(A free translation of the original in Portuguese)

Votorantim Industrial S.A.

Consolidated financial statements at December 31, 2012 and independent auditor's report

(A free translation of the original in Portuguese)

Report of independent auditors on the consolidated financial statements

To the Board of Directors and Shareholders
Votorantim Industrial S.A.

We have audited the accompanying consolidated financial statements of Votorantim Industrial S.A. and its subsidiaries ("the Company"), which comprise the consolidated balance sheet as at December 31, 2012 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 the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and 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.

(A free translation of the original in Portuguese)

Votorantim Industrial S.A.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Votorantim Industrial S.A. and its subsidiaries as at December 31, 2012, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Other matters - supplementary information

Statement of value added

We also have audited the consolidated statement of value added for the year ended December 31, 2012 presented as supplementary information, since in accordance with IFRS and accounting practices adopted in Brazil its disclosure by the Company is not required. This statement was subject to the same audit procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Information by business unit

We also have audited the supplementary information by industrial and financial segment, as well as by business unit, in order to provide additional information on Votorantim Industrial S.A. and its subsidiaries, which are neither intended to comply with or are required by IFRS or accounting practices adopted in Brazil. This information was subject to the same audit procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Curitiba, March 5, 2013

PricewaterhouseCoopers

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Carlos Eduardo Guaraná Mendonça
Contador CRC 1SP196994/O-2

(A free translation of the original in Portuguese)

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Votorantim Industrial S.A. and its subsidiaries

Consolidated balance sheet as at December 31

All amounts in millions of Reais (A free translation of the original in Portuguese)

	Note	2012	2011
Assets			
Current assets			
Cash and cash equivalents	9	3,280	1,380
Financial investments	10	3,744	3,398
Derivative financial instruments	6.1.1	86	241
Trade receivables	11	2,088	2,154
Inventory	12	3,894	3,507
Taxes recoverable	13	1,273	930
Dividends receivable	15	1	9
Receivables from sale of ownership interests	17 (e) (v)		2,362
Other		626	790
		14,992	14,771
Assets held for sale	14	875	189
		15,867	14,960
Non-current assets			
Long-term receivables			
Financial investments	10	79	26
Derivative financial instruments	6.1.1	14	75
Taxes recoverable	13	781	1,103
Related parties	15	1,412	1,294
Deferred income tax and social contribution	23(b)	3,735	3,450
Call options	16	157	104
Advances to suppliers		218	223
Judicial deposits	24 (e)	497	328
Other		548	430
		7,441	7,033
Investments	17	1,712	3,361
Property, plant and equipment	18	29,086	26,269
Biological assets	19	1,129	1,117
Intangible assets	20	12,858	11,366
		52,226	49,146
Total assets		68,093	64,106

	Note	2012	2011
Liabilities and equity			
Current liabilities			
Borrowing	21	1,707	2,028
Derivative financial instruments	6.1.1	131	171
Trade payables		2,867	2,576
Payables - trading	22	54	24
Salaries and payroll charges		927	731
Income tax and social contributions		128	329
Taxes payable		356	383
Dividends payable to the owners of the Company	15	58	596
Dividends payable to non-controlling interests	15	115	92
Advances from customers		230	136
Use of public assets	25	55	60
Payables for interest acquisition	17 (e) (iv)	328	
Other		768	725
		7,724	7,851
Liabilities related to assets held for sale	14	274	
		7,998	7,851
Non-current liabilities			
Borrowing	21	23,712	20,406
Related parties	15	893	610
Deferred income tax and social contributions	23 (b)	3,336	3,443
Provisions for tax, civil, labor and environmental contingencies	24	1,409	1,482
Derivative financial instruments	6.1.1	84	186
Use of public assets	25	857	780
Provision for asset decommissioning	26	870	557
Other		1,148	825
		32,309	28,289
Total liabilities		40,307	36,140
Equity	27		
Share capital		19,907	19,925
Revenue reserves		6,053	6,687
Carrying value adjustments		(1,436)	(1,630)
Total equity attributable to owners of the Company		24,524	24,982
Non-controlling interests		3,262	2,984
Total equity		27,786	27,966
Total liabilities and equity		68,093	64,106

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

Votorantim Industrial S.A. and its subsidiaries

Consolidated statement of income
Years ended December 31
All amounts in millions of Reais,
except for earnings per share (A free translation of the original in Portuguese)

	Note	2012	2011
Continuing operations			
Net revenue from products sold and services rendered	28	24,792	23,659
Cost of products sold and services rendered		(18,832)	(17,259)
Gross profit		5,960	6,400
Operating expenses			
Selling		(1,419)	(1,261)
General and administrative		(2,370)	(2,023)
Other operating income (expenses), net	29	88	(1,183)
		(3,701)	(4,467)
Operating profit before equity results and finance result		2,259	1,933
Result from equity investments			
Equity in the results of investees	17	122	356
Realization of other comprehensive income in the investment write-off		(91)	
		31	356
Finance costs		(2,118)	(2,014)
Finance income		869	672
Foreign exchange gains (losses), net		(758)	(666)
Finance result, net	30	(2,007)	(2,008)
Profit before income tax and social contribution		283	281
Income tax and social contributions	23		
Current		(631)	(510)
Deferred		435	643
Profit for the year from continuing operations		87	414
Discontinued operations			
Profit for the year from discontinued operations	35		868
Profit for the year		87	1,282
Profit attributable to the owners of the Company		151	1,225
Profit (loss) attributable to non-controlling interests		(64)	57
Profit for the year		87	1,282
Basic and diluted earnings per thousand shares from continuing operations (in Reais)		4.97	24.05
Basic and diluted earnings per thousand shares from discontinued operations (in Reais)			50.43
Weighted average number of shares		17,509,603,386	1,721,360,685

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

Votorantim Industrial S.A. and its subsidiaries

Consolidated statement of comprehensive income
Years ended December 31, 2011 and 2012

All amounts in millions of Reais (A free translation of the original in Portuguese)

	2012	2011
Profit for the year	87	1,282
Other comprehensive income for the year		
Foreign exchange gains (losses) on foreign investments	914	1,410
Actuarial gains (losses) on retirement benefit obligations	(63)	(25)
Hedge accounting of net investments in foreign operations	(442)	(559)
Hedge accounting for the operations of subsidiaries	(41)	(6)
Fair value of assets available for sale		
Realization of other comprehensive income in the investment realization	91	
Other effects of operations of subsidiaries and associates	(108)	(369)
Other comprehensive income for the year	351	451
Total comprehensive income for the year	438	1,733
Comprehensive income attributable to		
Owners of the Company	345	1,242
Non-controlling interests	93	491
	438	1,733

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

Votorantim Industrial S.A. and its subsidiaries

Statement of changes in equity

All amounts in millions of Reais (A free translation of the original in Portuguese)

	Note	Share capital	Revenue reserves: Legal	Revenue reserves: Profit retention	Retained earnings	Carrying value adjustments	Equity attributable to the owners of the Company	Non-controlling interests	Equity
As at December 31, 2010		19,367	464	5,289		(1,567)	23,553	2,522	26,075
Total comprehensive income for the year									
Profit for the year					1,225		1,225	57	1,282
Components of comprehensive income for the year						17	17	434	451
Total comprehensive income for the year					1,225	17	1,242	491	1,733
Total contributions by and distributions to stockholders									
Capital increase		558					558		558
Acquisition of non-controlling interests						(80)	(80)	(29)	(109)
Allocation of profit for the year									
Legal reserve	27(c)		61		(61)				
Dividends paid and proposed (R$ 24.05 per share)	27(b)				(291)		(291)		(291)
Profit retention				873	(873)				
Total contributions by and distributions to stockholders		558	61	873	(1,225)	(80)	187	(29)	158
As at December 31, 2011		19,925	525	6,162		(1,630)	24,982	2,984	27,966

Votorantim Industrial S.A. and its subsidiaries

Statement of changes in equity

All amounts in millions of Reais **(continued)**

			Revenue reserves							
	Note	**Share capital**	**Tax incentives**	**Legal**	**Profit retention**	**Retained earnings**	**Carrying value adjustments**	**Equity attributable to the owners of the Company**	**Non-controlling interests**	**Equity**
As at December 31, 2011		19,925		525	6,162		(1,630)	24,982	2,984	27,966
Total comprehensive income for the year										
Profit for the year						151		151	(64)	87
Components of comprehensive income for the year							194	194	157	351
Total comprehensive income for the year						151	194	345	93	438
Total contributions by and distributions to stockholders										
Capital increase	27 (a)	402						402		402
Capital decrease	27 (a)	(420)						(420)		(420)
Decrease in non-controlling interests									(62)	(62)
Merger of Votorantim Cimentos América ("VCA")									(32)	(32)
Increase of non-controlling interests in Itacamba and VCEAA									72	72
Effects of operations of consolidated subsidiaries									207	207
Allocation of profit for the year										
Tax incentive reserve			5			(5)				
Legal reserve	27(c)			8		(8)				
Dividends paid and proposed (R$ 4.97 per share)	27(b)				(750)	(35)		(785)		(785)
Profit retention					103	(103)				
Total contributions by and distributions to stockholders		(18)	5	8	(647)	(151)		(803)	185	(618)
As at December 31, 2012		19,907	5	533	5,515		(1,436)	24,524	3,262	27,786

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

Votorantim Industrial S.A. and its subsidiaries

Consolidated statement of cash flows
Years ended December 31, 2011 and 2012
All amounts in millions of Reais (A free translation of the original in Portuguese)

	Note	2012	2011
Cash flow from operating activities			
Profit (loss) before income tax and social contributions from continuing operations		283	281
Profit from discontinued operations			868
Adjustments of items that do not represent changes in cash and cash equivalents			
Interest, monetary and foreign exchange gains (losses)		2,466	1,733
Equity in the results of investees	17 (c)	(122)	(356)
Realization of other comprehensive income on the investment realization		91	
Depreciation, amortization and depletion	18,19 and 20	2,544	2,128
Net result from the sale of PP&E		(23)	(17)
Net results from sales of investments		6	
Gain on remeasurement of the fair value of the initial investment in Cimpor	17 (e) (i)	(267)	
Gain on remeasurement of the fair value of the initial investment in Artigas	17 (e) (iv)	(73)	
Change in the fair values of call options		(53)	347
Provision for goodwill impairment		464	
Provision for investment impairment			586
Provision for losses on assets			156
Provision for PP&E impairment		94	101
Changes in the fair values of biological assets	19	(84)	(100)
Capital gains on disposals of investments			(1,248)
Fair value adjustment of derivatives		(11)	(79)
Provisions		337	23
		5,653	4,423
Changes in assets and liabilities			
Financial investments		(371)	1,182
Derivative financial instruments		177	240
Trade receivables		81	(44)
Inventory		(175)	(700)
Taxes recoverable		21	(211)
Related parties		890	(183)
Other receivables and assets		132	205
Trade payables		240	(81)
Payables - trading		30	(371)
Payables for the acquisition of shares			(423)
Salaries and payroll charges		190	171
Taxes payable		(375)	9
Advances from customers		91	27
Other obligations and liabilities		(533)	883
Cash from operations		6,051	5,127
Interest paid	21 (c)	(1,527)	(1,307)
Income tax and social contribution paid		(832)	(356)
Net cash provided by operating activities		3,691	3,464
Cash flow from investment activities			
Purchases of property, plant and equipment	18	(2,872)	(3,335)
Purchases of biological assets	19	(247)	(520)
Additions to intangible assets	20	(481)	(287)
Acquisition of investments		(58)	(109)
Related parties		(484)	183
Proceeds from disposals of investments		195	609
Proceeds from disposals of PP&E		240	523
Proceeds from the sale of interests	17 (e) (v)	2,362	
Proceeds from disposals of investments		30	
Dividends received		206	135
Net cash used in investing activities		(1,109)	(2,801)
Cash flow from financing activities			
New borrowing	21 (c)	4,835	6,138
Derivative financial instruments		(161)	(98)
Repayment of borrowing	21 (c)	(4,410)	(6,650)
Related parties		283	(509)
Payment of dividends		(1,300)	(538)
Net cash used in financing activities		(753)	(1,657)
Increase (decrease) in cash and cash equivalents		1,829	(994)
Effect of fluctuations in exchange rates		71	40
Cash and cash equivalents at the beginning of the year		1,380	2,334
Cash and cash equivalents at the end of the year		3,280	1,380

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

Votorantim Industrial S.A. and its subsidiaries

Consolidated statement of value added
Years ended December 31, 2011 and 2012
All amounts in millions of Reais (A free translation of the original in Portuguese)

	Note	2012	2011
Revenue			
Sales of products and services	28	29,513	28,100
Other operating income (expenses)	29	88	(1,183)
Changes in the provision for the impairment of trade receivables		(14)	15
		29,587	26,932
Inputs acquired from third parties			
Cost of products sold and services rendered		(16,904)	(14,834)
Gross value added		12,683	12,098
Depreciation, amortization and depletion	18,19 and 20	(2,544)	(2,128)
Net value added generated by the Company		10,139	9,970
Value added received through transfer			
Results of equity investments		122	356
Realization of other comprehensive income in the investment write off		(91)	
Finance income	30	869	672
		900	1,028
Total value added to distribute		11,039	10,998
Distribution of value added			
Personnel and payroll charges		2,301	1,894
Direct remuneration	34	1,917	1,574
Benefits	34	384	320
Taxes and contributions		5,547	4,997
Federal		3,239	2,976
State		2,709	2,632
Municipal		34	32
Deferred taxes		(435)	(643)
Third-party capital remuneration		3,104	2,825
Finance costs	30	2,876	2,680
Rentals		228	145
Own capital remuneration		87	1,282
Dividends		35	291
Non-controlling interests		(64)	57
Reinvested profits		116	66
Profits from discontinued operations			868
Value added distributed		11,039	10,998

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

1 General considerations

Votorantim Industrial S.A. (the "Company", "Parent Company", or "VID") is a privately-held company, fully controlled by the Ermírio de Moraes family, and is the holding company of the Votorantim industrial companies (the "Units" or "BUs"). With its headquarters in the city of São Paulo, Brazil, the Company's purpose is to manage assets and companies, as well as to invest in other companies to further its objectives. The Company, through its subsidiaries and associates, operates in the cement, concrete and aggregate, pulp, metal (aluminum, copper, zinc and nickel), steel and electrical power generation segments.

2 Presentation of the consolidated financial statements and summary of significant accounting policies

2.1 Basis of presentation

(a) Summary of significant accounting policies

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

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical costs convention, modified by financial assets and financial liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise 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 4.

The consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil effective up to December 31, 2012, including the standards issued by the Brazilian Accounting Pronouncements Committee (CPC), and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(c) Approval of the financial statements

The Board of Directors approved these consolidated financial statements for issue on March 4, 2013.

2.2 Consolidation

The following accounting policies have been applied during the preparation of the consolidated financial statements.

(a) Subsidiaries and jointly-controlled entities

Subsidiaries are all entities (including special purpose entities) 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. The existence and effect of all potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on wich that control ceases.

Ownership interests in exclusive investment funds were consolidated in accordance with the segregation of the investments that make up the net assets of these funds.

The jointly-controlled subsidiaries Fibria Celulose S.A. and Campos Novos Energia S.A. were consolidated proportionally to the Company's ownership interest percentage in each. Jointly-controlled entities are legal entities over which the Company shares control, as established by a contract, over the economic activities and for which strategic, financial and operating decisions require consensus among all of the parties sharing control. The jointly-controlled entities were consolidated in proportion to the Company's ownership interest.

Inter-company transactions, balances and unrealized gains on transactions between companies are eliminated. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Transactions with and participations of non-controlling interests

The Company treats transactions with non-controlling interests as transactions with the equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity, in "Carrying value adjustments".

When the Company ceases to control or significantly influence an entity, any retained interest is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. In addition, any amounts previously recognized in "Carrying value adjustments" in relation to of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. Accordingly, amounts previously recognized in "Carrying value adjustments" are reclassified to the statement of income.

(c) Associates

Associates are all entities over which the Company has significant influence but not control, generally reflecting a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, and are initially recognized at cost. The Company's investments in associates include goodwill identified on acquisitions, net of any accumulated impairment losses, when applicable.

The Company's share of its associates' profits or losses is recognized in the statement of income, and its share of their equity account movements is recognized in equity. When the Company's share of the losses of an associate equals or exceeds the carrying amount of its investment in that associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interests in the associates. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

All amounts in millions of Reais unless otherwise stated

If the shareholding in an associate is reduced, but significant influence is maintained, only the relevant proportion part of the amounts previously recognized in "Carrying value adjustments" will be reclassified to the statement of income, where appropriate.

Any dilution of the gains and losses on investments in associates are recognized in the statement of income.

(d) Companies included in the consolidated financial statements

	Percentage of total capital		Percentage of voting capital		Headquarter	Main activity
	2012	2011	2012	2011		
Cement						
Acariúba Mineração e Participação Ltda.	100.00	100.00	100.00	100.00	Brazil	Holding company
Interávia Transportes Ltda.	100.00	100.00	100.00	100.00	Brazil	Transportation
Silcar Empreendimentos, Comércio e Participações S.A.	100.00	100.00	100.00	100.00	Brazil	Holding company
Votorantim Cimentos S.A.	98.97	95.97	98.97	95.97	Brazil	Cement
Votorantim Cimentos N/NE S.A.	96.18	96.18	96.44	96.44	Brazil	Cement
St. Barbara Cement Inc.	100.00	100.00	100.00	100.00	Canada	Cement
Votorantim Cement North America Inc.- "VCNA"	100.00	100.00	100.00	100.00	Canada	Cement
Votorantim Cimentos EAA Inversiones, S.L. - "VCEAA"	100.00		100.00		Spain	Holding company
Prairie Material Sales Inc.	100.00	100.00	100.00	100.00	USA	Cement
St. Marys Cement Inc.	100.00	100.00	100.00	100.00	USA	Cement
Sumter Cement Co. LLC	50.00	50.00	50.00	50.00	USA	Cement
Suwannee American Cement, LLC	50.00	50.00	50.00	50.00	USA	Cement
Trinity Materials LLC	50.00	50.00	50.00	50.00	USA	Cement
Cementos Artigas S.A.	51.00	38.39	51.00	38.39	Uruguay	Cement
Metals						
Votorantim Metais Participações Ltda.	100.00	97.10	100.00	97.10	Brazil	Holding company
Votorantim Metais S.A.	100.00	100.00	100.00	100.00	Brazil	Nickel
Votorantim Metais Zinco S.A.	100.00	100.00	100.00	100.00	Brazil	Zinc
Companhia Brasileira de Alumínio	100.00	100.00	100.00	100.00	Brazil	Aluminum
Indústria e Comércio Metalúrgica Atlas S.A.	99.80	99.86	99.80	99.86	Brazil	Industrial equipment
Campos Novos Energia S.A	44.76	44.76	44.76	44.76	Brazil	Electric power
US Zinc Corporation - "USZinc"	100.00	100.00	100.00	100.00	USA	Zinc
Votorantim Metais - Cajamarquilla S.A.A.	99.89	99.68	99.89	99.68	Peru	Zinc
Compañia Minera Atacocha S.A.A.	88.19	88.19	88.19	88.19	Peru	Zinc
Compañia Minera Milpo S.A.A.	50.06	50.02	50.06	50.02	Peru	Zinc
Steel						
Acerbrag S.A.	100.00	100.00	100.00	100.00	Argentina	Steel
Votorantim Siderurgia S.A.	100.00	100.00	100.00	100.00	Brazil	Steel
Sitrel - Siderurgia Três Lagoas Ltda.	50.00	50.00	50.00	50.00	Brazil	Steel
Acerías Paz del Río S.A. - "APDR"	82.42	72.38	82.42	72.38	Colombia	Steel
Pulp						
Fibria Celulose S.A.	29.42	29.34	29.42	29.34	Brazil	Pulp
Holding, trading and other companies						
Votorantim GmbH	100.00	100.00	100.00	100.00	Austria	Trading company
Santa Cruz Geração de Energia S.A.	100.00	100.00	100.00	100.00	Brazil	Electric power
Votorantim Administração e Participações Ltda.	100.00		100.00		Brazil	Holding company
Votorantim Energia Ltda.	100.00	100.00	100.00	100.00	Brazil	Holding company
Votorantim Investimentos Latino-Americanos S.A.	99.74	99.70	99.74	99.70	Brazil	Holding company
Voto - Votorantim Overseas Trading Operations III Ltd.	100.00	100.00	100.00	100.00	Cayman Islands	Holding company
Voto - Votorantim Overseas Trading Operations IV Ltd.	64.71	64.67	64.71	64.67	Cayman Islands	Holding company
Exclusive investment funds						
Fundo de Investimento Pentágono Multimercado - Crédito Privado	100.00	87.09				
Odessa Multimercado Crédito Privado	94.94	86.08				

(e) Information on jointly-controlled subsidiaries

The assets, liabilities and profit or loss accounts of the main jointly-controlled entities are presented below, taking into account the percentage held by the Company:

All amounts in millions of Reais unless otherwise stated

	Proportional consolidation			
	Campos Novos Energia S.A.		Fibria S.A.	
	2012	2011	2012	2011
Ownership percentage	44.76%	44.76%	29.42%	29.34%
Current assets	50	48	1,838	1,546
Non-current assets	620	646	6,624	6,626
Current liabilities	62	59	729	565
Non-current liabilities	225	272	3,263	3,341
Net revenue	189	179	1,817	1,718
Operating expenses	29	36	68	103
Profit (loss) for the year	73	57	(205)	(256)

(f) Efeito de sociedades incluídas na consolidação

For comparison purposes, a summary of the main inclusions in the consolidation due to acquisitions in 2012 is presented below. This information was obtained through the application of the proportion of the interests acquired to the figures in the financial statements as at December 31, 2012, with reference to the companies involved in the transactions.

	Cementos Artigas S.A.	Votorantim Cimentos EAA Inversiones, S.L. - "VCEAA"
Current assets	144	2,096
Non-current assets	369	1,873
Current liabilities	30	894
Non-current liabilities	79	1,264
Non-controlling interests	94	70

2.3 Foreign currency translation

(a) Functional and presentation currency of the financial statements

Management, after an analysis of operations and businesses, concluded that the Brazilian Real ("R$", "Real" or "Reais") is the functional and presentation currency of the Company and its Brazilian subsidiaries. This conclusion is based on an analysis of the following indicators:

- The currency that has the most significant influence on the prices of products and services.
- The currency of the country where competition and regulations have the most significant influence on the determination of the prices of products and services.
- The currency that has the most significant influence on labor, material and other costs of products or services.
- The currency that supports most of the financial activities.
- The currency that supports most of the operating activities.

Below are the functional currencies for the significant foreign associates:

Company	Country	Functional currency
VCNA	Canada/USA	US Dollar
Cajamarquilla	Peru	US Dollar
Milpo	Peru	US Dollar
VGmbH	Austria	US Dollar
USZinc	USA	US Dollar
APDR	Colombia	Colombian Peso
Acerbrag	Argentina	Argentine Peso
VCEAA	Spain	Euro

(b) Transactions and balances

Foreign currency transactions are translated into Reais. For such translations, the exchange rates in effect at the transaction or balance sheet dates are used. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at the transaction dates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges abroad.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in the statement of income within "Finance income" or "Finance costs".

(c) Associates with a different functional currency

The results and financial positions of all entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follow:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

(ii) Income and expenses for each statement of income are translated at the average monthly exchange rates.

(iii) All resulting exchange differences are recognized as a separate component of equity within "Carrying value adjustments".

On consolidation, exchange differences arising from the translation of the net investments in foreign operations are recorded in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income in “Realization of other comprehensive income on investment write off”.

Goodwill and fair value adjustments arising on acquisitions of a foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing exchange rate.

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 which are readily convertible into a known amount of cash and subject to an immaterial risk of change in value.

2.5 Financial assets

2.5.1 Classification

The Company and its subsidiaries classify their financial assets in the following categories: at fair value through profit or loss ("held for trading"), held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets upon initial recognition.

(a) Held for trading

These are financial assets held for active and frequent trading. These assets are measured at their fair value, and the changes are recognized in the statement of income for the year within "Finance result, net".

Transactions involving derivative financial instruments are also classified in this group, unless they have been designated as hedging instruments. All financial assets in this category are classified as current assets.

(b) Held to maturity

Investments in non-derivative marketable securities, made by the Company with ability and intention of being held to maturity, are classified as held to maturity investments and recorded at amortized cost. The Company assesses, at the balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is such evidence, a provision for the impairment of the asset is recorded.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are adjusted based on the effective rate of the transaction. The effective rate is that defined in the contract, adjusted by the related costs of each transaction. The Company's loans and receivables mainly comprise "Trade receivables" and "Cash and cash equivalents". They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

(d) Fair value

The fair values of publicly-traded investments are based on current market prices. For financial assets without an active market, the Company determines the fair values using valuation techniques, which make reference to recent transactions with third parties, to other substantially similar instruments, or an analysis of discounted cash flow and option pricing models.

The Company periodically evaluates whether there is objective evidence that a financial asset is impaired in relation to its recoverable value. If there is such evidence, a provision for the impairment of the asset is recorded.

2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, which is - the date on which the Company commits to purchase or sell the assets. 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 right to receive cash flow from these assets has expired or have been transferred but only if the Company has transferred, substantially all of the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at their fair values. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair values of financial assets are presented in the statement of income within "Finance results, net" in the period in which they arise.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are presented on a net basis when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.5.4 Impairment of financial assets carried at amortized cost

The Company assesses at the 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 e impaired and impairment losses are recorded 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 wich can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists.

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

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

2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognized at their fair value on the date when the derivative contract is entered into, and are subsequently remeasured to their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, designating certain derivatives as either:

(i) A hedge of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);

(ii) A hedge of a particular risk associated with an asset, liability or firm commitment (fair value hedge);

(iii) A hedge of the currency risk associated with a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flow of the hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 6.1.1. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item exceeds 12 months, and as a current asset or liability when the remaining maturity of the hedged item is lower than 12 months.

(a) Fair value hedges

With a view to ensuring a fixed operating margin in Reais for a portion of the production of the metal businesses, the subsidiaries enter into commodity forward contracts (zinc, aluminum and nickel) on sales of certain commodities combined with the sale of U.S. Dollar forward contracts. These subsidiaries adopt hedge accounting for the derivative instruments entered into for this purpose. The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". Gains or losses related to the non-effective portion are immediately recognized in the statement of income, in the same line item in which the values resulting from the hedged item are recognized.

The amounts recognized in equity are recorded in to the statement of income upon realization of the hedged exports and/or sales referenced to the London Metal Exchange (LME) prices.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss only when the transaction is recognized in the statement of income. When a transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income within "Other operating income (expenses), net".

The Company also adopts hedge accounting for LIBOR derivative instruments, which is used to hedge the interest rate risk on borrowing indexed to LIBOR. The effective portion of changes in the fair value of these derivatives is recognized in equity within "Carrying value adjustments" and recorded in the statement of income upon repayment of the borrowing.

(b) Cash flow hedges

With the objective of maintaining the flow of the metal businesses' operating revenue pegged to LME prices, the subsidiaries enter into hedging transactions under wich they convert sales at fixed prices to floating prices in commercial transactions with customers interested in purchasing products at a fixed price. The subsidiaries have adopted hedge accounting for derivative instruments contracted for this purpose since December 1, 2010, applying a minimum transaction volume of 1000 metric tons to zinc and aluminum and of 100 metric tons to nickel. Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in "Operating income (expenses)". The change in the fair value of the hedged item, in this case the firm commitment of the fixed price sale to the customer, is recorded in "Operating income (expenses)".

The change in the fair value of the hedged item, in this case the firm commitment of the fixed price sale to the customer, is recorded in "Operating income (expenses)".

(c) Net investment hedges

From 2008 and 2010, the Company and its subsidiary Votorantim Cimentos S.A., respectively, designated certain borrowing agreements in foreign currency as hedges of a portion of their investments in foreign operations. The purpose of this procedure is to mitigate the impact of the volatility of exchange rates on their statements of income. The effectiveness of these hedging transactions is periodically tested. The portion of foreign exchange gains/losses on these borrowing agreements is recorded in "Carrying value adjustments" in the Company's equity. This type of hedging is used for the foreign investments held in VCNA, Cajamarquilla, US Zinc and VCEAA, the latter since December 2012 only.
Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges.

Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially or fully disposed of or sold.

(d) Derivatives carried at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair values of any of these derivative instruments are recognized immediately in the statement of income within "Other operating income (expenses), net". Instruments not qualifying as hedges that are intended to hedge fluctuations in interest rates are classified in "Finance results, net".

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company'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 a provision for the impairment of trade receivables. Receivables from customers abroad are presented based on the exchange rates prevailing at the balance sheet date.

2.8 Inventory

Inventory is stated at the lower of its cost or net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw materials, direct labor, other direct costs and related general production overheads. Raw materials derived from biological assets are measured at fair value, less estimated point-of-sale costs at the point of harvest, when they are transferred to inventory in non-current assets. The net realizable value of inventories is the estimated sales price in the normal course of business, net of completion costs and selling expenses. Imports in transit are stated at the accumulated cost of each import.

2.9 Income tax and social contributions

Taxes on income are calculated at the statutory income tax and social contribution rates, for each country in which foreign subsidiaries are located, taking into consideration the offsetting of tax losses carried forward in order to determine the amounts payable. Therefore, temporarily non-deductible expenses or exclusions of temporarily non-taxable revenue for the calculation of current taxable income included in the statement of income generated deferred tax credits or debits. In Brazil, the current tax rates of 25% for income tax and 9% for social contributions are used to calculate deferred taxes.

Deferred tax credits arising from tax losses carried forwards are recognized only to the extent that their realization is probable, based on the history of profitability and the future estimated taxable income.

Deferred income tax and social contributions are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination wich, at the time of the transaction affects neither the accounting nor the taxable profit or loss.

Tax expenses for the year include current and deferred income tax and social contributions. Tax is recognized in the statement of income, except when related to items recognized directly in equity. In this case, the tax is recognized directly in equity.

2.10 Judicial deposits

Judicial deposits are monetarily restated and presented net in "Provisions for tax, civil and labor contingencies", when there is a corresponding provision. The deposits without corresponding provisions are presented in assets.

2.11 Property, plant and equipment

Property, plant and equipment are stated at their historical cost of acquisition or construction, less accumulated depreciation. Historical cost also includes finance costs related to the acquisition or construction 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 replaced items or parts are derecognized.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major refurbishments is included in the carrying value of the asset when future economic benefits exceed the performance initially expected for the existing asset. Refurbishments expenses are depreciated over the remaining useful life of the related asset.

Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, based on technical appraisal reports, as follow:

- Buldings	25 - 59 years
- Machinery and equipment	6 - 40 years
- Vehicles	8 - 10 years
- Furniture and fittings	4 - 19 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount, in accordance with the criteria adopted by the Company in order to determine the recoverable amount.

Gains and losses on disposals are determined by comparing the sales amount with the carrying amount and are recognized within "Other operating income (expenses), net" in the statement of income.

2.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income over the period of the lease.

Leases of property, plant and equipment under wich the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments.

Each lease payment is allocated partly for the amortization of the liabilities and partly to finance charges. The corresponding obligations, net of financial charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment items acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.13 Biological assets

Biological assets mainly represent eucalyptus forests grown exclusively as renewable plantations to be used in the production of bleached pulp.

Biological assets are measured at fair value less the estimated costs to sell at the time of harvest. Depletion is calculated based on the total volume expected to be harvested.

The Company has a policy to perform a fair value measurement of its biological assets on an annual basis.

2.14 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value, less sales cost.

2.15 Intangible assets

(a) Goodwill

Goodwill represents the positive difference between the amount paid and/or payable for the acquisition and the net fair value of the assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded under "Intangible assets" in the consolidated financial statements. If negative goodwill is determined, the amount is recorded as a gain in the profit for the period on the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to Cash-Generating Units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination on which the goodwill arose.

If the acquirer determines negative goodwill, the amount is recorded as a gain in the statement of income on the acquisition date.

(b) Rights over natural resources

Costs for the acquisition of rights to explore and develop mineral properties are capitalized and amortized using the straight line method over their useful lives, or, when applicable, based on the depletion of the mines in question.

(c) Computer software

Computer software licenses are recorded as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of each piece of software (three to five years).

Costs associated with maintaining computer software programs are recognized as expenses as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets.

(d) Use of public assets

Represent the amounts established in the concession contracts regarding to the rights to hydroelectric power generation (onerous concession) under Use of Public Assets (UBP) agreements. These transactions are accounted for at the time when the operating permit is awarded, regardless of the disbursement schedule established in the contract. Upon inception, this liability (obligation) and intangible asset (concession right) correspond to the total amount of the future obligations discounted to their present value.

2.16 Business combination and goodwill based on expected future profitability

The Company applies the acquisition method to account for business combinations. The consideration transferred for an acquisition is the fair value of the assets acquired, the liabilities assumed, and the equity instruments. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined following each acquisition.

The excess of the consideration transferred plus the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined taking into account the participations of the Company and the non-controlling interests.

2.17 Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization but are tested annually for impairment. Assets that are not subject to amortization 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 is separately identifiable cash flow (CGUs). Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.18 Mineral studies and research expenditure

Mineral studies and research expenditure are considered as operating expenses until such time as the economic feasibility of the commercial exploitation of a certain mine is proven. Once feasibility is proven, the expenditure incurred is capitalized as mine development costs. During the mine development phase, before the beginning of production and the stripping campaigns scheduled in the mining plan, stripping expenditure is recorded as an asset in the account of mine development costs. Subsequently, these costs are amortized over the useful life of the mine based on the probable and proven reserves. Once the mine is operational, the stripping expenditure is considered as a cost of production.

2.19 Trade payables

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

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

2.20 Borrowing

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

Borrowing is classified under current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

2.21 Provisions

Provisions for tax, civil, labor and environmental contingencies and legal proceedings 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 resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. Provisions do not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined with reference to the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow being required in relation 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, taking into account 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 passage of time is recognized as an interest expense.

2.22 Provision for obligations related to asset decommissioning

The provision recorded by the Company mainly refers to the costs for mine closure, with the termination of mining activities and decommissioning of the assets related to the mine. The provision is initially recorded as a long-term liability with a corresponding entry to property, plant and equipment and/or intangible assets. The long-term liability is subsequently increased by the long-term discount rate, which is recorded as a corresponding entry to the asset that gave rise to it. The asset is depreciated/amortized on the a straight line basis at the useful life rate of the main asset, and recorded in the statement of income.

2.23 Employee benefits

(a) Pension obligations

The Company and its subsidiaries participate in pension plans managed by a private pension entity, which provide post-employment benefits to the employees.

The Company and its main subsidiaries have both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company makes contributions to private pension entities on a compulsory, contractual or voluntary basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their services in current and prior periods. Prepaid contributions are recognized as assets to the extent that a cash refund or reduction in the future payments is available.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

Regular contributions are recorded as operating expenses.

The liability recognized in the balance sheet in relation to defined benefit pension plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations.

Actuarial gains and losses arising from changes in actuarial assumptions and pension plans are fully recognized in "Carrying value adjustments".

Past service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortized on a straight line basis over the vesting period.

(b) Health care (post-retirement)

Some subsidiaries also offer post-retirement health care benefits to their employees. The health care benefits are offered by the Company under a policy that has been discontinued. This policy established a lifetime benefit concession to a predetermined group of employees. This benefit is closed to new participants and there are no active employees who can opt for it.

The liability related to the health care plan for retired employees is stated at the present value of the obligation, less the market value of the plan assets, adjusted for actuarial gains and losses and past service costs, in a manner similar to the accounting methodology used for defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries using the pro rata projected benefit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Actuarial gains and losses arising from changes in actuarial assumptions are fully recognized within "Carrying value adjustments".

(c) Employee profit sharing

Provisions are recorded to recognize the expenses related to employee profit sharing. These provisions are calculated based on qualitative and quantitative targets established by management and recorded in the statement of income when the rights are vested.

2.24 Share capital

Share capital is represented exclusively by common shares classified as equity.

2.25 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the companies' activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales between consolidated companies.

The Company and its subsidiaries recognize revenue when: (i) the amount of the revenue can be reliably measured, (ii) it is probable that future economic benefits will result from the transaction; and (iii) specific criteria have been met for each of the activities as described below.

(a) Sales of products

Sales revenue is recognized in the domestic and foreign markets usually when the products are delivered and the risks and rewards are transferred to the customer.

(b) Sale of services

Service revenue is derived from concrete pouring and co-processing activities, and cargo transportation. These services are rendered based on time or materials, or provided according to a fixed price contract. The contract terms usually range from less than one year and three years. The revenue from fixed-price contracts for transportation services is normally recognized in the period in which the services are rendered, using the straight line method to recognize the revenue according to the contract period.

(c) Interest income

Interest income from financial assets at amortized cost is recognized in proportion to the time elapsed, using the effective interest method.

2.26 Dividend distributions

Dividend distributions to stockholders are recognized as liabilities in the financial statements at the year-end based on the Company's bylaws. Any amount that exceeds the minimum mandatory dividend is only provided on the date when it is approved by the stockholders at a general meeting.

2.27 Earnings per share

Earnings per share are calculated by dividing the profit attributable to the controlling stockholders by the weighted average number of outstanding common shares for each period. The weighted average number of shares is calculated based on the periods in which the shares were outstanding.

2.28 Interest on capital

Interest on capital was calculated based on the limit of the TJLP variation. The total interest amount was recorded in finance costs, as required by tax legislation. As regards these financial statements, this interest amount was reversed from the statement of income to equity, and is presented in the appropriation to profit or loss.

2.29 Government grants

Government grants are recorded at fair value when there is a reasonable guarantee that the grant will be received and the Company will be able to comply with all of the required conditions.

Government grants related to costs are deferred and recorded in the statement of income during the period required to reconcile them with the costs that they are intended to offset.

2.30 Statement of cash flow

The consolidated statement of cash flow presents the changes in cash and cash equivalents during the year in the operating, investing and financing activities. Cash and cash equivalents include highly liquid financial investments.

Cash flow from operating activities is presented using the indirect method. The consolidated profit is adjusted by the effects of non-cash transactions, any deferrals or appropriations on of operating past or future cash receipts or payments, and the effects of revenue or expenses related to cash flow from investment or financing activities. All revenue and expenses arising from non-monetary operations attributable to investment or financing are eliminated. Interest received or paid is classified as cash flow from operations.

During 2012 and 2011, the Company had the following main financial transactions relating to investments and financing:

- Elimination of the Company's investment in Cimport's capital and the related acquisition of its subsidiary VCEAA, as described in Note 17 (e) (i).
- Acquisition of the Company's investment in the capital of Cementos Artigas S.A., as described in Note 17 (e) (iii).
- Acquisition of the Company's investment in the capital of Cementos Avellaneda S.A., as described in Note 17 (e) (iv).

3 New standards, amendments to and interpretations of existing standards that are not yet effective

The following new standards, amendments and interpretations to existing standards were issued by IASB, but are not effective for 2012. The early adoption of these standards, even though encouraged by the IASB, is not permitted by the CPC.

- IAS 1, "Presentation of financial statements". The main change is a requirement for entities to group the items presented in "other comprehensive income" on the basis of whether they will be reclassified to profit or loss or will remain in equity. The amendment to the standard is applicable from January 1, 2013. The Company expects that the adoption of this amendment will only give rise to impacts on disclosure.

- IAS 19 - "Employee benefits" was amended in June 2011. This amendment was included in the text of CPC 33 (R1) - "Employee benefits". The standard is applicable from January 1, 2013. The main impacts on the Company's financial statements will be as follow: (a) immediate recognition of all past service costs, (b) replacement of interest on liabilities and expected return on assets with a single net interest rate, wich will generate a slight increase in plan costs in the statement of income.

- IFRS 11, "Joint arrangements" was issued in May 2011 and included as an amendment to CPC 19(R2), "Joint ventures". The new standard establishes the impossibility of proportionally consolidating entities whose control of net assets is shared through an agreement between two or more parties and which is classified as a joint venture.

  IFRS 11 establishes two types of classification for the agreements:

  .. Joint operations - when the parties jointly control assets and liabilities, regardless of whether assets are in a separate vehicle, according to the agreement provisions and the nature of the operation. In these agreements, assets, liabilities, revenue and expenses are recorded in the entity that participates in the joint operators' agreement in proportion to its rights and obligations.

All amounts in millions of Reais unless otherwise stated

.. Joint ventures - when the parties jointly control the net assets in an agreement, structured through a separate entity and the respective results arising from these assets are divided between the participants. In these agreements, the interest of the entity must be recorded under the equity accounting method and presented in "Investments".

The effects of the deconsolidation of Fibria S.A.(a jointly-controlled subsidiary) on the assets, liabilities and profit or loss in the Company's financial statements at December 31, 2012, following the adoption of this standard, are as follow:

	Before	Impact	After
Balance sheet			
Total current assets	15,867	(1,838)	14,029
Total non-current assets	52,226	(2,154)	50,072
Total assets	**68,093**	**(3,992)**	**64,101**
Total current liabilities	7,998	(729)	7,269
Total non-current liabilities	32,309	(3,263)	29,046
Total liabilities	**40,307**	**(3,992)**	**36,315**
Total equity	27,786		27,786
Statement of income			
Net revenue	24,792	(1,817)	22,975
Operating expenses	(3,701)	68	(3,633)
Equity in the results of investees	122	(205)	(83)
Profit for the year	87		87

- IFRS 12 - "Disclosures of interests in other entities" considered in a new pronouncement CPC 45 - "Disclosures of interests in other entities". IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is applicable from January 1, 2013. The impact of this standard will be basically additional in disclosure requirements.

- IFRS 9 - "Financial instruments", issued in November 2009, is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is applicable from January 1, 2015. Management has yet to assess the possible impacts of this standard.

- IFRS 10 - "Consolidated financial statements", included as an amendment to CPC 36(R3), "Consolidated financial statements", issued in May 2011. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements. The standard provides additional guidance regarding the determination of control when the assessment is uncertain. The standard is applicable from January 1, 2013. The Company does not expect any significant impact on Votorantim's financial statements arising from the adoption of this standard.

- IFRS 13 - "Fair value measurement" was issued in May 2011 and disclosed in the new pronouncement CPC 46, "Fair value measurement". IFRS 13 aims to improve the consistency and reduce the complexity of the disclosure required by IFRS. The standard provides guidance on how fair value should be applied where its use is already required or permitted by other standards. It is applicable as from January 1, 2013, but there is an exemption regarding the application of the new disclosure requirements to comparative periods. The impact of this standard will be basically additional disclosure requirements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4 Critical accounting estimates and judgments

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

Based on various assumptions, the Company makes estimates concerning future results. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 financial year are addressed below:

(a) Business combinations and estimated goodwill impairment

In a business combination, the identifiable assets acquired and liabilities assumed are measured at fair value on the acquisition date. The non-controlling interest in the company acquired is measured at fair value. The measurement of these assets and liabilities, on the acquisition date, is subject to fair value analysis, including estimates of future cash flow, market value, credit risk and others, and could be significantly different from actual results.

(b) Fair value of derivatives and other financial instruments

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses its judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Asset decommissioning obligations

The Company recognizes an obligation based on the fair cost of the asset decommissioning operations in the period in which they occur, according to Note 2.21. The Company considers the accounting estimates related to the recovery of degraded areas and the costs to close a mine as a critical accounting practice since it involves significant provision amounts and these estimates involve various assumptions such as interest rates, inflation and the useful life of the asset, considering the current depletion stage and the dates established for the depletion of each mine. These estimates are reviewed annually by the Company.

(d) Deferred income tax and social contributions

The Company is subject to income tax and social contributions based on tax current rates. The Company also recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax assets and liabilities in the period in which this determination is made.

The Company recognizes deferred tax assets and liabilities based on the temporary differences between the carrying amounts and the tax bases of assets and liabilities. If the Company or its subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the deferred tax asset could be reduced.

(e) Employee benefits

The present value of the health care plan obligations depends on a number of factors that are determined on an actuarial basis using various assumptions. The assumptions used in determining the net expenses (income) for actuarial obligations include the discount rate.

(f) Biological assets

The calculation of the fair value of biological assets includes several assumptions requiring a high degree of judgment, such as the estimated sales price, cubic volume of wood and average annual growth index by region.

(g) Non- current assets and review of the useful lives of property, plant and equipment and intangible assets

The Company and its subsidiaries reviews the assets used in its activities for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable on the basis of undiscounted future cash flow. If the carrying amount of these assets exceeds their recoverable amount, the net value and useful life are adjusted to reflect the new thresholds.

(h) Provisions for tax, civil, labor and environmental contingencies

The Company is a party to tax, civil, labor and environmental lawsuits in progress at different court levels. The provisions against potentially unfavorable outcomes of litigation in progress are established and updated based on management evaluation, as supported by external legal counsel, and require a high level of judgment regarding the matters involved.

5 Social and environmental risk management

The Company, through its subsidiaries and associates, operates in the cement, concrete and aggregate, pulp, metals (aluminum, copper, zinc and nickel), steel and electrical power generation segments, and consequently, these activities are subject to several Brazilian and international environmental laws, regulations, treaties and conventions, including those that regulate the discharge of materials into the environment, which establish the removal and cleaning of the contaminated environment, or those relating to environmental protection. The violations of the environmental regulations in force expose the violator(s) to significant fines and monetary penalties, and may require technical measures or investments to ensure the compliance with the mandatory emissions levels.

The Company carries out periodic studies to identify any potentially affected areas and records, based on the best estimates of costs, the amounts expected to be disbursed for the investigation, treatment and cleaning of the potentially affected areas.

The Company and its subsidiaries believe they are in compliance with all of the applicable environmental standards in the countries in which they operate.

6 Financial risk management

6.1 Financial risk factors

The activities of the Company and its subsidiaries expose them to a variety of financial risks, namely: (a) market risk (including currency, commodity price and interest rate risk), (b) credit risk and (c) liquidity risk.

A significant portion of the products sold by the Company and its subsidiaries, such as aluminum, nickel and zinc are commodities, with prices pegged to international indexes and denominated in U S Dollars. Their costs, however, are mainly denominated in Reais, and therefore, there is a natural mismatch of currencies between costs and revenue. Additionally, the Company and its subsidiaries have debts linked to different indexes and currencies, which may impact their cash flow.

This policy is complemented by establishing guidelines and rules for: (i) foreign exchange exposure management, (ii) interest rate exposure management, (iii) commodity price exposure management, (iv) counterparty and issuer risk management, and (v) liquidity and financial indebtedness management. All proposals must comply with the guidelines and rules, be presented to and discussed with the Treasury Committee and subsequently submitted for the approval of the Finance Committee, pursuant to the governance structure described in the Market Risk Management Policy.

The following financial instruments may be taken out in order to mitigate and manage risk: conventional swaps, call options, put options, collars, currency futures contracts and Non-Deliverable Forward (NDF) contracts. Strategies that include simultaneous purchases and sales of options are authorized only when they do not result in a net short position in volatility of the underlying asset. The Company does not enter into transactions involving financial instruments for speculative purposes.

(a) Market risk

The purpose of the market risk management process is to protect the Company's cash flows against adverse events, such as fluctuations in exchange rates, commodity prices and interest rates. The governance and the overall guidelines covering this process are defined in the Market Risk Management Policy.

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U S Dollar.

The Foreign Exchange Exposure Management Policy establishes guidelines and rules to mitigate the impact of foreign currency volatility on the Company's cash flow. Proposals for contracting hedges are prepared by the Treasury Committee for approval by the Finance Committee and are based on the projected exchange exposure up to the end of the year subsequent to the reporting date.

Additionally, hedging programs may be defined to hedge the Business Units' (BU) cash flow. In these cases, the Treasury Committee prepares the proposal in coordination with the BU in question, for subsequent approval by the Finance Committee.

Since the Brazilian Real is the Company's functional currency, market risk management is focused on protecting cash flow in this currency and ensuring the Company's ability to settle its financial obligations and maintain adequate liquidity and indebtedness levels, as defined by management.

The Company has certain investments in foreign operations, the net assets of which are exposed to foreign exchange risk. The foreign exchange exposure arising from investments in foreign operations is mainly hedged by borrowing in the same currencies as these investments, which are classified as "Net investment hedges" (Note 2.6 (c)).

(ii) Cash flow and fair value interest rate risk

The Company's income and operating cash flow are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowing. Borrowing at variable rates exposes the Company to cash flow interest rate risk. Borrowing at fixed rates exposes the Company to fair value interest rate risk.

The Interest Rate Exposure Management Policy establishes guidelines and rules for mitigating risks of fluctuations in interest rates that impact the cash flow of the Company and its BUs. Based on the exposure to each interest rate index (mainly CDI, LIBOR and TJLP), the Treasury Committee prepares proposals for entering into hedge transactions and submits them for the approval of the Finance Committee.

(iii) Commodity price risk

This risk is associated with volatility in the prices of the Company's commodities such as aluminum, nickel, zinc and pulp. Prices fluctuate depending on demand, production capacity, producers' inventory levels, the commercial strategies adopted by large producers, and the availability of substitutes for these products in the global market.

The Commodity Price Exposure Management Polity establishes guidelines to mitigate the risk of fluctuations in commodity prices that impact the cash flow of the Company's operating subsidiaries.

The exposure to each commodity price considers the monthly projections of production, purchases of inputs and flows of maturities of the related hedges. Hedge transactions are classified into the following categories:

(iii.1) Fixed-price commercial transactions - hedge transactions that switch, from fixed to floating, the price contracted in commercial transactions with customers interested in purchasing products at a fixed price.

(iii.2) Hedges for "quotation periods" - hedges that set a price for the different "quotation periods" between the purchases of certain inputs (metal concentrate) and the sale of products arising from the processing of these inputs.

(iii.3) Hedges for "costs of inputs" - intended to ensure protection against volatility in the prices/costs of its operating subsidiaries for commodities such as oil and natural gas.

(iii.4) Hedges for "operating margin" - intended to set the operating margin for a portion of the production of certain operating subsidiaries.

(b) Credit risk

Derivative financial instruments, time deposits, Bank Deposit Certificates (CDB) and repurchase agreements backed by debentures and federal government securities create exposure to counterparty and issuer credit risk. The Company adopts the policy of working with issuers which have, at a minimum, been assessed by two of the following three rating agencies: Fitch, Moody's or Standard & Poor's. The minimum rating required for the counterparties is "A+" (Brazilian scale) or "BBB-" (international scale), or equivalent, except in countries where issuers do not meet the minimum credit risk ratings, for which criteria proposed by the Treasury Committee and approved by the Finance Committee are applied.

The credit quality of financial assets is disclosed in Note 8. The ratings disclosed in this Note always represent the most conservative ratings of the agencies in question.

The pre-settlement risk methodology is used to assess counterparty risk on derivatives transactions, determining (via Monte Carlo simulations) the likelihood of a counterparty not honoring the financial commitments defined by the contract. The use of this methodology was approved by the Finance Committee.

In the case of credit risk arising from customer credit exposure, the Company assesses the credit quality of the customer, taking into account mainly the historical relationships with the customers and financial indicators defining individual credit limits, which are continuously monitored. The Company recognizes a provision for the impairment of trade receivables whenever necessary. The provision for the impairment of trade receivables is recorded at an amount deemed sufficient to cover probable losses on the collection of trade receivables and is charged to "Selling expenses".

The Company performs initial analyses of customer credit and, when deemed necessary; guarantees or letters of credit are obtained to safeguard the Company's interests. Additionally, most of the export sales to the United States, Europe and Asia are collateralized by letters of credit and credit insurance.

(c) Liquidity risk

Liquidity risk is managed in accordance with the Liquidity and Indebtedness Management Policy, aimed at ensuring that there are sufficient net funds to meet the Company's financial commitments within its maturity schedules, with no additional costs. The main method for the measurement and monitoring of liquidity is cash flow forecasting, with a minimum projection period of 12 months from the reference date.

All amounts in millions of Reais unless otherwise stated

Liquidity and financial indebtedness management adopts comparable metrics provided by reputable global credit rating agencies for a stable BBB credit risk or equivalent.

The table below analyzes the Company's non-derivative financial liabilities and derivative financial assets and liabilities to the settled by the Company by maturity (the remaining period from the balance sheet up to the contractual maturity date). Derivative financial liabilities are included in the analysis if their contractual maturities are essential to understand the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Consequently, these amounts may not reconcile with the amounts disclosed on the balance sheet for borrowings.

	Up to 1 year	From 1 to 2 years	From 2 to 5 years	From 5 to 10 years	Over 10 years
As at December 31, 2012					
Borrowing	2,819	3,123	10,429	14,243	6,065
Derivative financial instruments	131	18	51	15	
Dividends payable	173				
Related parties	57	335			501
Payables - trading	54				
Trade payables	2,867				
	6,101	3,476	10,480	14,258	6,566
As at December 31, 2011					
Borrowing	2,983	2,904	7,703	15,514	3,507
Derivative financial instruments	171	25	137	24	
Dividends payable	688				
Related parties	122	45			443
Payables - trading	24				
Trade payables	2,576				
	6,564	2,974	7,840	15,538	3,950

6.1.1 Derivatives contracted

The derivative instruments contracted by the Company are described below. All derivative transactions were carried out on the over-the-counter market.

Hedging program for interest rates in US Dollars - derivative financial instruments contracted to adjust the exposure to LIBOR (arising from loans in US Dollars indexed to LIBOR floating rates) to the parameters established by the policy. The mitigation of these risks is carried out by means of swaps and collars.

Hedging program for sales of nickel, zinc and aluminum at a fixed price - hedging transaction that converts sales at fixed prices to floating prices in commercial transactions with customers interested in purchasing products at fixed prices. The purpose of this strategy is to maintain the revenue flow of the BU linked to the LME prices. These operations usually relate to purchases of nickel, zinc and aluminum for future settlement on the over-the-counter market.

Hedging program for mismatches of quotation periods - this program hedges the different "quotation periods" between the purchases of certain inputs (metal concentrate) and sales of products arising from the processing of these inputs. These operations usually relate to purchases and sales of nickel, zinc and aluminum for future trading on the over-the-counter market.

Hedging program for fuel oil cost - derivatives contracted to reduce the volatility of the cash flows from nickel operations. Mitigation of risks is carried out by means of WTI collars (sales of oil put options and purchases of oil call options).

Hedging program for the operating margins of metals - derivative financial instruments contracted to reduce the volatility of the cash flows from zinc, nickel and aluminum operations. With a view to ensuring a fixed operating margin in Reais for a portion of the production of metals, the mitigation of risks is carried out through the sale of forward contracts for each commodity, combined with the sale of US Dollar forward contracts. In addition, the Company has executed derivative financial instruments to reduce the volatility of the cash flows from its zinc, copper and silver operations in Peru.

Hedging program for foreign exchange exposure - hedging instruments entered into to adjust the foreign exchange exposure according to the limits defined by the Finance Committee. The mitigation of these risks is carried out through the purchase of US Dollar and Euro forward contracts.

Instruments to hedge real-denominated debts - derivative financial instruments contracted to transform the fixed rates of Real-denominated debts into CDI floating rates. Risk mitigation is carried out by means of swaps. Changes in fair value are recognized in the statement of income.

The table below summarizes the derivative financial instruments and the underlying hedged item:

All amounts in millions of Reais unless otherwise stated

Program	Principal		Unit	Fair value		Realized gain (loss)					
	2012	2011		2012	2011	2012	2013	2014	2015	2016	2017
Hedging program for interest rates in US Dollars											
LIBOR floating rate vs. LIBOR fixed rate swaps, Zero cost collar	438	1,061	USD MM	(14)	(95)	(112)	(10)	(4)			
				(14)	**(95)**	**(112)**					
Hedging program for sales of nickel, zinc and aluminum at a fixed price											
Nickel forward	820	1,392	metric ton								
Zinc forward	4,800	9,092	metric ton	1	(2)	(4)	1				
				1	**(2)**	**(4)**					
Hedging program for mismatches of quotation periods											
Nickel forward	2,200	156	metric ton			4					
Zinc forward	290,318	123,400	metric ton	(12)	10	17	(12)				
				(12)	**10**	**21**					
Hedging program for fuel oil costs											
WTI collar		42,000	bbl (*)		1	1					
					1	**1**					
Hedging program for the operating margin of metals											
Nickel forward	5,698	5,222	metric ton	10	37	60	10				
Zinc forward	125,045	98,910	metric ton	(18)	70	72	(18)				
Aluminum forward	149,695	142,833	metric ton	26	120	151	26				
Copper forward	5,481		metric ton	2		1	2				
Silver forward	998		k oz (**)	5		6	5				
US Dollar forward	621	694	USD MM	(37)	(95)	(130)	(39)	2			
				(13)	**132**	**160**					
Hedging program for foreign exchange exposure											
US Dollar forward	57		USD MM			6					
Euro forward			EUR MM	(2)			(2)				
				(2)		**6**					
Hedging program for debts											
Fixed rate in Reais vs. CDI floating rate swaps	500		BRL MM	5			3	1	1		
US Dollar vs. Yen swaps		43	USD MM		(25)	(18)					
				5	**(25)**	**(18)**					
Subtotal				**(35)**	**21**	**54**	**(34)**	**(1)**	**1**		
Publicly-held company (Fibria)				(80)	(62)	(37)	(11)	(12)	(16)	(13)	(16)
Total consolidated				**(115)**	**(41)**	**17**	**(45)**	**(13)**	**(15)**	**(13)**	**(16)**

(*) bbl = oil barrel
(**) oz = kilograms in troy ounces

6.1.2 Fair value estimation

The main financial assets and liabilities are described below, as well as their valuation assumptions:

Cash and cash equivalents, financial investments, trade receivables and other current assets - considering the nature and terms, the amounts recorded approximate the realizable values.

Financial liabilities - these instruments are subject to the usual market interest rates. The market value was based on the present value of the expected future cash disbursements, at interest rates currently available for the issue of debts with similar maturities and terms (Note 21 (i)).

Derivative financial instruments - the methods for determining the fair values of the derivative instruments used by the Company for hedging transactions were based on procedures commonly used in the market, which are in compliance with widely-tested theoretical bases. A summary of the methodologies used for fair value determination purposes by instrument is presented below:

(a) Non-Deliverable Forwards (NDFs)

A projection of the future exchange rates is made, using the exchange rate coupon for fixed yields in Reais at each maturity date. Subsequently, the difference between this quotation and the contracted rate is estimated. This difference is multiplied by the principal amount of each contract and discounted to its present value using the fixed yield in Reais.

(b) Swap contracts

The present value of both the asset and liability elements is estimated through the discounting of forecast cash flows using the market interest rate for the currency in which the swap is denominated. The fair value of the contract is the difference between the asset and liability elements.

(c) Call options

Call options are measured at their fair values by applying the Black-Scholes method.

Fair value hierarchy

The Company adopts CPC 40/IFRS 7 for financial instruments carried at fair value on the balance sheet. This requires the disclosure of fair value measurements according to their level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at December 31, 2012 and 2011, the financial assets and liabilities carried at fair value were classified as Level 2 in the fair value measurement hierarchy.

6.1.3 Sensitivity analysis

Presented below is the sensitivity analysis for outstanding positions in financial instruments based on appreciation/ depreciation of the main risk factors according to the following scenarios:

- Scenario I: based on the market forward curves and quotations as at December 31, 2012, and representing a probable scenario in management's opinion as at December 31, 2013.

- Scenario II: considers a stress factor of + / – 25% applied to the market forward curves and quotations as at December 31, 2012.

- Scenario III: considers a stress factor of + / – 50% applied to the market forward curves and quotations as at December 31, 2012.

All amounts in millions of Reais unless otherwise stated

	Balance sheet accounts				Impacts on profit (loss)						Impacts on comprehensive income				
					Scenario I		Scenarios II and III				Scenario I	Scenarios II and III			
Risk factors	**Assets**	**Liabilities**	**National**	Unit	**Changes from 12/31/2012**	**Results of scenario I**	**-25%**	**-50%**	**25%**	**50%**	**Results of scenario I**	**-25%**	**-50%**	**25%**	**50%**
Foreign exchange rate															
USD	2,245	13,524	1,059	USD	3%	(177)	1,649	3,297	(1,649)	(3,297)	228	(2,078)	(4,156)	2,078	4,156
EUR	40	2,119	57	EUR	1%	(1)	(12)	(25)	12	25	(16)	491	982	(491)	(982)
Interest rates															
BRL - CDI	4,144	5,129	1,758	BRL	0 bps		20	39	(20)	(39)		8	15	(8)	(15)
USD Libor		5,039	1,206	USD	12 bps	(4)	2	4	(2)	(4)	(1)		1		(1)
Price - commodities															
Nickel			8,718	metric ton	2%	(2)	21	43	(21)	(43)	(4)	45	90	(45)	(90)
Zinc			420,163	metric ton	7%	(14)	51	103	(51)	(103)	(38)	145	290	(145)	(290)
Aluminum			149,695	metric ton	1%						(6)	146	291	(146)	(291)
Copper			5,481	metric ton	0%							21	41	(21)	(41)
Silver			998	k oz (**)	2%						(1)	14	28	(14)	(28)

6.1.4 transactions and future commitments subject to cash flow and fair value hedges

The Company adopts hedge accounting practices in relation to the operating margin of metals, designating the contracted derivatives as cash flow hedges. As a consequence of the adoption of hedge accounting, the changes in the fair values of the derivatives contracted for this program are recorded in equity. When the sales of the products subject to hedging are realized, the fair value of these derivatives is reclassified to the statement of income.

For the hedge program for the sale of nickel, zinc and aluminum at a fixed price, the Company adopts hedge accounting and designates the derivatives contracted as fair value hedge of the firm commitment. The changes in the fair value of the derivatives contracted for this program are recognized in "Operating income (expenses)". The changes in the fair values of the hedged item (in this case, a commitment to making a fixed price sale to a customer) is also recorded in "Operating income (expenses)". For the aluminum hedge program at a fixed price, this type of hedge accounting includes changes in the fair value since December 1, 2010.

The Company also adopts hedge accounting for a portion of the swap transactions entered into to adjust the exposure to LIBOR.

The table below presents a summary of the derivatives classified under these criteria:

All amounts in millions of Reais unless otherwise stated

Details of the main derivative programs

Fair value of positions

Program	Principal		Unit	Purchase/ sale	Average FWD rate/price		Average term (days)	Fair value		Realized gain (loss)	Fair value by maturity	
	2012	2011						2012	2011	2012	2012	2013
Hedge accounting - cash flow hedges												
Hedging programs for the operating margins of metals												
Nickel forward	5,152	4,422	metric ton	S	17,992	US$/metric ton	180	9	27	45	9	
Zinc forward	112,605	90,910	metric ton	S	2,022	US$/metric ton	170	(17)	61	56	(17)	
Aluminum forward	136,515	123,500	metric ton	S	2,169	US$/metric ton	166	22	105	119	22	
Copper forward	5,081		metric ton	S	8,095	US$/metric ton	202	2			2	
Silver forward	901		k oz (**)	S	33	k US$/oz	168	4		5	4	
US Dollar forward	561	607	USD MM	S	2.04	R$/US$	165	(25)	(95)	(109)	(27)	2
								(5)	**98**	**116**	**(7)**	**2**
Hedging program for mismatches of quotation periods												
Zinc forward	94,426		metric ton	P			35	(4)			(4)	
Hedging program for interest rates in US dollars												
LIBOR floating rate vs. LIBOR fixed rate swaps		276	USD MM						(68)	(89)		
Hedge accounting - Fair value hedge												
Hedging program for sales of nickel, zinc and aluminum at a fixed price												
Zinc forward	900	900	metric ton	P	1,929	US$/metric ton	76		(1)	(1)		

(**) oz = kilograms in troy ounces

6.1.5 Hedges of net investments in foreign operations

The Company adopts hedge accounting for a portion of its investments abroad (Note 2.6(c)).

6.1.6 Value and type of margins pledged as collateral

The derivative transactions entered into by the Company are not subject to collateral deposits, margin calls or any other type of guarantee or similar mechanism.

6.1.7 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can make, or may propose to the Board of Directors when their approval is required, adjustments to the amounts of dividends paid to stockholders, return capital to stockholders, issue new shares or sell assets to reduce, for example, debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and financial investments. EBITDA is calculated as the sum of operating income, depreciation, amortization, depletion and items classified as non-recurring.

The gearing ratios as at December 31, 2012 and 2011 were as follows:

All amounts in millions of Reais unless otherwise stated

	Note	2012	2011
Borrowings	21	25,419	22,434
Cash and cash equivalents	9	(3,280)	(1,380)
Fair value of derivative contracts	6.1.1	115	41
Financial investments	10	(3,823)	(3,424)
Net debt (A)		18,431	17,671
Breakdown of EBITDA			
Net revenue	28	24,792	23,659
Cost of products sold and services rendered		(18,832)	(17,259)
Operating expenses, net		(3,701)	(4,467)
Discontinued operations	35		1,286
EBIT		2,259	3,219
Depreciation, amortization and depletion	18,19 and 20	2,544	2,128
EBITDA		4,803	5,347
Adjustments in EBITDA			
Dividends received in the year		206	135
Non-recurring adjustments/items			
Fibria call option	16	(53)	347
Gain on sale of Conpacel and KSR	35		(105)
Gain on sale of USIMINAS	35		(1,247)
Loss on sale of Nitroquimica	35		104
Gain on business combination - VCEAA	17 (e) (i)	(267)	
Gain on business combination - Artigas	17 (e) (iv)	(73)	
Loss on sale of Yguazú		8	
Impairment of investiment	29		586
Impairment of goodwill	29	464	
Impairment of property, plant and equipment	29	94	101
Changes in the fair value of biological assets		(88)	(43)
Provision for losses on assets			156
Other		7	8
Adjusted EBITDA (B)		5,101	5,389
Gearing ratio (A/B)		3.61	3.28

All amounts in millions of Reais unless otherwise stated

7 Financial instruments by category

	Loans and receivables	Assets held for trading	Derivatives used for hedging	Total
December 31, 2012				
Assets per the balance sheet				
Derivative financial instruments		27	73	100
Trade receivables	2,088			2,088
Financial investments	79	3,744		3,823
Cash and cash equivalents	3,280			3,280
Related parties	1,412			1,412
	6,859	**3,771**	**73**	**10,703**

	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
December 31, 2012				
Liabilities per the balance sheet				
Borrowing			25,419	25,419
Derivative financial instruments	126	89		215
Trade payables			2,867	2,867
Related parties			893	893
Use of public assets			55	55
Payables for interest acquisition			328	328
Payables - trading			54	54
	126	**89**	**29,616**	**29,831**

	Loans and receivables	Assets held for trading	Derivatives used for hedging	Total
December 31, 2011				
Assets per the balance sheet				
Derivative financial instruments		111	205	316
Trade receivables	2,154			2,154
Financial assets held for trading	26	3,384		3,410
Cash and cash equivalents	1,380			1,380
Receivables from interest sold	2,362			2,362
Related parties	1,294			1,294
	7,216	**3,495**	**205**	**10,916**

	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
December 31, 2011				
Liabilities as per balance sheet				
Borrowings			22,434	22,434
Derivative financial instruments	190	167		357
Trade payables			2,576	2,576
Related parties			610	610
Use of public assets			60	60
Payables - trading			24	24
	190	**167**	**25,704**	**26,061**

All amounts in millions of Reais unless otherwise stated

8 Credit quality of financial assets

The table below reflects the credit quality of issuers and counterparties in transactions involving cash and cash equivalents, financial investments and derivatives:

			2012			2011
	Local rating	Global rating	Total	Local rating	Global rating	Total
Cash and cash equivalents						
AAA	1,209		1,209	544	4	548
AA+	236		236	31		31
AA	104		104			
AA-					1	1
A+		784	784		164	164
A		106	106	5	124	129
A-		10	10		36	36
BBB+		3	3	5	48	53
BBB		455	455	8	95	103
B		25	25			
BBB-		187	187		315	315
B+		13	13			
CCC+		6	6			
Unrated		142	142			
	1,549	1,731	3,280	593	787	1,380
Financial investments						
AAA	1,866		1,866	1,230	2	1,232
AA+	737		737	1,386		1,386
AA	16		16	134		134
AA-	21	20	41	35	4	39
A+		369	369			
A		70	70	14	113	127
A-	1	194	195	1	122	123
BBB		221	221		159	159
BBB-		29	29		224	224
CCC+		40	40			
Unrated	163	80	239			
	2,804	1,023	3,823	2,800	624	3,424
Derivative financial assets						
AAA	42		42	90		90
AA+				1		1
A+		10	10		122	122
A		34	34		36	36
A-		1	1		10	10
BBB+		5	5		20	20
BBB		8	8		37	37
	42	58	100	91	225	316
	4,395	2,812	7,203	3,484	1,636	5,120

The internal and external ratings were obtained from rating agencies (Standard & Poor's, Moody's and Fitch). The Company considered the ratings of Standard&Poor’s and Fitch for presentation purposes.

All amounts in millions of Reais unless otherwise stated

9 Cash and cash equivalents

	2012	2011
Cash and cash equivalents in local currency		
Cash and banks	33	123
Bank Deposit Certificates (CDB)	1,045	220
Repurchase agreements	471	330
Cash and cash equivalents in foreign currency		
Cash and banks	1,433	308
Fixed-term deposits	298	399
	3,280	1,380

Fixed-term deposits are highly liquid, readily convertible into a known amount of cash and subject to an immaterial risk of changes in fair value in case of anticipated redemption.

The average yield of the portfolio during the year ended December 31, 2012 was 102.1% of the CDI (2011 - 102.2% of the CDI).

10 Financial investments

These include financial assets classified as held-for-trading and held to maturity, as presented in the table below:

	2012	2011
Held for trading		
Financial Treasury Bills (LFTs)	464	869
National Treasury Bills (LTNs)	231	39
National Treasury Notes (NTNs)	55	
Investment fund quotas	4	43
Credit Rights Investment Funds (FIDC)	174	147
Investments denominated in foreign currency	1,023	585
Bank Deposit Certificates (CDBs)	191	161
Repurchase agreements	1,600	1,540
Other	2	
	3,744	3,384
Held to maturity		
Financial Treasury Bills (LFTs)	41	26
Bank Deposit Certificates (CDBs)	23	14
Repurchase agreements	15	
	79	40
	3,823	3,424
Current	(3,744)	(3,398)
Non-current	79	26

All amounts in millions of Reais unless otherwise stated

The average yield of the portfolio in 2012 was 102.1% of the CDI (2011 - 102.2% of the CDI).

The financial investments were measured at their market values and classified in Levels 1 and 2 of the fair value hierarchy in the following amounts:

	2012	2011
Level I	795	977
Level II	3,028	2,447
	3,823	3,424

11 Trade receivables

(a) Breakdown

	2012	2011
Trade receivables - Brazil	700	858
Trade receivables - exports from Brazil	211	276
Trade receivables - foreign customers	1,268	1,018
Related parties (Note 15)	79	71
Provision for impairment of trade receivables	(170)	(69)
	2,088	2,154

(b) Breakdown by currency

	2012	2011
Real	737	898
US Dollar	695	728
Canadian Dollar	184	
Euros	129	268
Colombian Pesos	80	71
Argentine Pesos	60	48
Other Currencies	203	141
	2,088	2,154

(c) Changes

	2012	2011
Opening balance	69	84
Provision for impairment of trade receivables	14	(2)
Receivables written off as uncollectible	(14)	(16)
Foreign exchange variations	4	6
Effects of consolidated (deconsolidated) companies	97	(3)
Closing balance	170	69

All amounts in millions of Reais unless otherwise stated

12 Inventories

	2012	2011
Finished products	837	841
Semi finished products	1,408	1,237
Raw materials	715	636
Auxiliary materials	858	729
Imports in transit	249	223
Other	13	44
Provision for losses (i)	(186)	(203)
	3,894	3,507

(i) Mainly refers to the obsolescence of inventory with a limited expectation of realization.
There are no inventories pledged as collateral for liabilities.

13 Taxes recoverable

	2012	2011
State Value-added Tax on Sales and Services (ICMS)	783	717
Income tax and social contributions	552	656
Social Contribution on Revenue (COFINS)	244	310
Value Added Tax (VAT) (foreign companies)	229	169
Social Integration Program (PIS)	54	81
Excise Tax (IPI)	45	48
Withholding Income Tax (IRRF)	13	14
Other	134	38
	2,054	2,033
Current	(1,273)	(930)
Non-current	781	1,103

The State Value-added Tax on Sales and Services (ICMS) credits arise from purchases of property, plant and equipment items (recoverable in 48 monthly installments) and consumable products. Their realization is based on the subsidiaries' operations. The credits related to Corporate Income Tax (IRPJ) and Social Contributions on Net Income (CSLL) refer to prepayments that will be offset, without prescriptive periods, against the same taxes and contributions levied on future taxable income within five years.

14 Assets held for sale

(a) On December 21, 2012, the subsidiary Votorantim Cimentos S.A. decided that it no longer intended to continue its operations in China, which arise from the exchange of the Company's 21.21% interest in Cimpor for the operating assets as described in Note 17 (e) (i).

(b) On June 30, 2011, the jointly-controlled subsidiary Fibria S.A. announced its intention to sell assets related to the "Projeto Losango"' (as detailed below),which included approximately 100 thousand hectares of its own land and approximately 39 thousand hectares of eucalyptus planted on the company's own land or on land leased from third parties, located in the State of Rio Grande do Sul. On September 28, 2012, Fibria and CMPC Celulose Riograndense S.A. ("CMPC") signed a final commitment for the sale and purchase of these assets at the total amount of R$ 615 (on a non-proportional basis). The sale will only occur when the relevant government approvals are obtained.

All amounts in millions of Reais unless otherwise stated

(a) - UGC - VCEAA/China	**2012**
Inventory	39
Property, plant and equipment	301
Goodwill	234
Intangible assets	42
Other assets	85
	701
Other payables	213
Other current liabilities	27
Provisions	34
	274

(b) - UGC - "Projeto Losango"	**2012**	**2011**
Property, plant and equipment - mainly land	90	100
Biological assets	84	79
Other assets		10
	174	189
	875	189

All amounts in millions of Reais unless otherwise stated

15 Related parties

	Trade receivables		Dividends receivable		Non-current assets		Non-current liabilities	
Parent	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Votorantim Participações S.A.					51	177	538	502
Related companies								
Citrovita Agro Industrial Ltda.	1	3				649		24
Cia de Cimento Itambé	19	4						
Hailstone Limited					10	10	284	20
LIT Tele Ltda.							51	45
Ibar Administrações e Participações Ltda.					5	5		
Maré Cimento Ltda.	2	8						
Mineração Rio do Norte S.A				3				
Mizu S.A.	5	6						
Polimix Concreto Ltda.	19	19						
ST. Helen Holding II B.V.					501	443	20	19
Supermix Concreto S.A.	28	29						
Votorantim Empreendimentos Ltda.						6		
INECAP Investimentos S.A.				4				
Citrosuco GmbH					180			
Citrovita Orange Juice GmbH					377			
Citrosuco S.A. Agroindústria	4				286			
Other	1	2	1	2	2	4		
	79	71	1	9	1,412	1,294	893	610
Current	(79)	(71)	(1)	(9)				
Non-current					1,412	1,294	893	610

All amounts in millions of Reais unless otherwise stated

	Trade payables		Dividends payable		Finance income (costs)		Purchases		Sales	
Parent	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Votorantim Participações S.A.			58	519	(14)	(18)				
Related companies										
Baesa - Energ.Barra Grande S.A.	4	7					44	61		
Citrovita Agro Industrial Ltda.		94			5		262	613	5	7
Citrovita Agropecuária Ltda.						1	101	51		
Hailstone Limited					(4)					
LIT Tele Ltda.					(2)	(2)				
Maesa - Machadinho Energetica							57	62		
ST. Helen Holding II B.V.					19	15				
INECAP Investimentos S.A.				77						
Citrosuco S.A. Agroindústria	5				2				3	
Alumina do Norte do Brasil S.A	9									
Citrovita Orange Juice GmbH					3					
Cia. de Cimento Itambé									15	1
Somix Concreto Ltda.									8	9
Supermix Concreto S.A.									328	288
Polimix Concreto Ltda									137	101
Mizu S.A									61	59
Maré Cimento Ltda.									54	61
Other		4								1
Total - owners of the Company	18	105	58	596	9	(4)	464	787	611	527
Total - non-controlling interests			115	92						
	18	105	173	688	9	(4)	464	787	611	527

16 Call options

Pursuant to the Investment and Stockholders' Agreement of Fibria entered into in 2009, the Company has the right to acquire up to 11.04% of Fibria's common shares by October 29, 2014. As at December 31, 2012, the fair value of this option is R$ 157 (2011 - R$ 104) and is recorded in "Call options" in non-current assets.

All amounts in millions of Reais unless otherwise stated

17 Investments

(a) Breakdown

	Information on investees at December 31, 2012			Equity in the results		Investment balance	
Investments accounted for under the equity method	**Equity**	**Profit (loss) for the year**	**Ownership percentage (%)**	**2012**	**2011**	**2012**	**2011**
Sirama Participações Administração e Transportes Ltda.	752	193	38.25	74	85	288	226
Cementos Avellaneda S.A.	345	80	49.00	31	25	254	206
Alunorte - Alumina do Norte S.A.	4,084	(490)	3.62	(18)	(2)	148	166
MAESA - Machadinho Energética S.A.	472	52	39.90	20	20	188	162
Cementos Bio Bio S.A.	873	(135)	15.15	(20)	(16)	132	117
BAESA - Energética Barra Grande S.A.	632	86	15.00	13	8	95	86
Polimix Concreto S.A	336	31	27.57	9	13	93	45
Maré Cimento Ltda	166	55	51.00	28	31	85	116
Mineração Rio do Norte S.A.	652	101	10.63	10	4	69	59
Cemento Portland S.A	217	(2)	29.50			64	56
Supermix Concreto S.A	224	66	25.00	17	15	56	48
Mizu S.A	80	17	51.00	9	11	38	39
Verona Participações Ltda	116	72	25.00	18	15	29	28
Polimix Cimento Ltda	30		51.00			15	15
Cementos Artigas S.A.	225	45	51.00	14	18		67
Cimpor Cimentos de Portugal SGPS S.A.				(79)	124		1,751
Iguazú Cementos S.A				3	4		31
Inecap Investimentos S.A.		12	18.72	2			52
Other investments				(9)	1	158	91
Total investments				122	356	1,712	3,361

(a) Refers to the investees of the subsidiary Silcar - Empreendimentos Comércio e Participações Ltda. For these investments, interest is based on a determined segment of the company's products, and therefore Silcar does not have total or joint control and receives disproportionate dividends.
(b) Refer to companies in which an interest higher than 50% is held, but the company has no control over these entities, since it has limited rights regarding operating, strategic and financial decisions.

All amounts in millions of Reais unless otherwise stated

(b) Information on investees

A summary of the principal financial information on subsidiaries and associates as at December 31, 2012 is presented below:

Direct and indirect associates and companies not controlled by the Company	Total (%)	Voting (%)	Assets	Liabilities	Equity	Operating income (expenses)	Adjusted profit (loss) for the year
Sirama Participações Administração e Transportes Ltda.	38.26	38.26	753	1	752	(1)	193
Cementos Avellaneda S.A.	49.00	49.00	516	171	345	48	80
Alunorte - Alumina do Norte S.A.	3.62	3.62	6,985	2,901	4,084	(470)	(490)
MAESA - Machadinho Energética S.A.	39.90	39.90	593	121	472	96	52
Cementos Bio Bio S.A.	15.15	15.15	2,356	1,483	873	(21)	(135)
BAESA - Energética Barra Grande S.A.	15.00	15.00	1,427	795	632	179	86
Polimix Concreto S.A.	27.57	27.57	531	195	336	70	31
Maré Cimento Ltda.	51.00	51.00	504	338	166	83	55
Mineração Rio do Norte S.A.	10.63	10.63	2,043	1,391	652	192	101
Cemento Portland S.A.	59.00	59.00	226	9	217	(3)	(2)
Supermix Concreto S.A.	25.00	25.00	496	272	224	77	66
Mizu S.A.	51.00	51.00	127	47	80	19	17
Verona Participações Ltda.	25.00	25.00	120	4	116		71

All amounts in millions of Reais unless otherwise stated

(c) Changes in investments

	2012	2011
Opening balance	3,361	3,718
Equity in the results of investees	122	356
Acquisitions of investments	230	109
Disposals of investments	(2,037)	(122)
Foreign exchange gains (losses)	248	97
Dividends received and receivable	(197)	(142)
Impairment (i)		(586)
Other comprehensive losses	(15)	(69)
Closing balance	1,712	3,361

(i) In 2011 impairment losses were recognized in Cimpor and Cementos Bio Bio S.A., amounting to R$ 522 and R$ 64, respectively. In 2012 there was no evidence of impairment.

(d) Investments in listed companies

	2012		2011	
	Book value	Market value	Book value	Market value
Cementos Bio Bio S.A. (*)	132	131	117	108
Cimpor Cimentos de Portugal SGPS S.A. (*)			1,751	1,846

(*) Calculated in proportion to ownership interest held by the Company.

(e) Principal changes in ownership interests in investees in 2012 and 2011

(i) Exchange of interest in CIMPOR

As at December 21, 2012, the transaction that resulted in the exchange of the interest of 21.21% held by the Company in the capital of Cimpor for the shareholding control of the businesses in Spain, Morocco, Tunisia, Turkey, India, China and Peru, held by Intercement (a company of the Camargo Correa Group) was concluded.

In this transaction, the Company's interest of 21.21% in Cimpor was transferred for the amount of R$ 2,077, reflecting the 142,492,130 shares of Cimpor, valued at the price of EUR 5.33 each, as determined in the reorganization agreement dated June 25, 2012. The fair value of the business acquired was calculated based on an independent assessment by two investment banks, which resulted in an additional payment by the Company of R$ 157.

The operation resulted in a gain of R$ 267 referring to the difference between the cost and the fair value of the interest of Cimpor and the preliminary goodwill of R$ 1,103. The deferred tax liabilities of R$ 391 were also reversed in the operation.

(ii) Business combination - VCEAA

As described in Note 17 (e) (i), the subsidiary Votorantim Cimentos S.A. acquired an interest of 100% in VCEAA, an entity recently merged that operates in Spain, Turkey, Morocco, Tunisia, China and India. The acquisition date was December 21, 2012, and consequently the Company is still allocating the consideration transferred to the identifiable assets and liabilities of VCEAA and expects to complete this process in the second quarter of 2013. The table below summarizes the consideration transferred, the preliminary fair value of the identifiable assets acquired, the liabilities assumed on the acquisition date and the corresponding carrying amounts immediately after the acquisition:

Common shares held before the business combination - in millions	142
Share price on December 21, 2012 (according to purchase and sale agreement)	14.58
Fair value of the initial investment in Cimpor	2,077
(-) Balance on December 21, 2012	
Cost of investment in Cimpor	1,810
Gross result of the measurement to fair value of the initial interest in Cimpor (i)	267
Considered purchase price	
Amount paid for the purchase of additional interest	156
Fair value of the initial interest in Cimpor	2,077
Fair value of non-controlling interests on the acquisition date	70
	2,303
(-) Fair value of identifiable assets acquired and liabilities assumed	
Total fair value of the net assets acquired	1,279
(+) Deferred income tax and social contributions from temporary differences on the acquisition date	79
(=) Goodwill based on the expected future profitability of investments	1,103

(i) Recorded in “Other operating income, net” (Note 29).

(ii) The fair value and gross value of the receivables amounted to R$ 385. The receivables were not subject to any losses and the Company expects to collect the full contractual amount.

The fair values disclosed in the table above are preliminary and are subject to the completion of the assessment of the acquired assets and liabilities.

The preliminary goodwill of R$ 1,103 mainly refers to synergies that the Company expects to obtain through economies of scale, and unrecognized intangible assets that do not comply with the criteria established in IFRS 3(R), such as customer relationships and workforce. The goodwill is supported by independent and internal assessments, based on projections and market estimates. The recognized goodwill is not deductible for tax purposes.

The costs related to the acquisition of R$ 12 were not included in the consideration transferred and were recognized in the statement of income of 2012, in the line item of other operating expenses (Note 29).

(iii) Acquisitions of interest in Cementos Avellaneda S.A

As at December 27, 2012, the Company, through its subsidiary VCEAA, acquired from Cementos Molins S.A. an interest of 10.61% in Cementos Avallaneda S.A., in Argentina, at the amount of US$ 60 (R$ 121).

The obligations assumed due to the aforementioned acquisitions are recorded in "Payables for interest acquisition" in current liabilities.

(iv) Business combination - Artigas

On the same date, its subsidiary VCEAA acquired from Cementos Molins S.A. an interest of 12.61% in Cementos Artigas S.A., or Artigas, in Uruguay. The amount paid on January 18, 2013 was US$ 25 (R$ 51). The acquisition method was utilized to record the identifiable assets acquired and the non-controlling interests.

The Company remeasured its prior 38.39% interest in Artigas at its fair value at the acquisition date and recognized the resulting gains in the statement of income:

Common shares held before the business combination - in millions	374
Share price as at December 27, 2012 (according to purchase and sale agreement)	0.43
Fair value of the initial interest in Artigas	160
(-) Balance as at December 27, 2012	
Cost of investment	87
Gross result of the measurement to fair value of the initial interest (i)	73
Considered purchase price	
Amount paid for the purchase of additional interest	51
Fair value of the initial interest in Artigas	160
Fair value of non-controlling interests on the acquisition date	207
	418
(-) Fair value of identifiable assets acquired and liabilities assumed	
Total fair value of the net assets acquired	483
(+) Deferred income tax and social contributions from temporary differences on the acquisition date	76
(=) Goodwill based on the expected future profitability of investments	11

(i) Recorded in “Other operating income, net” (Note 29).

The obligations assumed due to the aforementioned acquisitions are recorded in "Payables for interest acquisitions” in current liabilities. The costs related to the transaction were not material.

(v) Sale of the ownership interest in Usinas Siderúrgicas de Minas Gerais S.A - USIMINAS

As at November 27, 2011, the Company and the companies of the Ternium Group (Confab Industrial S.A., Siderar S.A.I.C., Prosid Investments S.C.A., Ternium Investments S.àr.I. and Ternium S.A.) entered into contracts for the purchase and sale of shares, under which the Company sold, for a unit value of R$ 36 (thirty six Reais), its 6.47% ownership interest in USIMINAS, representing 12.98% of the company's common shares, or 6.47% of its total share capital. The ownership interest sold was part of the USIMINAS controlling shareholder block.

The total price consideration was R$ 2,362, which resulted in a gain of R$ 1,247 recorded in "Profit from discontinued operations" in the statement of income.

(vi) Sale of ownership stake in Companhia Nitro Química Brasileira.

On October 14, 2011, through a contract for purchase and sale of shares entered into with Faro Capital equity investment fund, the Company sold its total ownership interest in the share capital of Companhia Nitro Química Brasileira, which resulted in a loss of R$ 104, recorded in "Profit from discontinued operations" in the statement of income.

(vii) Acquisition of Atacocha shares

On August 1, 2011, the Company, through its subsidiary Milpo, conducted a tender offer, whereby it acquired a further 19.51% of the shares that make up the capital of Compañía Minera Atacocha S.A.A. ("Atacocha") for R$ 84 (equivalent to US$ 54.3). As a result of this transaction, the Company acquired an 88.19% ownership interest in Atacocha.

All amounts in millions of Reais unless otherwise stated

18 Property, plant and equipment

(a) Breakdown and changes

	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	Leasehold improvements	Other	Total
									2012
Opening balance									
Cost	1,754	8,135	23,623	900	145	4,453	523	418	39,951
Accumulated depreciation	(22)	(2,591)	(9,835)	(600)	(95)		(210)	(329)	(13,682)
Closing balance	1,732	5,544	13,788	300	50	4,453	313	89	26,269
Opening balance	1,732	5,544	13,788	300	50	4,453	313	89	26,269
Additions	31	15	139	28	1	2,648	10		2,872
Disposals	(19)	(15)	(35)	(10)		(92)			(171)
Depreciation	(15)	(233)	(1,463)	(101)	(8)		(22)	(7)	(1,849)
Foreign exchange gains (losses)	87	87	219	22	4	80	16		515
Effect of consolidated (deconsolidated) subsidiaries	223	257	1,122	21	3	19		(1)	1,644
Reclassification to assets held for sale		(1)	(1)						(2)
Transfers	12	582	1,743	88	7	(2,626)	13	(11)	(192)
Closing balance	2,051	6,236	15,512	348	57	4,482	330	70	29,086
Cost	2,150	9,190	29,846	1,142	184	4,482	568	406	47,968
Accumulated depreciation	(99)	(2,954)	(14,334)	(794)	(127)		(238)	(336)	(18,882)
Closing net balance	2,051	6,236	15,512	348	57	4,482	330	70	29,086

All amounts in millions of Reais unless otherwise stated

									2011
	Land and improvements	**Buildings and constructions**	**Machinery, equipment and facilities**	**Vehicles**	**Furniture and fittings**	**Construction in progress**	**Leasehold improvements**	**Other**	**Total**
Opening balance									
Cost	1,815	7,137	21,750	837	148	6,122	505	497	38,811
Accumulated depreciation	(90)	(2,421)	(9,448)	(556)	(94)		(187)	(335)	(13,131)
Closing net balance	1,725	4,716	12,302	281	54	6,122	318	162	25,680
Opening balance	1,725	4,716	12,302	281	54	6,122	318	162	25,680
Additions	66	301	553	42	3	2,331	36	3	3,335
Disposals	(19)	(95)	(71)	(4)	(3)	(14)	(1)	(21)	(228)
Depreciation	(10)	(245)	(1,005)	(85)	(7)		(24)	(40)	(1,416)
Foreign exchange gains (losses)	62	118	314	27	1	70	(14)	12	590
Effect of consolidated (deconsolidated) subsidiaries	6	3	19	1		31			60
Reclassification to assets held for sale	(144)	(105)	(810)	(4)	(3)	(357)		51	(1,372)
Transfers	46	851	2,486	42	5	(3,730)	(2)	(78)	(380)
Closing balance	1,732	5,544	13,788	300	50	4,453	313	89	26,269

The Company has no long-lived assets expected to be abandoned or sold, and that would require an additional provision for obligations arising from decommissioning of assets. The consolidated amount related to assets pledged as guarantee for borrowing is described in Note 21(f).

Of the consolidated amount of R$ 2,544 referring to depreciation, amortization and depletion expenses, R$ 2,296 and R$ 248 were charged to the statement of income in “Cost of products sold and services rendered” and “Operating expenses”, respectively.

All amounts in millions of Reais unless otherwise stated

(b) Construction in progress

The balance of construction in progress is comprised mainly of projects for expansion and optimization of the industrial units, as described below:

	2012	2011
Segment		
Cement	2,103	1,303
Metals	1,729	2,538
Steel	522	491
Pulp	125	118
Other	3	3
	4,482	4,453

The main projects in progress by business segment are as follows:

Main projects in progress - Cement	2012	2011
New production line in Rio Branco/PR	536	163
New unit in Cuiabá/MT	503	133
New unit in Edealina/GO	117	41
New plant in Vidal Ramos/SC	46	31
New unit in Primavera/PA	42	23
New production line in Salto de Pirapora	36	39
Cement crushing in Santa Helena	26	
New unit in Ituaçú/BA	12	10
Cement crushing Z3 in Cimesa	3	3
Crushing in São Luis/MA	3	20
Cement crushing in Imbituba	2	7
New unit in Porto Velho/RO		19
Pozolana crushing in Poty Paulista		12
Construction and paving in Vicente Matheus		13
New unit in Xambioá		12

All amounts in millions of Reais unless otherwise stated

Main projects in progress - Metals	2012	2011
Ferro níquel project	559	555
Polymetallics	132	493
Calcination furnace	88	88
Renovation of stacks	72	62
Vazante expansion project	56	34
Oven room	58	162
Renovation of rolling mills	24	
Replacement of foundry cover	20	
Utilities - calcination and silo of oxide IV	12	12
Rod/ball mill V	12	13
Expansion, extrusion, anodizing and painting	5	24
Raising height of Palmital Dam		132

Main projects in progress - Steel	2012	2011
Sitrel project	145	71
Integration coal x pig iron	15	
Gas line	10	

19 Biological assets

The Company's biological assets mainly represent growing eucalyptus forests.

The main growing forests are located in the States of São Paulo, Mato Grosso do Sul, Espírito Santo, Bahia and Minas Gerais.

The activity in the account was as follows:

	2012	2011
Opening balance	1,117	896
Additions	247	520
Cuttings	(38)	
Disposals	(283)	(348)
Transfers of property, plant and equipment	2	7
Transfers of advances to suppliers		13
Reclassification to assets held for sale		(71)
Change in fair value	84	100
Closing balance	1,129	1,117

To determine the fair value of biological assets the Company used the Discounted Cash Flow (DCF) model, whose projections are based on a single projected scenario, with productivity and plantation area (eucalyptus forests) for a harvesting cycle of six to seven years.

The projected cash flow is consistent with the production cycle of the areas evaluated. The volume of production of standing eucalyptus trees to be harvested was estimated considering the average productivity by cubic meter of timber per hectare from each plantation at harvest time. The average productivity varies according to the genetic material, climate and soil conditions and the forestry management. This projected volume is based on the average annual growth index by region.

The average net sales price was projected based on the estimated price for eucalyptus in the local market, as well as a market study and a sample of actual transactions, adjusted to reflect the price of standing timber for each region. The estimated standard cost includes expenses for felling, chemical control of undergrowth, ant and other pest control, composting, road maintenance, inputs and manpower. Tax effects based on current rates, as well as the contribution of assets, such as property, plant and equipment and own land, considering an average rate of return for these assets.

The following table presents the main assumptions considered by the jointly-controlled subsidiary FIBRIA S.A. in the calculation of the fair value of its biological assets, which represent almost the totality of the balance of this group.

	In thousands	
	2012	**2011**
Effective planted area (hectare)	446,168	551,959
Average annual growth index (IMA) - m3/hectare	41	41
Average net sales price - reais/m³	53.86	50.70
Remuneration of own contributing assets - %	5.6	5.6
Discount rate - %	6.5	7.9

As at December 31, 2012 and 2011, the fair values of biological assets were determined by management, supported by specialized consultants.

The Company has no biological assets pledged as guarantees for the year ended December 31, 2012.

All amounts in millions of Reais unless otherwise stated

20 Intangible assets

(a) Breakdown and changes

								2012
	Goodwill	**Rights over natural resources**	**Rights over trademarks and patents**	**Software**	**Use of public assets**	**Agreements, customer relationship and non-competition agreements**	**Other**	**Total**
Opening balance								
Cost	5,514	4,770	261	260	536	266	787	12,394
Accumulated amortization		(349)	(67)	(167)	(78)	(88)	(279)	(1,028)
Closing net balance	5,514	4,421	194	93	458	178	508	11,366
As at December 31, 2012								
Opening balance	5,514	4,421	194	93	458	178	508	11,366
Additions	841	416	1	1			63	1,322
Write-offs	(44)		(96)					(140)
Amortization and depletion		(208)	(15)	(45)	(19)	(26)	(98)	(411)
Impairment	(464)							(464)
Foreign exchange gains (losses)	185	421	-		(2)	15	10	629
Effect of consolidated (deconsolidated) subsidiaries		374	17	5				396
Transfers		28	(2)	53		4	77	160
Closing balance	6,032	5,452	99	107	437	171	560	12,858
Cost	6,032	6,036	239	357	767	292	934	14,657
Accumulated amortization		(584)	(140)	(250)	(330)	(121)	(374)	(1,799)
Closing net balance	6,032	5,452	99	107	437	171	560	12,858

All amounts in millions of Reais unless otherwise stated

								2011
	Goodwill	Rights over natural resources	Rights over trademarks and patents	Software	Use of public assets	Agreements, customer relationship and non-competition agreements	Other	Total
Opening balance								
Cost	5,420	3,970	164	188	583	232	1,021	11,578
Accumulated amortization		(510)	(94)	(143)	(108)	(58)	(259)	(1,172)
Closing net balance	5,420	3,460	70	45	475	174	762	10,406
Opening balance	5,420	3,460	70	45	475	174	762	10,406
Additions	60	207		16		4		287
Write-offs	(129)		(8)	(1)			(14)	(152)
Amortization and depletion		(191)	(6)	(29)	(18)	(22)	(98)	(364)
Foreign exchange gains (losses)	229	512		1		22		764
Effect of consolidated (deconsolidated) subsidiaries	61	(2)					(7)	52
Transfers	(127)	435	138	61	1		(135)	373
Closing balance	5,514	4,421	194	93	458	178	508	11,366

All amounts in millions of Reais unless otherwise stated

(b) Goodwill on acquisitions

Description	2012	2011
Aluminum		
Campos Novos Energia S.A.	57	57
Metalex Ltda.	49	49
Rio Verdinho Energia S.A.	29	29
Machadinho Energética S.A.	15	15
BAESA - Energética Barra Grande S.A.	7	7
Mineração Zona da Mata Ltda.		26
	157	**183**
Cement		
Cimentos EAA Inversiones, S.L.U	854	
Votorantim Investimentos Internacionais S.A.	774	774
Prairie Material Sales Inc.	409	376
St. Marys Cement Inc.	266	253
Companhia de Cimento Ribeirão Grande	206	206
Prestige Gunite Inc.	143	132
Florida JVs	85	78
Engemix S.A.	76	76
Mineração Potilide	71	71
Petrolina Zeta Mineração Ltda.	14	13
Pedreira Pedra Negra Ltda.	12	12
CJ Mineração Ltda.	16	16
Cementos Artigas S.A.	11	
SPCIM Ind. Comércio e Part. S.A	2	3
	2,939	**2,010**
Steel		
Acerbrag S.A.	157	157
Acerholding S.A.	37	38
Acerías Paz Del Rio S.A.		438
	194	**633**
Pulp and paper		
Fibria Celulose S.A.	1,245	1,241
	1,245	**1,241**
Zinc		
Compañía Minera Milpo S.A.	1,274	1,204
Votorantim Metais - Cajamarquilla S.A.	189	137
UsZinc Corporation	18	67
	1,481	**1,408**
Holding companies and other		
The Bulk Service		23
Other	16	16
	16	**39**
TOTAL	**6,032**	**5,514**

All amounts in millions of Reais unless otherwise stated

(c) Impairment testing of goodwill

At the end of 2012, the Company and its subsidiaries assessed the recovery of the carrying amount of goodwill based on its value in use, using the discounted cash flow model for each business segment. The process of estimating the value in use involves assumptions, judgments and estimates of future cash flow and represents the best estimates approved by management.

Goodwill is allocated to the identified companies in accordance with the operating segment (Note 20 (b)).

These calculations use cash flow projections, before income tax and social contributions, based on financial budgets approved by management for a five-year period. Cash flow that exceeds the five-year period is extrapolated using the estimated growth rates below. The growth rate does not exceed the average long-term growth rate of the operating sector of each segment.

The main assumptions used for value-in-use calculations as at December 31, 2012, which also represented the averages used for the analysis of each operating segment, are as follow:

	Cement	Steel	Zinc	Pulp
Gross margin	30.03%	13.67%	53.21%	43.50%
Growth rate (i)	0-1%			
Discount rate (ii)	8.17%	11.71%	10.83%	7.14%

(i) Calculated based on the weighted average used to extrapolate cash flows beyond the budget period.

(ii) WACC by segment.

The Company determined the budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Except for APDR (steel) and Mineração Zona da Mata (aluminum), the results of the tests indicated recoverable values of goodwill superior to the amounts recorded. For APDR and Mineração Zona da Mata, the results indicated the need of impairment, in the amount of R$ 438 and R$ 26, respectively, totaling R$ 464 recorded in “Other operating income (expenses)” in the statement of income for 2012.

All amounts in millions of Reais unless otherwise stated

21 Borrowings

(a) Breakdown

Type	Average annual charges (%)	Current 2012	Current 2011	Non-current 2012	Non-current 2011	Total 2012	Total 2011
Local currency							
BNDES	5.02% fixed rate BRL / TJLP + 2.61%	699	739	2,856	3,199	3,555	3,938
FINAME	6.03% fixed rate BRL / TJLP + 2.36%	24	35	91	55	115	90
Debentures	111.70% of CDI	87	70	4,840	2,643	4,927	2,713
Export credit notes	100% of CDI	15	13	187	229	202	242
Development promotion agency	9.81% fixed rate BRL / TJLP + 3.50%	8	7	32	32	40	39
Other		16	26	32	47	48	73
Subtotal		849	890	8,038	6,205	8,887	7,095
Foreign currency							
BNDES	UMBNDES + 2.31%	113	100	470	500	583	600
Development promotion agency	LIBOR USD + 2.11%	29	51	206	662	235	713
Eurobonds - USD	7.03% fixed rate USD	123	107	7,858	6,952	7,981	7,059
Eurobonds - EUR	5.25% fixed rate EUR	71	64	2,022	1,826	2,093	1,890
Syndicated loans	3.75% fixed rate USD / LIBOR USD + 1.53%	228	181	1,923	788	2,151	969
Export prepayments	5.30% fixed rate USD / LIBOR USD + 1.60%	66	16	3,073	3,423	3,139	3,439
Export credits (ACC/ACE)	2.38% fixed rate USD	130	198	63		193	198
Working capital	3.60% fixed rate USD / LIBOR USD + 2.50%	19	321		5	19	326
Other		79	100	59	45	138	145
Subtotal		858	1,138	15,674	14,201	16,532	15,339
Total		1,707	2,028	23,712	20,406	25,419	22,434

	2012	2011
Interest on borrowing	323	304
Current portion of long-term borrowing	1,295	1,345
Short-term borrowing	89	379
Total	1,707	2,028

All amounts in millions of Reais unless otherwise stated

BNDES - National Bank for Economic and Social Development
CDI - Interbank Deposit Certificate
EUR - European Union currency (Euro)
FINAME - Government Agency for Machinery and Equipment Financing
LIBOR - London Interbank Offered Rate
TJLP - Long-term Interest Rate set by the National Monetary Council. The TJLP is the basic cost of financing of BNDES.
UMBNDES - Monetary unit of the BNDES reflecting the weighted basket of currencies of foreign currency debt obligations. As at December 31, 2012, the basket was comprised 97% of US dollars.
USD - US Dollar

(b) Maturity

The maturity profile of borrowing as at December 31, 2012 is as follows:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 and thereafter	Total
Local currency												
BNDES	699	740	679	516	365	233	129	54	48	28	64	3,555
FINAME	24	19	19	18	13	7	5	4	4	2		115
Debentures	87	3	3	3	3	2,523	1,404	644	244	13		4,927
Export credit notes	15	12	21	20	56	52	13	13				202
Development promotion agency	8	7	8	7	4	1	1	1	1	1	1	40
Other	16	17	12				3					48
Subtotal	849	798	742	564	441	2,816	1,555	716	297	44	65	8,887
%	9.55	8.98	8.35	6.35	4.96	31.69	17.50	8.06	3.34	0.50	0.73	
Foreign currency												
BNDES	113	118	113	94	71	44	20	6	4			583
Development promotion agency	29	30	30	30	30	25	18	18	13	9	3	235
Eurobonds - USD	123						2,075	1,258	1,971		2,554	7,981
Eurobonds - EUR	71				2,022							2,093
Syndicated loans	228	1,057	152	436	100	100	78					2,151
Export prepayments	66	234	481	680	739	614	298	27				3,139
Export credits (ACC/ACE)	130	63										193
Working capital	19											19
Other	79	25	13	9	1	1	1	1	1	1	6	138
Subtotal	858	1,527	789	1,249	2,963	784	2,490	1,310	1,989	10	2,563	16,532
%	5.19	9.24	4.77	7.56	17.92	4.74	15.06	7.92	12.03	0.06	15.50	
Total	1,707	2,325	1,531	1,813	3,404	3,600	4,045	2,026	2,286	54	2,628	25,419
%	6.72	9.15	6.02	7.13	13.39	14.16	15.91	7.97	8.99	0.21	10.34	

All amounts in millions of Reais unless otherwise stated

(c) Changes

	2012	2011
Opening balance	22,434	21,649
New borrowing	4,835	6,139
Interest and foreign exchange gains (losses)	3,178	3,124
Payments - principal	(4,410)	(6,650)
Payments - interest	(1,527)	(1,307)
Effect of consolidated (deconsolidated) companies	909	(521)
Closing balance	25,419	22,434

(d) Breakdown by currency

	2012	2011
Real	8,887	7,095
US Dollar	13,524	12,555
Euro	2,119	1,895
Currency basket	538	550
Other	351	339
Total	25,419	22,434

(e) Breakdown by index

	2012	2011
Local currency		
CDI	5,129	2,909
TJLP	3,365	3,810
Fixed rate	392	361
Other	1	15
	8,887	7,095
Foreign currency		
LIBOR	5,039	5,003
UMBNDES	583	600
Fixed rate	10,549	9,405
Other	361	331
	16,532	15,339
Total	25,419	22,434

(f) Collateral

As at December 31, 2012, R$ 10,198 of the balance of borrowing is collateralized by promissory notes and sureties from the Company or its subsidiaries, whereas R$ 115 of the property, plant and equipment items are collateralized by liens on the financed assets.

As at December 31, 2012, the jointly-controlled entity Fibria had R$ 15 of property, plant and equipment (on a non-proportional basis) pledged as collateral for its borrowing.

(g) Covenants/financial ratios

Certain borrowing agreements are subject to compliance with financial ratios ("covenants"), such as (i) gearing ratio (net debt/EBITDA), (ii) capitalization ratio (total debt/(total debt + equity) or equity/total assets), (iii) interest coverage ratio (cash + EBITDA/(interest + short-term debt). When applicable, these obligations are standard for all borrowing agreements.

The Company and its subsidiaries have fully complied with these covenants.

(h) Funding transactions

By means of funding transactions and the early repayment of certain existing debts, the Company continues to extend the average maturity profile of its borrowing. The funding transactions related to jointly-controlled entities are not described in this Note.

The main funding transactions carried out were as follow:

(i) In December 2012, as a result of the completion of the exchange of assets with Cimpor, the subsidiary Cimentos EAA Inversiones obtained borrowing of US$ 434.1, maturing in February 2014, and with an average cost of LIBOR + 1.33% p.a. The funds obtained in this transaction were used in prepayments of borrowing and decreasing the cost of debt.

(ii) In December 2012, Votorantim Cimentos S.A. completed its fifth public issue of simple, non-convertible, non-privileged, unsecured debentures. The debentures were distributed with restricted placement efforts and exempt from registration with the Brazilian Securities Commission ("CVM"), pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The issue of R$ 1,200, with maturity in December 2018, pays 109.2% of the CDI.

(iii) In December 2012, the subsidiary Milpo contracted borrowing of US$ 80, with a maturity of 7 years, a grace period of 21 months and interest equivalent to LIBOR + 3.3% p.a. The proceeds raised were mainly used for the Company's investments.

(iv) In June 2012, the subsidiary Siderúrgica Três Lagoas Ltda. ("Sitrel") raised a loan of US$ 35 with the participation of the SACE Italian export credit agency to fund equipment imports. The total repayment term is ten years, at a cost of LIBOR + 2.50% p.a.

(v) In February 2012, Votorantim Cimentos S.A. issued US$ 500 in the international market through the reopening of a bond issue maturing in 2041. The principal of the transaction was US$ 1,250. The other conditions were maintained, such as the payment of a half-yearly coupon of 7.25% per year. The issue was rated "BBB" by Standard & Poor's, "Baa3" by Moody's and "BBB" by Fitch.

The funds raised from the issue were used for the early repayment of borrowings, thereby extending the debt maturity profile.

(vi) In January 2012, Votorantim Cimentos S.A. concluded its fourth public issue of simple, non-convertible, unsecured debentures in two series of R$ 500 each. The debentures were distributed with restricted placement efforts and exempt from registration with the Brazilian Securities Commission ("CVM"), pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The first series, in the amount of R$ 500, yields CDI + 1.09% p.a., and the second series, also in the amount of R$ 500, yields 111% of the CDI variation. Both series mature in May 2018.

(vii) Throughout 2012, the subsidiaries of the Company received R$ 619 from the National Bank for Economic and Social Development (BNDES) (2011 - R$ 868) to fund their expansion and modernization projects. The average funding cost was TJLP + 2.84% p.a. (2011 - TJLP + 2.73% p.a.).

(viii) In November 2011, the subsidiary Votorantim Cement North America (VCNA) renegotiated a US$ 325 syndicated loan taken out in October 2010, extending its maturity to 2016 and reducing the interest rate. The other contractual conditions remained unaltered.

(ix) In August 2011, Votorantim GmbH raised US$ 2,650 through two distinct transactions: (i) a rotating credit line, maturing in five years, of US$ 1,500, which is immediately available to the Company, and can be drawn down by certain subsidiaries in Brazil and abroad; and (ii) an export prepayment line of US$ 1,150, contracted through Votorantim GMBH, structured in two tranches, maturing in seven years and eight years and subject to interest of LIBOR + 1.35% and LIBOR + 1.50% p.a., respectively. The funds obtained through the export prepayment line were used for the early repayment of borrowing.

(x) On April 4, 2011, Votorantim Cimentos S.A. issued 30 year bonds in the international capital market of US$ 750, due in April 2041. The bonds are rated "BBB" by Standard & Poor's, "Baa3" by Moody's and "BBB" by Fitch. After the fulfillment of certain requirements, Votorantim Industrial S.A. will be the sole guarantor of this transaction. The bonds accrue interest of 7.25% p.a., payable semiannually. The proceeds from the issuance were used for the early repayment of borrowing, thus extending the debt tenure.

(xi) In February 2011, Votorantim Cimentos S.A. raised two loans of US$ 37 and US$ 34 with the participation of the Danish export credit agency "EKF" to fund equipment imports. The total repayment term is ten years, at a cost of LIBOR + 1.375% per year.

(xii) In February 2011, Votorantim Cimentos S.A. completed its third public issue of simple, non-convertible, non-privileged, unsecured debentures. The debentures were distributed with restricted placement efforts and exempt from registration with the Brazilian Securities Commission ("CVM"), pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The issue of R$ 600, which falls due in February 2021, pays 113.90% of the Interbank Deposit Certificate (CDI).

(i) Fair value of borrowings

The amounts below were calculated using the criteria defined in Note 6.1.2.

All amounts in millions of Reais unless otherwise stated

	2012	
	Carrying amount	Fair value
Local currency		
BNDES	3,555	3,532
FINAME	115	113
Debentures	4,927	5,173
Export credit notes	202	214
Development promotion agency	40	41
Other	48	45
Subtotal	8,887	9,118
Foreign currency		
BNDES	583	625
Development promotion agency	235	243
Eurobonds - USD	7,981	9,309
Eurobonds - EUR	2,093	2,300
Syndicated loans	2,151	2,364
Export prepayments	3,139	3,345
Export credits (ACC/ACE)	193	195
Working capital	19	19
Other	138	149
Subtotal	16,532	18,549
Total	25,419	27,667

22 Payables - trading

These refer to purchases of certain raw materials from trading companies. The payment terms are up to 360 days, with fees calculated over the total purchase value, and agreed between the parties before or at the time of each commercial transaction.

23 Deferred income tax and social contributions

The Company and its subsidiaries use the taxable income method and calculate and record their income tax and social contributions based on the effective rates at the end of the reporting period. Deferred income tax and social contribution tax assets arise from tax losses and temporary differences related to (a) the effects of foreign exchange gains/losses (tax calculated on a cash basis for loans), (b) adjustment of derivatives to their fair values, (c) temporarily non-deductible provisions, (d) investments in agribusiness activities, and (e) temporary differences arising from the adoption of the CPCs.

All amounts in millions of Reais unless otherwise stated

(a) Reconciliation of the income tax and social contribution benefits (expense)

The current amounts are calculated based on the current rates levied on taxable income, adjusted upwards or downwards for the respective additions and exclusions.

The income tax and social contribution amounts presented in the statements of income for the years ended December 31 are reconciled to their Brazilian standard rates as follow:

	2012	2011
Profit before income tax and social contributions	283	281
Standard rates	34%	34%
Income tax and social contributions at standard rates	(96)	(96)
Adjustments for the calculation of IRPJ and CSLL at effective rates		
Equity in the results of investees	41	121
Income tax losses without recording the deferred amounts	(80)	3
Social contribution losses without recording the deferred amounts	(33)	1
Impairment of deferred income tax	(425)	
Impairment of deferred social contributions	(162)	
Reversal of deferred income tax of CIMPOR	391	
Other permanent exclusions, net	131	64
Differences in the tax rates of foreign subsidiaries	37	40
IRPJ and CSLL calculated	(196)	133
Current	(631)	(510)
Deferred	435	643
Income tax and social contribution benefits (expenses)	(196)	133

All amounts in millions of Reais unless otherwise stated

(b) Breakdown

Deferred income tax and social contribution assets and liabilities are as follows:

	2012	2011
Assets		
Tax losses		
	1,601	1,682
Temporary differences		
Provisions	671	862
Provision for losses on investments	139	96
Foreign exchange gains (Provisional Measure 1,858-10/1999, art.30)	615	190
Derivatives - Law 11,051/04	38	41
Tax benefit on goodwill	60	65
Use of Public Assets (UBP)	160	128
CPC 29 - Biological assets	43	42
Deferred losses on swap contracts	1	59
Provision for taxes under litigation	14	17
Provision for disposals of assets	77	63
Provision for losses of tax credits abroad	(70)	(59)
Accelerated depreciation and adjustment of useful lives	55	
Environmental liabilities	58	
Other provisions	273	264
	3,735	3,450
Liabilities		
Temporary differences		
Deferred gains on derivative contracts	5	130
Business combinations	1,203	1,457
Market value adjustments to property, plant and equipment	121	34
Accelerated depreciation and adjustment of useful lives	1,264	982
Reforestation costs	91	83
Foreign exchange gains (Provisional Measure 1,858-10/1999, Article 30)	60	188
Goodwill amortization	311	173
CPC 12 - Adjustment to present value	21	41
CPC 29 - Biological assets	70	63
CPC 20 - Capitalized interest	109	41
Other	81	251
Non-current liabilities	3,336	3,443
Líquido (ativo - passivo)	399	7

All amounts in millions of Reais unless otherwise stated

(c) Changes

	2012
Opening balance	7
Effects on results for the year	1,022
Impairment of tax losses	(587)
Effect on comprehensive income	112
Discontinued operations	
Deferred income tax and social contributions arising on business combina	(155)
Closing balance	399

(i) Deferred tax credits arising from tax losses carried forwards are recognized only to the extent that their realization is probable, based on their history of profitability and future estimated taxable income. At the end of 2012, the Company and its subsidiaries reassessed the recoverability of the tax losses recorded in their tax calculations, and the technical study carried out by management shows that it is not possible to use the complete balance. Accordingly, the Company recorded a provision for loss on tax credits in its subsidiaries of R$ 587, recorded in “Income tax and social contributions – deferred”.

Credits related to tax losses are expected to be realized in accordance with the following schedule:

	2012	**Percentage**
In the next 12 months	204	13
In 2014	121	8
In 2015	128	8
In 2016	173	11
In 2017	223	14
After 2017	752	47
	1,601	100

24 Provisions for tax, civil, labor and environmental contingencies

The Company and its subsidiaries are parties to tax, labor, civil and environmental litigation in progress and are discussing these matters both at the administrative and judicial levels, which are backed by judicial deposits, when applicable.

The provisions for losses regarded as probable arising from contingent liabilities are recorded in the books. Contingent liabilities classified as possible losses are not recorded in the books and are only disclosed in the notes to the financial statements. Contingent liabilities classified as remote losses are neither accrued nor disclosed. The amounts of contingencies are periodically estimated and updated. The classification of losses as possible, probable or remote is supported by the advice of the Company's legal counsel.

All amounts in millions of Reais unless otherwise stated

(a) Breakdown

The balances of the tax obligations and provisions for contingencies recorded in the balance sheet are as follow:

	2012	2011
Tax	1,646	1,476
Labor and social security	194	211
Civil	101	115
Other	71	47
(-) Judicial deposits	(603)	(367)
	1,409	1,482

(b) Changes

Changes in the provision for contingencies during the year are as follow:

	2012	2011
Opening balance	1,482	1,435
Additions	340	279
Disposals	(423)	(103)
Monetary restatements	246	99
Effect of consolidated and deconsolidated subsidiaries		(40)
Judicial deposits	(236)	(188)
Closing balance	1,409	1,482

(c) Comments on provisions recorded in the books

The tax proceedings with a probable chance of loss are represented by discussions related to federal, state and municipal taxes.

Tax obligations which are the subject of lawsuits challenging the legality or constitutionality of the taxes are fully recorded, irrespective of the likelihood of a favorable outcome on these lawsuits.

Civil and labor provisions mainly refer to lawsuits filed by former employees and third parties claiming the payment of indemnities on dismissals, health hazard premiums and hazardous duty premiums, overtime, commuting hours, as well as civil lawsuits referring to indemnity claims by former employees and third parties based on alleged occupational illnesses, work accidents, property damage and pain and suffering.

The civil lawsuits involve claims for compensation for property damage, emerging damages, pain and suffering, collection and execution.

(d) Litigation with likelihood of loss considered as possible

The Company and its subsidiaries are parties to other litigation involving risk of possible loss, as detailed below:

All amounts in millions of Reais unless otherwise stated

	2012	2011
Tax	5,020	4,149
Labor	95	168
Civil	4,441	916
Environmental	646	
Other	29	33
	10,231	5,266

(i) Tax contingencies

. Summer Plan (Plano Verão) - claims to deduction indexation adjustments corresponding to the variations in the Consumer Price Index (IPC) in January 1989, of 70.28%.

. State Value-added Tax on Sales and Services (ICMS) - challenges of the constitutionality of the inclusion of ICMS in the Social Contribution on Revenue (COFINS) calculation basis.

. The subsidiary Votorantim Investimento Latino Americano has been served an assessment notice regarding income tax and social contributions on profits abroad referring to 2006 and 2007. The assessment notice, amounting to R$ 364, is pending judgment at the administrative level.

. Assessment notice - IRPJ/CSLL - swaps of industrial and forestry assets - in December 2012, the jointly-controlled subsidiary Fibria S.A. was served an assessment notice by the Brazilian Revenue Service referring to income tax and social contributions of R$ 1,666, of which R$ 556 represents the principal and R$ 1,110 the fines and interest. The restated amount, as at December 31, 2012, totals R$ 1,683 which, in proportion to the interest in the jointly-controlled subsidiary (29.42%), results in an amount of R$ 495. The tax authority questioned the alleged capital gains on an operation carried out in 2007, in which Fibria entered into an agreement with International Paper, with the objective of swapping the financial and forestry assets of the two companies. On January 9, 2013, the Company filed a defense at the administrative level with the Federal Revenue Officer.

. Assessment notice - IRPJ/CSLL – in December 2007, Normus Empreendimentos e Participações Ltda., a subsidiary of Fibria S.A., was served an assessment notice from the Brazilian Revenue Service referring to the alleged lack of payment of income tax and social contributions on results obtained abroad by its subsidiary, for the years 2002 to 2006. The restated amount totals R$ 1,528 up to December 31, 2012, which, in proportion to the interest in this jointly-controlled subsidiary (29.42%), results in an amount of R$ 450.

(ii) Civil contingencies

Administrative investigations carried out by the Secretariat of Economic Law (SDE)

In 2003, the Secretariat of Economic Law (SDE) initiated administrative investigations in the leading Brazilian cement companies. These investigations relate to allegations that producers of ready-mix concrete that the leading Brazilian cement producers may have violated the antitrust laws, since they did not sell certain types of cement to the companies that produce ready-mix concrete. If the cement/concrete units of the Company are considered guilty of breaking these antitrust laws, the Company may be subject to administrative and legal penalties, including an administrative fine that may vary from 1.0% to 30.0% of the annual revenue of the cement companies, net of taxes, or vary from 0.1% to 20% of the annual net revenue based on the recent Brazilian antitrust laws. SDE will continue to analyze these allegations and is not certain when it will conclude its investigations.

In 2006, SDE initiated administrative investigations into the leading Brazilian cement producers, relating to allegations of anti-competitive practices, including the establishment of a cartel. If the cement/concrete companies of the Company are considered guilty of breaking these antitrust laws, the Company may be subject to administrative and legal penalties, including an administrative fine that may vary from 1.0% to 30.0% of the annual revenue of the cement companies net of taxes, or vary from 0.1% to 20% of the annual net revenue based on the recent Brazilian antitrust laws. On November 10, 2011, SDE issued a non-binding recommendation to the Fair Trade Commission (CADE) to impose fines on the cement companies under investigation, including our cement companies in Brazil, due to violation of the Brazilian antitrust laws. There is no formal deadline for CADE to complete the analyses of the matter and issue a decision, therefore, it can issue its decision at any time.

Public Civil Suit - Cartel

The Public Ministry of the State of Rio Grande do Norte filed a public civil suit against the Company, together with another eight defendants, including several of the largest Brazilian cement producers, relating to the breaking of Brazilian antitrust laws through the establishment of a cartel, and claimed the payment of a joint indemnity, in favor of the plaintiffs in the suit for collective and moral reparations, and the payment of fines under the Brazilian antitrust laws. Since this civil suit totals R$ 5,600 and the claims relate to joint liability, the Company estimates that, based on its market share, its portion of the liability would be approximately R$ 2,400. However, there is no guarantee that this allocation will prevail and that the Company will not be liable for a different portion, which may be higher, or for the total amount of this claim.

(iii) Environmental contingencies

The Company and its subsidiaries are subject to laws and regulations in the various countries in which they operate. Votorantim has established environmental policies and procedures to comply with environmental and other laws. Management performs analyses on a regular basis to identify environmental risks and ensure that the systems in place are adequate to manage these risks.

The environmental litigation of the Company and its subsidiaries basically refers to public civil claims and citizens' lawsuits, whose objectives are: the interruption of the progress of the environmental licensing of new projects, the recovery of areas of permanent preservation, and the decontamination of land, among others. In case of an unfavorable outcome, the Company estimates the costs for the preparation of environmental studies and the cost for the recovery of its land. The aforementioned costs are recorded as expenses in the statement of income as they are incurred.

(e) Outstanding judicial deposits

As at December 31, 2012, the Company has R$ 497 (2011 - R$ 328) deposited in court regarding proceedings classified by its legal advisors as having a possible or remote possibility of loss, and therefore, not subject to the recording of the respective contingencies.

(f) Commitments

(i) The subsidiaries Votorantim Cimentos S.A. and St. Marys Cement Inc. have supply agreements with steel mills for the purchase of slag, effective up to 2023.

(ii) Fibria entered into long-term take-or-pay agreements with suppliers of electricity, transportation, diesel oil, chemicals and natural gas maturing up to 2028. These agreements contain termination and supply interruption clauses in the event of default on certain essential obligations. The contractual obligations assumed in 2012 represent R$ 259 (2011 - R$ 301) – (on a non-proportional basis).

(iii) The Company and its subsidiaries have contracts for the purchase of electric power of approximately 950 MW/year up to 2020.

(iv) The Company and its subsidiaries have commitments for the construction and purchase of equipment for plants that generate electrical power, either independently or through consortia, for which the future disbursement estimated by management is approximately R$ 2.5 billion.

(v) On July 10, 2008, Votorantim Metais entered into an agreement for the purchase of nickel ore concentrate from Mirabela Mineração, a member of the Australian Mirabela Nickel group, which started operating its mine in the State of Bahia in 2009. The five-year agreement amounts to US$ 1 billion.

(vi) Operational leases **-** jointly-controlled subsidiary Fibria S.A.

- Land leasing - the jointly-controlled subsidiary Fibria S.A. leases land for planting forests based on third-party operational leases as a source of raw materials for its production. The leases are usually made for a period up to 21 years. Lease payments, equivalent to market value are made according to the contract. The land lease agreements have renewal option of the lease period at market value.

- Sea domestic transport - the jointly-controlled subsidiary Fibria S.A. is party to a long-term contract to receive sea freight services, whose period is 20 years and is for the sea domestic transport of raw materials utilizing pushers and maritime barges from the Terminal of Caravelas (BA) to Portocel (ES).

- Export transport - the jointly-controlled subsidiary Fibria S.A. is also party to long-term contracts with STX Pan Ocean Co. Ltd. To receive sea freight services for 25 years for transportation of pulp from Brazil to several ports in Europe, North America and Asia.

All amounts in millions of Reais unless otherwise stated

At December 31, 2012, minimum payments (on a proportional basis the Company's ownership interest in the jointly-controlled subsidiary Fibria S.A.) of future operating leases are as follows:

Years	Land leasing	Sea domestic transport	Export transport
2013	27	14	5
2014 to 2015	53	27	9
2016 to 2018	79	41	14
After 2019	281	68	86
	439	149	113

25 Use of public assets

The Company owns or invests in companies that have concession contracts in the electrical power industry. Most of these contracts provide for annual payments from the commencement of operations and are adjusted by the General Market Price Index (IGPM) for the Use of Public Assets ("UBP").

The contracts have an average duration of 35 years, and the amounts to be paid annually are as follow:

All amounts in millions of Reais unless otherwise stated

							2012
Plants / Companies	**Investor**	**Percentage ownership**	**Concession start date**	**Concession end date**	**Payment start date**	**Intangible assets**	**Liabilities**
Salto Pilão	Companhia Brasileira de Alumínio	60%	nov-01	dec-36	jan-10	245	406
Campos Novos	Companhia Brasileira de Alumínio	25%	apr-00	may-35	jun-06	3	6
Salto do Rio Verdinho	Companhia Brasileira de Alumínio	100%	aug-02	sep-37	oct-10	8	15
Itupararanga	Companhia Brasileira de Alumínio	100%	nov-03	dec-23	jan-04	1	2
Piraju	Companhia Brasileira de Alumínio	100%	dec-98	jan-34	feb-03	2	5
Ourinhos	Companhia Brasileira de Alumínio	100%	jul-00	aug-35	sep-05	2	4
Capim Branco I and Capim Branco II	Votorantim Metais Zinco S.A.	13%	aug-01	sep-36	oct-07	3	9
Picada	Votorantim Metais Zinco S.A.	100%	may-01	jun-36	jul-06	22	56
Campos Novos	Votorantim Metais S.A.	20%	apr-00	may-35	jun-06	3	5
Pedra do Cavalo	Votorantim Cimentos N/NE S.A.	100%	mar-02	apr-37	apr-06	148	405
						437	912
Current							(55)
Non-current						437	857

							2011
Plants / Companies	**Investor**	**Percentage ownership**	**Concession start date**	**Concession end date**	**Payment start date**	**Intangible assets**	**Liabilities**
Salto Pilão	Companhia Brasileira de Alumínio	60%	nov-01	dec-36	jan-10	255	367
Campos Novos	Companhia Brasileira de Alumínio	25%	apr-00	may-35	jun-06	4	8
Salto do Rio Verdinho	Companhia Brasileira de Alumínio	100%	aug-02	sep-37	oct-10	10	14
Itupararanga	Companhia Brasileira de Alumínio	100%	nov-03	dec-23	jan-04	1	2
Piraju	Companhia Brasileira de Alumínio	100%	dec-98	jan-34	feb-03	1	5
Ourinhos	Companhia Brasileira de Alumínio	100%	jul-00	aug-35	sep-05	2	4
Capim Branco I and Capim Branco II	Votorantim Metais Zinco S.A.	13%	aug-01	sep-36	oct-07	4	8
Picada	Votorantim Metais Zinco S.A.	100%	may-01	jun-36	jul-06	24	52
Campos Novos	Votorantim Metais S.A.	20%	apr-00	may-35	jun-06	3	6
Pedra do Cavalo	Votorantim Cimentos N/NE S.A.	100%	mar-02	apr-37	apr-06	153	374
						458	840
Current							(60)
Non-current						458	780

26 Asset decommissioning obligations

The calculation of obligations due to asset decommissioning involves judgment about certain assumptions. In environmental terms, they refer to the future obligation to restore the ecological conditions similar to those existing before the beginning of the project or activity, or to carry out compensatory measures, agreed upon with the applicable bodies, as a result of the impossibility of returning the areas to their pre-existing condition. These obligations arise from the right to use the asset, which causes environmental degradation, from the object of the operation or from formal commitments made to the environmental body, under which the degradation must be compensated, providing other uses for the affected area.

The dismantling and removal of an asset from an operation occur when it is permanently decommissioned, through the interruption of its activities, or by its sale or disposal. This future obligation will be recognized in the statement of income, a portion through depletion during the entire useful life of the asset that gave rise to it, and the other through the reversal of the adjustment to its present value plus the restatement of the liability due to inflation. Since these are long-term obligations, they are adjusted to their present value at the current interest rate and periodically restated based on the inflation rate.

The interest rate used to discount amounts to their present value and restate the provision was 2% p.a.

All amounts in millions of Reais unless otherwise stated

The changes in the provision for asset decommissioning are as follow:

	2012	2011
Opening balance	557	466
Adjustment to present value	40	24
Financial settlement	(54)	(35)
Revision of estimated cash flow	387	83
Variação cambial	18	19
Reclassification to "Provisions and other liabilities"	(78)	
Closing balance	870	557

27 Equity

(a) Share capital

At an Extraordinary General Meeting held on October 31, 2012, the Company's capital, through the capitalization of the shares that its parent company had in Inecap Investimentos S.A., was increased by R$ 250, with the issue of 176,544,938 new registered common shares.

At an Extraordinary General Meeting held on December 18, 2012, the Company's capital, through capitalization in local currency, was increased by R$ 152, with the issue of 112,069,602 new registered common shares.

Aiming at balancing capital with its objective, the Company decreased capital by R$ 420 (canceling the equivalent to 298,844,478 shares), extinguishing the loan receivable from its parent company Votorantim Participações S.A.

As at December 31, 2012, the Company's fully subscribed and paid-up capital represented 17,501,930,932 (2011 - 17,512,160,870) registered common shares of R$ 19,907 (2011 - R$ 19,925).

(b) Dividends

Dividends are calculated based on 25% of profit for the year, net of a legal reserve, pursuant to the Company's bylaws.

The calculation of dividends, at December 31, was as follows:

All amounts in millions of Reais unless otherwise stated

	2012	2011
Profit for the year - attributable to the owners of the Company	151	1,225
Legal reserve	(8)	(61)
Tax incentive reserve	(5)	
Dividend calculation basis	138	1,164
Dividends	(35)	(291)
Additional dividends	(750)	
	(785)	(291)
Percentage on profit for the year	569%	25%

(c) Legal and profit retention reserves

The legal reserve is credited annually with 5% of the profit for the year and cannot exceed 20% of the share capital. The reserve can only be used to increase capital and offset accumulated losses.

The profit retention reserve was established to record the appropriation of the remaining balance of retained earnings, held over to fund projected business growth, as established in the Company's investment plan.

(d) Reserve for tax incentives

This reserve was set up in accordance with article 195-A of the Brazilian Corporation Law (amended by Law 11,638/07), it is credited with the benefits of tax incentives, which are recognized in the results of operations for the year and appropriated from retained earnings to this reserve. These incentives are not included in the calculation basis for the minimum mandatory dividend.

(e) Carrying value adjustments

The Company recognizes in this account the effects of foreign exchange gains/losses on direct and indirect investments abroad. The cumulative effects will be transferred to the statement of income for the year as a gain or loss upon the sale or write-off of the investment.

This account also includes: foreign exchange gains/losses on debts and derivatives designated to mitigate risks related to foreign exchange, commodities prices and interest rate (hedge accounting), actuarial gains and losses on pension plans, and the amount a relating to the fair value of available-for-sale financial assets.

All amounts in millions of Reais unless otherwise stated

28 Net revenue

(a) Reconciliation of revenue

The reconciliation between gross and net revenue for the years ended December 31 is as follows:

	2012	2011
Gross revenue		
Sales of products - domestic market	21,206	20,571
Sales of products - foreign market	6,340	5,812
Supply of electric power	614	370
Service revenue	1,353	1,347
	29,513	28,100
Taxes on sales and services and other deductions	(4,721)	(4,441)
Net revenue	24,792	23,659

(b) Information on geographic areas

The geographic areas are determined based on the location of the customers. The net revenue of the Company, classified by currency and destination, is as follows:

(i) Revenue - destination

	2012	2011
Brazil	15,086	13,521
United States	3,173	2,173
Peru	1,186	1,487
Canada	844	767
Colombia	651	763
Argentina	572	561
Germany	467	286
China	391	314
Italy	118	138
Australia	72	92
Austria	15	17
Other countries	2,217	3,540
	24,792	23,659

All amounts in millions of Reais unless otherwise stated

(ii) Revenue by currency

	2012	2011
Real	13,879	13,049
US Dollar	8,840	8,743
Canadian Dollar	744	641
Euro	6	30
Colombian Peso	642	644
Argentine Peso	552	501
Yuan-renminbi	60	51
Other	69	
	24,792	23,659

29 Other operating income (expenses), net

	2012	2011
Net revenue from the sale of PP&E	23	17
Mark-to-market of embedded derivatives - Fibria call option (Note 16)	53	(347)
Impairment for losses on assets		(156)
Impairment of property, plant and equipment	(94)	(101)
Impairment of investments		(586)
Impairment of goodwill	(464)	
Recovery of taxes	100	38
Net revenue from sales of scrap	20	21
Non-recurring income	88	12
Gains on business combinations - VCEAA	267	
Gains on business combinations - Artigas	73	
Own generation of electric power	42	16
Other income (expenses), net	(20)	(97)
	88	(1,183)

All amounts in millions of Reais unless otherwise stated

30 Finance result, net

	2012	2011
Finance costs		
Interest on borrowing	(1,416)	(1,279)
Juros e atualização monetária UBP	(130)	(94)
Derivative financial instruments	(101)	(137)
Atualização monetária sobre passivos	(83)	(114)
IR sobre remessas de juros ao exterior	(33)	(22)
Comissões sobre operações financeiras	(33)	(8)
Interest on related-party operations	(24)	(17)
Other finance costs	(298)	(343)
	(2,118)	(2,014)
Finance income		
Income from financial investments	454	489
Atualização monetária sobre ativos	199	84
Interest on related-party operations	33	13
Other finance income	183	86
	869	672
Foreign exchange and monetary gains (losses), net	(758)	(666)
Finance result, net	(2,007)	(2,008)

31 Private pension plan

VID has a defined contribution plan for employees. Certain investees, however, have a defined benefit plan.

(a) Defined contribution

The Company and its Brazilian subsidiaries sponsor private pension plans available to all employees administered by Fundação Senador José Ermínio de Moraes (FUNSEJEM), a private, not for profit, pension fund. Under the terms of the regulations of the fund, the contributions of the employees to FUNSEJEM are matched by the sponsors in accordance with the level of remuneration of the employee. For employees whose remuneration is lower than the threshold established by the regulations, the Company matches the contributions that represent up to 1.5% of their monthly remuneration. For employees whose remuneration exceeds the threshold, the Company matches the contributions of employees that represent up to 6% of their monthly remuneration. Voluntary contributions can also be made to FUNSEJEM.

Once the plan contributions are made, no additional contributions are required.

(b) Defined benefit (pension and health care plans)

Votorantim Cement North America Inc., Votorantim Cimentos N/NE and Acerías Paz Del Río have defined benefit pension plans which also offer health care and life insurance, among other benefits. The cost of the retirement benefits and the other benefits of the plan granted to employees are determined by the projected benefit method on a pro rata basis considering the length of service and the best expectations of management regarding investment margins, salary adjustments, costs and mortality trends, and the age of retirement of employees.

The amounts recognized in the balance sheet are determined as follows:

All amounts in millions of Reais unless otherwise stated

	2012	2011
Benefit obligations projected for:		
Recorded benefit plans	726	633
Supplementary benefit plans	29	24
Post-employment healthcare benefits	81	63
	836	**720**
Result		
Pension plan benefits	(1)	(4)
Post-employment health care benefits (recovery)	5	(6)
	4	**(10)**
Actuarial gains recognized in comprehensive income	63	25
Accumulated actuarial gains in comprehensive income	137	61
Present value of funded obligations	836	720
Fair value of plan assets	537	461
Deficit of funded plans	299	259
Balance sheet balance	**299**	**259**

Changes in defined benefit obligation	**2012**	**2011**
Opening balance	720	709
Current service cost	4	5
Interest cost	42	25
Contributions by plan participants	3	2
Actuarial losses	77	9
Exchange differences	53	43
Benefits paid	(63)	(60)
Past-benefits cost		(10)
Curtailments		(3)
Closing balance	**836**	**720**
Changes in the fair value of plan assets		
Opening balance	461	443
Expected return on plan assets	24	11
Actuarial gains	9	
Employer contributions	20	20
Employee contributions	1	4
Benefits paid	(31)	(30)
Exchange differences	53	13
Closing balance	**537**	**461**

Net benefit costs	**2012**	**2011**
Current service costs	4	5
Interest costs	42	25
Expected return on plan assets	(27)	(25)
Cost of service provided		(10)
Curtailments		(3)
Expenses recognized in the statement of income	**19**	**(8)**
Equity - other comprehensive income		
Balance of actuarial losses in equity as at January 1	74	33
Actuarial loss on obligation	63	25
Balance of actuarial losses in equity as at December 31	**137**	**58**

All amounts in millions of Reais unless otherwise stated

32 Insurance

Pursuant to the Company's Corporate Insurance Management Policy, different types of insurance policies are contracted, such as operational risk and civil liability insurance, protecting them against potential losses due to production stoppages, property damage and damage to third parties.

The Company and its subsidiaries have civil liability insurance for their operations and officers, with coverage and terms and conditions deemed adequate by management to cover the inherent risks.

The operational insurance coverage as at December 31, 2012 was as follows:

Assets	Type of coverage	Coverage amount
Facilities, equipment and products in inventory	Property damage	50,239
	Loss of profits	10,131

As at December 31, 2012, the jointly-controlled subsidiary Fibria had insurance for operating risk and general civil liability amounting to R$ 3,075 and R$ 51, respectively (on a non-proportional basis).

33 Expenses by nature

The Company's management elected to disclose expenses by function in the statement of income and the nature of these expenses are presented below.

The cost of the goods sold, selling and administrative expenses for the years December 31, 2012 and 2011 are as follow:

	2012	2011
Raw materials, inputs and consumables used	13,497	12,688
Employee benefit expenses	3,213	2,651
Depreciation, amortization and depletion	2,544	2,128
Transportation expenses	1,312	902
Outsourced and maintenance services	1,404	1,200
Other expenses	651	974
Total cost of sales, selling and administrative expenses	22,621	20,543
Reconciliation		
Cost of products sold and services rendered	18,832	17,259
Selling	1,419	1,261
General and administrative	2,370	2,023
Total cost of sales, selling and administrative expenses	22,621	20,543

All amounts in millions of Reais unless otherwise stated

34 Employee benefit expenses

	2012	2011
Salaries and bonuses	1,917	1,574
Payroll charges	912	757
Social benefits	384	320
	3,213	2,651

35 Profit from discontinued operations

				2011
	Usiminas	Nitroquímica	CONPACEL and KSR	Total
Net revenue	588	136	19	743
Cost of products sold	(519)	(85)	(12)	(616)
Gross profit	69	51	7	127
Operating expenses	(44)	(48)	(5)	(97)
Finance result, net	(6)	2		(4)
Equity in the results of investees	3			3
Capital gains	1,247	(104)	105	1,248
Other operating income (expenses)	7	4	(2)	9
Profit (loss) before income tax and social contributions	1,276	(95)	105	1,286
Income tax and social contributions	(416)	34	(36)	(418)
Profit (loss) from discontinued operations	860	(61)	69	868

36 Supplementary information - Business Unit ("BU")

In order to provide more detailed information, the Company has elected to present supplementary financial information by business unit (BU). The following information refers to the analysis of each BU, and considers the eliminations of balances and transactions among the companies before: (i) eliminations between BUs; (ii) the eliminations of investments held by the holding companies. Additionally, the eliminations and reclassifications among the companies are presented so that the net results reconcile with the consolidated financial information of VID per the supplementary information. This supplementary information is not intended to be in accordance with, and is not required by, the accounting practices adopted in Brazil, or by IFRS.

All amounts in millions of Reais unless otherwise stated

	Cement	Metals - other	Aluminum	Nickel	Zinc	Steel	Pulp	Holding companies and other	Eliminations and reclassifications	Total consolidated
Assets										
Current assets										
Cash and cash equivalents, financial investments and derivative financial instruments	3,485	26	1,566	107	685	269	972			7,110
Trade receivables	955	65	201	26	306	366	231	41	(103)	2,088
Inventory	1,223	29	584	224	660	826	348			3,894
Taxes recoverable	263	6	131	285	333	158	62	35		1,273
Dividends receivable	1		29					414	(443)	1
Other assets	259	9	61	35	100	32	48	86	(4)	626
	6,186	135	2,572	677	2,084	1,651	1,661	576	(550)	14,992
Assets held for sale	701						174			875
Non-current assets										
Long-term receivables										
Financial investments and derivative financial instruments	3	40					13	37		93
Taxes recoverable	41	4	153	313	32	24	194	20		781
Related parties	59	5	1,082	1,499	2		2	839	(2,076)	1,412
Deferred income tax and social contributions	1,021	33	443	299	543	334	439	623		3,735
Judicial deposits	246	38	48	18	39	60	46	2		497
Advances to suppliers							218			218
Other assets	258	12	31	6	19	23	49	307		705
	1,628	132	1,757	2,135	635	441	961	1,828	(2,076)	7,441
Investments	1,636	2,394	1,968	478	403		12	20,838	(26,017)	1,712
Property, plant and equipment and biological assets	9,682	605	4,765	1,662	5,118	4,064	4,266	53		30,215
Intangible assets	4,992	44	712	215	5,263	243	1,388	1		12,858
	18,639	3,175	9,202	4,490	11,419	4,748	6,801	22,720	(28,093)	53,101
Total assets	24,825	3,310	11,774	5,167	13,503	6,399	8,462	23,296	(28,643)	68,093

All amounts in millions of Reais unless otherwise stated

	Cement	Metals - other	Aluminum	Nickel	Zinc	Steel	Pulp	Holding companies and other	Eliminations and reclassifications	Total consolidated
Liabilities										
Current liabilities										
Borrowing	616	37	178	41	355	146	334			1,707
Trade payables	1,024	16	237	158	814	493	128	108	(111)	2,867
Payables - trading	54									54
Salaries and payroll charges	235	26	86	27	117	351	38	47		927
Income tax and social contributions	51	5	8		3	45	5	11		128
Taxes payable	211	21	10	14	22	30	8	40		356
Dividends payable	446	67			3	18	1	81	(443)	173
Advances from customers	22	23	1	2	2	40	139	3	(2)	230
Payables for interest acquisition	328									328
Payables and other liabilities	462	8	80	12	219	34	79	60		954
	3,449	203	600	254	1,535	1,157	732	350	(556)	7,724
Liabilities available for sale	274									274
Non-current liabilities										
Borrowing	12,177	211	4,701	701	1,789	921	2,833	379		23,712
Related parties	488	65	1	1	1,418	12		978	(2,070)	893
Deferred income tax and social contributions	919	4	438	130	1,184	351	251	59		3,336
Provisions for tax, civil, labor and environmental contingencies	794	28	64	70	185	111	31	126		1,409
Provision for asset decommissioning	128		120	187	402	33				870
Payables and other liabilities	1,096	30	407	34	171	186	145	20		2,089
	15,602	338	5,731	1,123	5,149	1,614	3,260	1,562	(2,070)	32,309
Equity	5,500	2,769	5,443	3,790	6,819	3,628	4,470	21,384	(26,017)	27,786
Total liabilities and equity	24,825	3,310	11,774	5,167	13,503	6,399	8,462	23,296	(28,643)	68,093

All amounts in millions of Reais unless otherwise stated

	Cement	Metals - other	Aluminum	Nickel	Zinc	Steel	Pulp	Holding companies and other	Eliminations and reclassifications	Total consolidated
Net revenue from sales and services	9,779	271	2,984	1,403	4,533	3,312	1,817	1,233	(540)	24,792
Cost of products sold and services rendered	(6,315)	(120)	(2,858)	(1,245)	(3,583)	(2,560)	(1,541)	(1,150)	540	(18,832)
Gross profit	3,464	151	126	158	950	752	276	83		5,960
Operating income (expenses)										
Selling	(685)	(1)	(89)	(24)	(222)	(290)	(88)	(20)		(1,419)
General and administrative	(686)	(65)	(279)	(173)	(441)	(364)	(84)	(278)		(2,370)
Other operating income (expenses), net	658	(41)	61	(95)	(679)	9	104	71		88
	(713)	(107)	(307)	(292)	(1,342)	(645)	(68)	(227)		(3,701)
Operating profit (loss) before equity investments and finance result	2,751	44	(181)	(134)	(392)	107	208	(144)		2,259
Result from equity investments										
Equity in the results of investees	35		(8)	(30)	1	(5)		(670)	799	122
Other comprehensive income	(170)							79		(91)
	(135)		(8)	(30)	1	(5)		(591)	799	31
Finance result, net	(937)	(73)	(514)	(51)	(402)	(140)	(499)	609		(2,007)
Profit (loss) before income tax, social contribution and profit sharing	1,679	(29)	(703)	(215)	(793)	(38)	(291)	(126)	799	283
Income tax and social contribution										
Current	(369)	(44)	(17)	(10)	(89)	(41)	(12)	(49)		(631)
Deferred	479	(51)	144	(227)	152	(1)	98	(159)		435
Profit (loss) for the year	1,789	(124)	(576)	(452)	(730)	(80)	(205)	(334)	799	87
Profit attributable to the owners of the Company	1,789	(124)	(576)	(452)	(631)	(80)	(207)	(334)	766	151
Profit attributable to non-controlling interests					(99)		2		33	(64)
Profit (loss) for the year	1,789	(124)	(576)	(452)	(730)	(80)	(205)	(334)	799	87
Depreciation, amortization and depletion	(561)	(24)	(361)	(65)	(715)	(243)	(544)	(31)		(2,544)

37 Tax benefits

The subsidiaries Votorantim Cimentos S.A. - "VCSA" and Votorantim Cimentos Norte e Nordeste Ltda. - "VCNNE" have tax incentives related to:

(a) Income tax on profit from operations in certain areas: The subsidiaries VCSA and VCNNE have a benefit of partial reduction of the income tax due, related to some regional operations with cement, mortar and clinker. The tax incentive is measure based on the taxable operating profit measured as determined by the rules tax incentive (identified as “exploration profit”) of the specific projects that are benefited from the incentive during a fixed period of time established by the tax authorities. The Company's tax incentives expire in different periods from 2012 to 2020. Under the rules of the benefit an amount equal to the tax benefit (the reduction in income tax) must be allocated to a reserve account (“Tax incentive reserve”) within shareholders equity of the legal entity which has the benefit and the balance of such reserve can not be distributed to the stockholders.

The amount of the reduction in tax payable can also be used for the acquisition of new equipment for the operation which has the tax benefit (requiring approval by the relevant regulatory agency, either the Superintendency for the Development of the Amazon (SUDAM) or the Superintendency for the Development of the Northeast Region (SUDENE)). When the reinvestment is approved, an amount equal to the tax benefit must be allocated to the Tax incentive reserve described above.

(b) Ceará Industrial Development Fund (FDI II Program): The subsidiary VCNNE has tax incentives with respect to ICMS from state industrial development programs consisting of financing or deferral of payment of taxes and the reductions of the taxes due. The purpose of these state programs is to promote in the long term the development of industrial activities in the state of Ceará.

The periods and terms of the reduction in the taxes are established in the tax legislation. The reduction in the amount of the ICMS taxes due is recorded in the income statement either in the period of measurement of the tax or when the Company meets the conditions established by the state programs in order to receive the benefit under “Other operating income (expenses), net”.

The reduction of the amount due ICMS are fixed and vary from 64% to 75% of the ICMS due. The remaining ICMS due has it payment deferred with respect to regular dates for payments and the amounts due are adjusted either based on a general price index or based on fixed interest rates. The Company's tax incentives expired in periods from 2016 to 2020.

(c) PRÓ-DF II program: The subsidiary VCSA has tax incentives from state industrial development programs consisting of financing or deferral of payment of taxes. The purpose of this state program is to promote in the long term the expansion of the local economic capacity of production of goods and services and job generation, and to foster the economic and social development of the Federal District in a sustainable and integrated manner.

The amount of ICMS that can be paid over a deferred period is 70% of the ICMS payable on the sale of cement. The ICMS due under the benefit has it payment deferred with respect to regular dates for payments and the amounts due are adjusted either based on a general price index or based on fixed interest rates. The benefit is granted for a period of 300 months as from June 2010 or until the amount of ICMS taxes deferred using the benefit achieves the total amount of the benefit granted by the state.

38 Events after the reporting period

In January 2013, the subsidiary Votorantim Cimentos EAA Inversiones, S.L. - "VCEAA" prepaid US$ 200 million in connection with operations maturing in February 2014, with the objective of decreasing its gross indebtedness. The current balance of this loan is US$ 234.1 million.

In February 2013, the subsidiary Companhia Brasileira de Alumínio entered into Export Credit Note agreements totaling R$ 230 million. The amortization period is three years, and the agreements are subject to an interest rate of 8% p.a. These operations are linked to swaps for switching the rate from fixed to floating. The final cost is 94% of the CDI.