividends payable				
Other related parties	456	1,271	459	1,274

All amounts in thousands of reais unless otherwise stated

	456	1,271	459	1,274
Non-current				
Related parties				
Ferroeste Industrial Ltda.		10,119		
CBF Indústria de Gusa S.A	159,796	49,633		
Destilaria Veredas Indústria de Açúcar e Álcool Ltda.	13,393	4,570		
Fiesa Ferroeste do Espírito Santo S.A.	1,850	2,087		
Carvalho Projetos Empreendimentos Consultoria Ltda.	46	47		
Gusa Nordeste S.A.			123	
Other related parties	2	72	46	72
	175,087	66,528	169	72
Transactions				
Sales revenues				
Gusa Nordeste S.A.			903	8,538
			903	8,538

9 Biological assets

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

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

(a) Assumptions for the recognition of the fair value

Pursuant to CPC 29 (IAS 41) - Biological Assets and Agricultural Products, the Group recognizes its biological assets at fair value, based on the following assumptions:

Eucalyptus forests

(i) The production volumes of forests are projected through stratification based on each type, genetic material, forest handling system, production potential, rotation and age of forests. The set of these characteristics forms an index named Average Annual Growth (AAG), expressed in cubic meters per hectare/year, which is used as the basis for productivity projection. The Group's harvesting plan varies between six and seven years for eucalyptus trees;

(ii) 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;

(iii) Planting expenses refer to costs of formation of biological assets;

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

All amounts in thousands of reais unless otherwise stated

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

Sugarcane

(i) Sugarcane 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 costs of formation of biological assets;

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

(b) Basis for fair value variations

The depletion of biological assets for the period was charged to production cost, after an 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, 2013	**297,439**
Acquisition	53,345
Depletion	(26,351)
Valuation	4,882
Sale	(23,012)
Return (i)	(126,674)
At December 31, 2014	179,629
Acquisition	36,073
Depletion	(25,612)
Valuation	7,455
At December 31, 2015	197,545

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

All amounts in thousands of reais unless otherwise stated

10 Investments

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
In subsidiaries and associates	437,109	430,748		2,172
In properties			2,964	2,218
Other investments		171	555	134
	437,109	430,919	3,519	4,524

(a) Changes

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Opening balance	430,919	592,136	4,524	14,582
(-) Dividends	(2,340)	(2,414)		
(-) Equity in the results of investees (derecognition of Reserve)		(15,606)		
(+) Increase in ownership interest	1,167	37,377	1,911	2,513
(-) Decrease in ownership interest	(159)	(187,635)	(160)	(12,965)
(+) Equity in the results of subsidiaries	7,522	7,061		432
(-) Effect of the inclusion of Escarpas in consolidation			(2,756)	
(-) Other changes				(38)
	437,109	430,919	3,519	4,524

All amounts in thousands of reais unless otherwise stated

(b) Information on investees

	Information on investees					Investment		
	Share capital	Number of shares/quotas held	Equity	Profit (loss) for the year	% Ownership interest	Equity	Cost	Total
At December 31, 2015								
Ferroeste Industrial Ltda.	20,000	99,950	51,396	(5,759)	99.95%	51,370		51,370
CBF Indústria de Gusa S.A	34,000	99,946	101,351	11,662	99.95%	101,296		101,296
Fiesa Ferroeste do Espírito Santo S.A.	1,000	99,950	7,146	(16)	99.95%	7,143		7,143
G5 Agropecuária Ltda.	11,000	10,994,500	49,745	1,618	99.95%	49,720		49,720
Veredas Agro Ltda.	60,000	59,970,000	30,784	(6,190)	99.95%	30,769		30,769
Destilaria Veredas Indústria de Açúcar e Álcool Ltda.	36,000	35,982,000	40,819	1,592	99.95%	40,799		40,799
Energia Viva Agroflorestal Ltda.	75,100	75,062,450	146,581	5,206	99.95%	146,508		146,508
Carvalho Projeto Empreendimentos Consultoria Ltda.	2,500	2,498,750	6,362	(1)	99.95%	6,404		6,404
Escarpas do Corumbá Empreendimentos Ltda.	4,429	2,767,891	3,908	(261)	62.50%	3,100		3,100
						437,109		437,109
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

All amounts in thousands of reais unless otherwise stated

11 Property, plant and equipment

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data center	Aircraft	Total
								Parent company
Cost:								
At December 31, 2014	35,492	12,687	1,860	157	1,175	349	6,075	57,795
Additions			3		166	42		211
Disposals /Write-offs		(1,410)			(42)		(200)	(1,652)
At December 31, 2015	35,492	11,277	1,863	157	1,299	391	5,875	56,354
Depreciation:								
At December 31, 2014		(2,479)	(1,665)	(87)	(1,052)	(289)	(5,088)	(10,660)
Additions		(324)	(39)	(11)	(60)	(50)	(587)	(1,071)
Disposals /Write-offs		220			42		110	372
At December 31, 2015		(2,583)	(1,704)	(98)	(1,070)	(339)	(5,565)	(11,359)
Net book value:								
At December 31, 2014	35,492	10,208	195	70	123	60	987	47,135
At December 31, 2015	35,492	8,694	159	59	229	52	310	44,995

All amounts in thousands of reais unless otherwise stated

Consolidated

	Land	Buildings and facilities	Machinery and equipment	Furniture and fittings	Vehicles	Data center	Aircraft	Construction in progress	Total
Cost:									
At December 31, 2014	260,439	57,293	106,657	1,500	22,547	1,057	6,075	5,052	460,620
Additions	9	1,203	1,919	51	2,587	85		2,661	8,515
Transfers		1,496	1,085	21	101	30		(2,733)	
Disposals /Write-offs		(1,887)	(496)	(4)	(529)	(18)	(200)	(150)	(3,284)
At December 31, 2015	260,448	58,105	109,165	1,568	24,706	1,154	5,875	4,830	465,851
Depreciation:									
At December 31, 2014		(24,357)	(51,942)	(862)	(9,924)	(844)	(5,089)		(93,018)
Additions		(4,394)	(6,274)	(91)	(1,526)	(92)	(586)		(12,963)
Disposals /Write-offs		285	69	1	207	10	110		682
At December 31, 2015		(28,466)	(58,147)	(952)	(11,243)	(926)	(5,565)		(105,299)
Net book value:									
At December 31, 2014	260,439	32,936	54,715	638	12,623	213	986	5,052	367,602
At December 31, 2015	260,448	29,639	51,018	616	13,463	228	310	4,830	360,552

All amounts in thousands of reais unless otherwise stated

12 Trade payables

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Domestic market	161	276	78,779	81,030
Related parties (Note 8)			47	
	161	276	78,826	81,030

13 Borrowings

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

		Parent company		Consolidated	
Description	**Currency**	**2015**	**2014**	**2015**	**2014**
BNB – Rural (1)	Real			45,862	42,221
Working capital (2)	Real	6,009		34,513	8,283
ROF (3)	US$			6,322	9,163
Government Agency for Machinery and Equipment Financing (FINAME)	Real			5,059	6,619
Lease	Real	380	641	380	641
Other	Real			23	56
		6,389	641	92,159	66,983
Current		1,636	299	17,967	12,043
Non-current		4,753	342	74,192	54,940

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

In 2015, the amount of R$ 6,085 (2014 - R$ 4,886) referring to interest on borrowings was recognized with a corresponding entry to:

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Finance costs in the result for the year	55	94	2,444	1,534
Biological assets			3,641	3,352
	55	94	6,085	4,886

The Group is subject to covenants as determined by agreements, based on certain indicators of guarantee coverage. For the year ended December 31, 2015, the Group seems to be in compliance with the covenants.

All amounts in thousands of reais unless otherwise stated

	Maturity	
Year	**Parent company**	**Consolidated**
2017	146	22,285
2018	1,603	17,044
2019	1,502	16,545
2020	1,502	16,227
2021		1,057
2022		517
2023		517
	4,753	74,192

The nature of the borrowings is described below:

(1) Banco do Nordeste - Rural – Funds intended for eucalyptus plantation.

(2) Working capital – Funds intended for operational maintenance, including the acquisition of inputs, machinery and equipment for the manufacture of products.

(3) Funds obtained from Banco Safra N. Bank of New York, equivalent to US$ 1,602(US$ 3,400 in 2014), subject to an interest rate of 3.75% p.a.

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

15 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 negotiated for the liability and its settlement is not expected in the next 12 months. The amounts do not bear interest. The amount of R$ 7,068 (2014 - R$ 1,775) was recorded under foreign exchange variation, net, in the statement of income.

16 Contingencies

Provisions for civil, labor, tax and environmental proceedings were estimated by management, significantly based on the opinion of its legal advisors. Only provisions for proceedings classified as with probable risk of loss were recorded, as follows:

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2015	2014	2015	2015
Labor			95	63
Civil			791	529
Tax		60	352	730
		60	1,238	1,322

At December 31, 2015, the Group had R$ 1,221 (2014 - R$ 1,246) referring to administrative and judicial proceedings, of which the risk of loss was classified as possible. The amount was not provided for, according to management's judgment and accounting practices adopted in Brazil.

17 Equity

(a) Share capital

The Company's subscribed and paid-up share capital is R$ 210,000, comprising 210,000,000 shares.

(b) Revenue reserves

	Parent company	
	2015	2014
Legal reserve (i)	1,171	819
Unrealized profit reserve (ii)	7,148	4,376
Profit retention reserve (iii)	83,578	75,262
	91,897	80,457

(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) Unrealized profit reserve

Refers to the unrealized portion of the profit for the year.

(iii) Profit retention reserve

This reserve is set up with the remaining balance of retained earnings after the transfers, to be subsequently allocated as defined by the General Meeting.

(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.

All amounts in thousands of reais unless otherwise stated

(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 Company bylaws.

	2015	**2014**
Profit for the year	7,034	7,866
Realization of reserve	4,406	5,165
Transfer to legal reserve	(352)	(393)
Minimum dividend calculation basis	11,088	12,638
Dividends computed (25%)	2,771	3,160
Profit for the year	7,034	7,866
Less: equity in the results of subsidiaries	(7,522)	(7,060)
Realized and distributable share of profit		806
Unrealized share of profit (unrealized profit reserve)	2,771	2,354

18 Income tax and social contribution

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

(a) Income tax and social contribution

	Parent company		**Consolidated**	
	2015	**2014**	**2015**	**2014**
Current	(217)	(266)	(10,413)	(7,476)
Deferred	681	291	5,470	6,487
	464	25	(4,943)	(989)

All amounts in thousands of reais unless otherwise stated

(b) Current taxes

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

	Parent company			
	2015		2014	
	IRPJ	CSLL	IRPJ	CSLL
Domestic market revenue				
Revenue from rental received	1,632	1,632	2,001	2,001
	1,632	1,632	2,001	2,001
Presumed basis (IRPJ 32%; CSLL 32%) (2)	522	522	640	640
Other revenues (3)	186	186	213	213
Presumed profit calculation basis (1+2+3)	708	708	853	853
IRPJ (15%)	106		128	
IRPJ (10%)	47		61	
CSLL (9%)		64		77
	153	64	189	77

	Consolidated	
	2015	2014
Profit before income tax and social contribution	11,915	8,859
Standard rate	34%	34%
	(4,051)	(3,012)
Permanent exclusions (additions)		
- Equity in the results of subsidiaries	2,557	2,401
- Federal government grants	1,161	698
- Fines	148	1,592
- Other	(3,346)	(2,725)
Income tax and social contribution	(3,531)	(1,046)
Write-off of tax losses	(1,495)	
Workers' Meal Program (PAT) and Rouanet Law	83	57
Income tax and social contribution	(4,943)	(989)

All amounts in thousands of reais unless otherwise stated

(c) Deferred taxes

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Assets				
Income tax and social contribution losses			3,392	4,369
Contingencies			36	47
Foreign exchange variations			7,715	2,386
Difference in depreciation				116
			11,143	6,918
Liabilities				
Carrying value adjustments	12,256	12,937	86,860	89,315
Valuation of biological assets			8,394	7,706
Difference in depreciation			4,285	4,000
Adjustment to present value			509	1,194
Deferred revenue			40	48
	12,256	12,937	100,088	102,263

19 Net sales revenue

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

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Foreign market - pig iron			149,482	156,908
Domestic market - pig iron			28,423	24,696
Coal			5,180	32,524
Electrical energy			797	2,327
Ethanol			53,577	28,959
Real estate			150	1,392
Rental	1,632	2,001	2,083	2,001
(-) ICMS			(8,330)	(7,703)
(-) PIS/COFINS	(60)	(73)	(2,903)	(4,933)
(-) IPI			(689)	(407)
(-) INSS			(361)	(446)
(-) Cancellations and returns			(157)	(107)
	1,572	1,928	227,252	235,211

All amounts in thousands of reais unless otherwise stated

20 Costs and expenses by nature

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Raw material			(73,840)	(100,077)
Result from PP&E	(1,135)	196	(1,065)	(1,658)
Depletion			(25,612)	(22,216)
Personnel	(19)	(80)	(33,907)	(28,746)
Services	(62)	(178)	(10,223)	(13,059)
Depreciation	(972)	(906)	(13,338)	(15,944)
Maintenance			(6,960)	(8,814)
Rental			(5,585)	(8,078)
Fuel and lubricants			(3,590)	(2,890)
Distribution and logistics			(12,014)	(13,332)
General	(220)	(62)	(6,285)	(15,218)
	2,408	(1,030)	(192,419)	(230,032)
Cost of sales	(289)	(289)	(167,977)	(194,666)
Sales and distribution	(379)	(400)	(10,123)	(12,205)
General and administrative	(618)	(527)	(18,357)	(25,913)
Other operating income (expenses), net	(1,122)	186	4,038	2,752
	(2,408)	(1,030)	(192,419)	(230,032)

* * *

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