

(A free translation of the original in Portuguese)

**Votorantim Industrial S.A.**  
**Consolidated condensed interim**  
**financial statements at**  
**September 30, 2014**  
**and report on review**



(A free translation of the original in Portuguese)

## **Report on review of interim condensed financial statements**

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

### **Introduction**

We have reviewed the accompanying consolidated condensed interim balance sheet of Votorantim Industrial S.A. and its subsidiaries (the “Company”), as at September 30, 2014 and the related consolidated condensed statements of income, comprehensive income and cash flows for the quarter and nine-month period then ended, and the condensed statement of changes in equity for the nine-month period then ended.

Management is responsible for the preparation and fair presentation of the interim consolidated condensed financial statements in accordance with accounting standard CPC 21 – “Interim Financial Reporting”, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated condensed interim financial statements referred to above are not prepared, in all material respects, in accordance with accounting standard CPC 21 and IAS 34.



Votorantim Cimentos S.A.

## **Other matters – supplementary information**

### **Condensed statements of value added**

We have reviewed the consolidated condensed statements of value added for quarter and nine-month period ended September 30, 2014, prepared under the responsibility of the Company's management and presented as supplementary information. These statements have been subjected to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in a manner consistent with the consolidated condensed interim financial statements taken as a whole.

### **Information by business unit**

We have also reviewed the supplementary information by business unit, described in note 33, which is the responsibility of the Company's management. This information is presented in order to provide additional information on Votorantim Industrial S.A. and its subsidiaries, and is not intended to comply with and is not required by IFRS or accounting practices adopted in Brazil. This information has been subjected to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it is not prepared, in all material respects, in a manner consistent with the interim consolidated condensed financial statements taken as a whole.

Curitiba, November 24, 2014

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5 "F" PR

A handwritten signature in blue ink that reads 'Carlos Eduardo Guaraná Mendonça'.

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

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# Votorantim Industrial S.A.

## Interim consolidated balance sheet

All amounts in millions of reais

(A free translation of the original in Portuguese)

	Note	9/30/2014	12/31/2013		Note	9/30/2014	12/31/2013
<b>Assets</b>				<b>Liabilities and equity</b>			
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	7	3,284	2,498	Borrowing	19	1,740	1,517
Financial investments	8	2,494	4,092	Derivative financial instruments	5.1.1	156	116
Derivative financial instruments	5.1.1	66	108	Trade payables		3,225	2,807
Trade receivables	9	2,729	2,145	Payables - trading		108	112
Inventories	10	3,572	3,402	Salaries and payroll charges		765	758
Taxes recoverable	11	1,063	1,048	Income tax and social contribution		140	146
Dividends receivable	13	73	28	Taxes payable		465	357
Call options	14	1	127	Dividends payable to the owners of the Company	13	66	104
Other assets	15	1,077	710	Dividends payable to non-controlling interests	13	17	47
		14,359	14,158	Advances from customers		326	191
				Use of public assets	25	61	60
				Other liabilities	21	410	539
						7,479	6,754
<b>Assets classified as held for sale</b>	12 (a)	811	788	<b>Liabilities related to assets held for sale</b>	12 (b)	427	390
		15,170	14,946			7,906	7,144
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
<b>Long-term receivables</b>				Borrowing	19	21,234	21,918
Financial investments	8	15	41	Derivative financial instruments	5.1.1	10	12
Derivative financial instruments	5.1.1	53		Related parties	13	1,014	916
Taxes recoverable	11	1,506	1,618	Deferred income tax and social contribution	20 (b)	3,972	3,538
Related parties	13	2,056	1,977	Tax, civil, labor and environmental provisions	24	1,161	1,101
Deferred income tax and social contribution	20 (b)	4,566	4,056	Use of public assets	25	935	935
Judicial deposits	24 (c)	476	414	Provision for asset retirement	24	881	876
Financial instruments - firm commitment	1 (i)	882		Pension plan		364	374
Other assets	15	342	355	Other liabilities	21	871	740
		9,896	8,461			30,442	30,410
<b>Investments</b>	16	6,025	5,930	<b>Total liabilities</b>		38,348	37,554
Property, plant and equipment	17	25,728	26,314	<b>Equity</b>	26		
Biological assets		103	109	Share capital		20,167	20,167
Intangible assets	18	12,029	11,747	Revenue reserves		6,331	6,294
		53,781	52,561	Retained earnings		968	
				Carrying value adjustments		3	61
				Total equity attributable to owners of the Company		27,469	26,522
				Non-controlling interests		3,134	3,431
				<b>Total equity</b>		30,603	29,953
<b>Total assets</b>		68,951	67,507	<b>Total liabilities and equity</b>		68,951	67,507

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

# Votorantim Industrial S.A.

## Interim consolidated statement of income Periods ended September 30

All amounts in millions of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	7/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
<b>Continuing operations</b>					
Net revenue from products sold and services rendered	27	7,388	7,125	20,815	19,425
Cost of products sold and services rendered	30	(5,239)	(5,146)	(14,802)	(14,248)
<b>Gross profit</b>		<b>2,149</b>	<b>1,979</b>	<b>6,013</b>	<b>5,177</b>
<b>Operating income (expenses)</b>					
Selling	30	(463)	(435)	(1,350)	(1,201)
General and administrative	30	(542)	(585)	(1,618)	(1,703)
Other operating income (expenses), net	28	279	(55)	150	(45)
		(726)	(1,075)	(2,818)	(2,949)
<b>Operating profit before equity results and finance results</b>		<b>1,423</b>	<b>904</b>	<b>3,195</b>	<b>2,228</b>
<b>Result from equity investments</b>					
Equity in the results of investees	16	(70)	76	195	
		(70)	76	195	
<b>Finance results, net</b>					
Finance costs	29	(528)	(544)	(2,352)	(1,367)
Finance income		171	184	483	462
Foreign exchange gains (losses), net		(110)	(20)	91	(341)
		(467)	(380)	(1,778)	(1,246)
<b>Profit before income tax and social contribution</b>					
		886	600	1,612	982
<b>Income tax and social contribution</b>					
Current	20	(135)	(198)	(387)	(577)
Deferred		(194)	7	(142)	(72)
<b>Profit for the period from continuing operations</b>		<b>557</b>	<b>409</b>	<b>1,083</b>	<b>333</b>
<b>Discontinued operations</b>					
Profit (loss) for the period from discontinued operations	12 (c)	21	(28)	17	(60)
<b>Profit for the period</b>		<b>578</b>	<b>381</b>	<b>1,100</b>	<b>273</b>
Profit attributable to the owners of the Company		541	385	1,018	295
Profit (loss) attributable to non-controlling interests		37	(4)	82	(22)
<b>Profit for the period</b>		<b>578</b>	<b>381</b>	<b>1,100</b>	<b>273</b>
Weighted average number of shares - thousands		17,687,579	17,501,931	17,687,579	17,501,931
Basic and diluted earnings per thousand shares*		30.59	22.00	57.55	16.86
From continuing operations:					
Basic and diluted earnings per thousand shares*		29.40	23.60	56.59	20.28
From discontinued operations:					
Basic and diluted earnings (loss) per thousand shares*		1.19	(1.60)	0.96	(3.43)

\* Considers in 2014, for purposes of dilution, 90 thousand shares related to securities convertible into shares (Note 26 (f)).

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

# Votorantim Industrial S.A.

## Interim consolidated statement of comprehensive income Periods ended September 30

All amounts in millions of reais unless otherwise stated (A free translation of the original in Portuguese)

	7/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
<b>Profit for the period</b>	578	381	1,100	273
<b>Other components of comprehensive income net of income tax and social contribution to be subsequently reclassified to profit or loss</b>				
Foreign exchange gains on foreign investments	1,533	39	292	1,175
Hedge accounting of net investments in foreign operations, net of taxes	(699)	(96)	(284)	(550)
Hedge accounting for the operations of subsidiaries	(21)	(74)	(25)	(16)
Share in other comprehensive income of investees	13	(16)	11	(51)
	826	(147)	(6)	558
<b>Other components of comprehensive income net of income tax and social contribution that will not be reclassified to profit or loss</b>				
Remeasurement of retirement benefits	(5)	(2)	(14)	(6)
<b>Other comprehensive income for the period</b>	821	(149)	(20)	552
<b>Total comprehensive income for the period</b>	1,399	232	1,080	825
<b>Comprehensive income attributable to</b>				
Owners of the Company	1,075	268	960	619
Non-controlling interests	324	(36)	120	206
	1,399	232	1,080	825

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

**Votorantim Industrial S.A.**  
**Interim statement of changes in equity**  
**Periods ended September 30**  
**All amounts in millions of reais**

(A free translation of the original in Portuguese)

	Attributable to owners of the parent									
	Note	Share capital	Revenue reserves			Retained earnings	Carrying value adjustments	Equity attributable to the owners of the Company	Non-controlling interests	Equity
			Tax incentives	Legal	Profit retention					
<b>At January 1, 2014</b>		20,167	6	555	5,733		61	26,522	3,431	29,953
Total comprehensive income for the period						1,018		1,018	82	1,100
Profit for the period										
Components of comprehensive income for the period							(58)	(58)	38	(20)
Total comprehensive income for the period						1,018	(58)	960	120	1,080
<b>Total distributions to stockholders</b>										
Securities convertible into shares	26 (f)					(50)		(50)		(50)
Acquisition of non-controlling interests	1 (ii)				(38)			(38)	(100)	(138)
Increase in non-controlling interests Yacuces									21	21
Reclassification from non-controlling interests to revenue reserve	26 (g)				294			294	(294)	
Dividends (R\$ 0.01 per share)	26 (b)				(219)			(219)	(44)	(263)
Total contributions by and distributions to stockholders					37	(50)		(13)	(417)	(430)
<b>At September 30, 2014</b>		<b>20,167</b>	<b>6</b>	<b>555</b>	<b>5,770</b>	<b>968</b>	<b>3</b>	<b>27,469</b>	<b>3,134</b>	<b>30,603</b>

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**Votorantim Industrial S.A.**  
**Interim statement of changes in equity**  
**Periods ended September 30**  
**All amounts in millions of reais**

(A free translation of the original in Portuguese)

	Attributable to owners of the parent								
	Share capital	Tax incentives	Revenue reserves		Retained earnings	Carrying value adjustments	Equity attributable to the owners of the Company	Non-controlling interests	Equity
			Legal	Profit retention					
<b>At January 1, 2013</b>	19,907	5	533	5,515		(1,436)	24,524	3,251	27,775
Total comprehensive income for the period									
Profit (loss) for the period					295		295	(22)	273
Components of comprehensive income for the period						324	324	228	552
Total comprehensive income for the period					295	324	619	206	825
Total distributions to stockholders									
Reversal of dividends and interest on capital of investee				62			62		62
Acquisition of non-controlling interests					38		38	(47)	(9)
Tax incentive reserve		2			(2)				
Dividends (R\$ 0.01 per thousand shares)				(176)			(176)		(176)
Total distributions to stockholders		2		(114)	36		(76)	(47)	(123)
<b>At September 30, 2013</b>	<b>19,907</b>	<b>7</b>	<b>533</b>	<b>5,401</b>	<b>331</b>	<b>(1,112)</b>	<b>25,067</b>	<b>3,410</b>	<b>28,477</b>

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

# Votorantim Industrial S.A.

## Interim consolidated statement of cash flows Periods ended September 30 All amounts in millions of reais

(A free translation of the original in Portuguese)

	Note	7/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
<b>Cash flow from operating activities</b>					
<b>Profit before income tax and social contribution from continuing operations</b>					
		886	600	1,612	982
Profit (loss) on discontinued operations		21	(28)	17	(60)
Adjustments of items that do not represent changes in cash and cash equivalents					
Interest, indexation and foreign exchange gains		1,081	132	1,785	1,449
Equity in the results of investees	16	70	(76)	(195)	
Depreciation, amortization and depletion	30	570	573	1,669	1,648
Gain on sale of non-current assets		3	(2)	(8)	(43)
Call options	28		8	126	37
Change in fair value of biological assets		4		3	
Derivative financial instruments		(69)	11	1	4
Provision for asset impairment		357		357	
Financial instruments – firm commitment		(882)		(882)	
Provisions		(65)	45	129	186
		<u>1,976</u>	<u>1,263</u>	<u>4,614</u>	<u>4,203</u>
<b>Changes in assets and liabilities</b>					
Financial investments		117	161	1,882	(247)
Derivative financial instruments		(28)	45	(10)	108
Trade receivables		(356)	(310)	(617)	(772)
Inventories		(122)	74	(260)	(87)
Taxes recoverable		70	169	177	178
Other receivables and assets		(135)	(122)	(416)	(194)
Trade payables		450	15	408	(196)
Payables - trading		10	1	(4)	23
Salaries and payroll charges		142	122	7	153
Taxes payable		118	33	(27)	59
Advances from customers		104	(20)	135	115
Use of public assets		(19)	21	17	47
Other obligations and liabilities		88	25	(128)	(328)
<b>Cash provided by operations</b>		<u>2,415</u>	<u>1,477</u>	<u>5,778</u>	<u>3,062</u>
Interest paid on borrowing and use of public assets		(283)	(269)	(1,127)	(1,015)
Premium paid on the Tender Offer	29	(22)	11	(528)	(11)
Income tax and social contribution paid		(121)	(69)	(258)	(292)
<b>Net cash provided by operating activities</b>		<u>1,989</u>	<u>1,150</u>	<u>3,865</u>	<u>1,744</u>
<b>Cash flow from investing activities</b>					
Purchases of property, plant and equipment		(586)	(498)	(1,530)	(1,672)
Increase in biological assets		(8)	(3)	(24)	(17)
Increase in intangible assets	18	(5)	(19)	(14)	(78)
Acquisition of investments					(328)
Capital increase in investees	16	(10)		(10)	(19)
Proceeds from sale of non-current assets		31	52	93	155
Dividends received		3	(1)	17	18
<b>Net cash used in investing activities</b>		<u>(575)</u>	<u>(469)</u>	<u>(1,468)</u>	<u>(1,941)</u>
<b>Cash flow from financing activities</b>					
New borrowing		494	932	5,230	2,567
Repayment of borrowing	19 (c)	(1,295)	(1,341)	(6,091)	(3,068)
Derivative financial instruments		(29)	(6)	(133)	(9)
Related parties		(60)	154	19	24
Acquisition of non-controlling interest - VCNNE	1 (ii)			(138)	
Payment of dividends		(132)		(331)	(206)
<b>Net cash used in financing activities</b>		<u>(1,022)</u>	<u>(261)</u>	<u>(1,444)</u>	<u>(692)</u>
Increase (decrease) in cash and cash equivalents		<u>392</u>	<u>420</u>	<u>953</u>	<u>(889)</u>
Effect of fluctuations in exchange rates		(58)	131	(167)	63
Cash and cash equivalents at the beginning of the period		<u>2,950</u>	<u>1,594</u>	<u>2,498</u>	<u>2,971</u>
Cash and cash equivalents at the end of the period		<u>3,284</u>	<u>2,145</u>	<u>3,284</u>	<u>2,145</u>
<b>Principal non-cash transactions</b>					
Loans from FINAME for acquisition of property, plant and equipment		14	1	55	57

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

# Votorantim Industrial S.A.

## Interim consolidated statement of value added Periods ended September 30

All amounts in millions of reais

(A free translation of the original in Portuguese)

	Note	7/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
<b>Revenue</b>					
Sales of products and services		8,721	8,368	24,635	22,889
Other operating income (expenses), net	28	279	(55)	150	(45)
Provision for impairment of trade receivables	9 (b)	(12)	(11)	(35)	(29)
		<u>8,988</u>	<u>8,302</u>	<u>24,750</u>	<u>22,815</u>
<b>Inputs acquired from third parties</b>					
Cost of products sold and services rendered		(4,778)	(4,119)	(13,494)	(12,534)
<b>Gross value added</b>					
		4,210	4,183	11,256	10,281
Depreciation, amortization and depletion	30	(570)	(573)	(1,669)	(1,648)
<b>Net value added generated by the Company</b>					
		3,640	3,610	9,587	8,633
<b>Value added received through transfer</b>					
Equity in the results of investees	16	(70)	76	195	
Finance income	29	1,093	1,451	2,210	3,077
		<u>1,023</u>	<u>1,527</u>	<u>2,405</u>	<u>3,077</u>
<b>Total value added to distribute</b>					
		4,663	5,137	11,992	11,710
<b>Distribution of value added</b>					
<b>Personnel and payroll charges</b>					
	31				
Direct remuneration		554	547	1,694	1,636
Social charges		241	240	722	732
Benefits		115	110	334	314
		<u>910</u>	<u>897</u>	<u>2,750</u>	<u>2,682</u>
<b>Taxes and contributions</b>					
Federal		895	1,082	1,982	2,008
State		742	887	2,127	2,164
Municipal		9	10	24	28
Deferred taxes		(90)	(7)	(142)	72
		<u>1,556</u>	<u>1,972</u>	<u>3,991</u>	<u>4,272</u>
<b>Third-party capital remuneration</b>					
Finance costs	29	1,560	1,831	3,988	4,323
Rentals		59	56	163	160
		<u>1,619</u>	<u>1,887</u>	<u>4,151</u>	<u>4,483</u>
<b>Own capital remuneration</b>					
Non-controlling interests		37	(4)	82	(22)
Reinvested profits		520	413	1,001	355
Profit (loss) on discontinued operations		21	(28)	17	(60)
		<u>578</u>	<u>381</u>	<u>1,100</u>	<u>273</u>
<b>Value added distributed</b>					
		<u>4,663</u>	<u>5,137</u>	<u>11,992</u>	<u>11,710</u>

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

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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### 1 General considerations

Votorantim Industrial S.A. (the "Company", the "Parent Company", or "VID") is a privately-held company, fully controlled by the Ermírio de Moraes family, and is the holding company of the industrial companies of Votorantim Participações S.A. ("VPAR"). 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 in order to further its objectives. The Company, through its subsidiaries and associates, operates in the segments of basic construction materials (cement, concrete, aggregates and mortar), metals (aluminum, zinc and nickel), steel, mining (zinc, copper, silver and lead), pulp and electric energy generation.

#### Principal events occurred during the first nine months of 2014

##### (i) Financial instrument – firm commitment for sale of surplus energy in the 13th electric energy auction

In order to sell its surplus energy, the Company, through its subsidiary Votener – Votorantim Comercializadora de Energia Ltda., participated, on April 30, 2014, of the 13th electric energy auction in relation to power derived from existing generation projects. Agreements for the Sale of Electric Energy in the Regulated Environment ("CCEAR") were signed for the supply of 327MWh up until December 2019. In the period ended September 30, 2014, the result of this transaction was recognized at its fair value, generating a gain of R\$ 882 (R\$ 582 net of deferred taxes) recognized as "Other operating income (expenses), net" (Note 28).

##### (ii) Repurchase of non-controlling interest – VCNNE

On January 20, 2014, the subsidiary VCNNE repurchased shares of its own share capital held by Banco Votorantim S.A. and its finance entities, to be held in treasury. The number of shares acquired was 806,620, 663,591 of which were common shares and 143,029 were preferred shares. The unit value paid for the share on the repurchase date, determined based on an economic valuation report prepared by an independent outsourced company, was R\$ 214.01, totaling a disbursement of R\$ 172. The amount paid includes the balance of dividends recorded in payables to non-controlling interests of R\$ 34. As the unit value of the share was R\$ 124.10, goodwill on the repurchase amounting to R\$ 38 was generated. Accordingly, its parent company VCSA, subsidiary of VID, currently holds 100% of the capital of VCNNE.

### 2 Presentation of the interim consolidated financial statements

#### 2.1 Basis of preparation

The interim consolidated financial statements at September 30, 2014 have been prepared in accordance with Technical Pronouncement CPC 21 (R1) "Interim Financial Reporting", issued by the Brazilian Accounting Pronouncements Committee ("CPC") and IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board ("IASB"), and contain selected explanatory notes only, in order not to duplicate information already included in the consolidated financial statements at December 31, 2013, which were publicly disclosed on March 7, 2014.

Therefore, the interim consolidated financial statements at September 30, 2014 do not contain all of the explanatory notes and disclosures required by the accounting standards applicable to the annual financial statements. As a consequence, they should be read together with the consolidated financial statements prepared in accordance with the relevant CPCs and International Financial Reporting Standards ("IFRS") at December 31, 2013.

The interim consolidated financial statements have been prepared in a manner consistent with the accounting policies disclosed in Note 2 to the consolidated financial statements at December 31, 2013.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### (a) Approval of the financial statements

The Board of Directors approved these interim consolidated financial statements for issue on November 20, 2014.

### 2.2 Main companies included in the interim consolidated financial statements

	Percentage of total and voting capital			Headquarters	Main activity
	9/30/2014	12/31/2013	9/30/2013		
<b>Cement</b>					
Acariúba Mineração e Participação Ltda.	100.00	100.00	100.00	Brazil	Holding company
Interávia Transportes Ltda.	100.00	100.00	100.00	Brazil	Transportation
Silcar Empreendimentos, Comércio e Participações Ltda.	100.00	100.00	100.00	Brazil	Holding company
Votorantim Cimentos N/E S.A. "VCNNE" (i)	100.00	97.38	95.38	Brazil	Cement
Votorantim Cimentos S.A. "VCSA"	100.00	100.00	100.00	Brazil	Cement
St. Barbara Cement Inc.	100.00	100.00	100.00	Canada	Cement
Votorantim Cement North America Inc.- "VCNA"	100.00	100.00	100.00	Canada	Holding company
Votorantim Cements Internacional Spain SE	100.00	100.00		Spain	Holding company
Votorantim Cimentos EAA Inversiones, S.L. - "VCEAA"	100.00	100.00	100.00	Spain	Holding company
St. Marys Cement Inc.	100.00	100.00	100.00	USA	Cement
Cementos Artigas S.A.	51.00	51.00	51.00	Uruguay	Cement
<b>Metals</b>					
Companhia Brasileira de Alumínio "CBA"	100.00	100.00	100.00	Brazil	Aluminum
Votorantim Metais S.A. "VMSA"	100.00	100.00	100.00	Brazil	Nickel
Votorantim Metais Zinco S.A. "VMZ"	100.00	100.00	100.00	Brazil	Zinc
US Zinc Corporation - "USZinc"	100.00	100.00	100.00	USA	Zinc
Votorantim Metais Cajamarquilla S.A.	99.91	99.91	99.89	Peru	Zinc
<b>Mining</b>					
Compañía Minera Atacocha S.A.A.	88.19	88.19	88.19	Peru	Mining
Compañía Minera Milpo S.A.A.	50.06	50.06	50.06	Peru	Mining
<b>Steel</b>					
Acerbrag S.A.	100.00	100.00	100.00	Argentina	Steel
Acerías Paz del Río S.A. - "APDR"	82.42	82.42	82.42	Colombia	Steel
Votorantim Siderurgia S.A. "VS"	100.00	100.00	100.00	Brazil	Steel
<b>Holding, trading and other companies</b>					
Santa Cruz Geração de Energia S.A.	100.00	100.00	100.00	Brazil	Electric energy
Votener - Votorantim Comercializadora de Energia Ltda	100.00	100.00	100.00	Brazil	Electric energy
Votorantim Energia Ltda. "VE"	100.00	100.00	100.00	Brazil	Holding company
Votorantim Investimentos Latino-Americanos S.A. "VILA"	99.91	99.91	99.72	Brazil	Holding company
Votorantim GmbH	100.00	100.00	100.00	Austria	Trading company
VM Holding S.A. (iii)	100.00			Luxembourg	Holding company
<b>Joint operations</b>					
Baesa - Energética Barra Grande S.A.	15.00	15.00	15.00	Brazil	Electric energy
Campos Novos Energia S.A.	44.76	44.76	44.76	Brazil	Electric energy
Voto - Votorantim Overseas Trading Operations IV Ltd.	50.00	50.00	50.00	Cayman Islands	Holding company
<b>Exclusive investment funds (ii)</b>					
Fundo de Investimento Pentágono Multimercado - Crédito Privado	100.00	100.00	100.00	Brazil	Finance
Odessa Multimercado Crédito Privado	89.94	93.94	91.58	Brazil	Finance

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.

- (i) The percentage of the voting capital of VCNNE at December 31, 2013 was 95.79 and at September 30, 2013, 96.79. The percentages stated in the table for the company refer to the total capital.
- (ii) Due to the nature of the exclusive funds, these do not present voting capital. The Company holds the total capital mentioned.
- (iii) On February 26, 2014, VM Holding S.A. was established. This company is located in Luxembourg and will have as main activity investing in companies in the zinc and mining segments.

## **Votorantim Industrial S.A.**

### **Notes to the condensed interim consolidated financial statements at September 30, 2014**

All amounts in millions of reais unless otherwise stated

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#### **3 Changes in accounting policies and disclosures**

##### **(a) Adoption of new standards, amendments and interpretations issued by the CPC**

The main changes in accounting policies applied in the preparation of the interim accounting information and financial statements, based on the new standards, amendments and interpretations to standards issued by the CPC, applicable to the Company, effective from January 1, 2014, were as follows:

##### **IFRIC 21 - "Levies"**

In May 2013 the IASB issued a new interpretation to address the recognition of obligations imposed by government agents, in relation to the recognition of a tax liability when this is derived from the requirements of IAS 37 – "Provision, contingent liabilities and contingent assets". The adoption of this interpretation is required as from January 1, 2014. The Company has analyzed the possible impact of this update and concluded that there would be no material effects on its financial statements.

##### **IAS 36 - "Impairment of assets"**

This amendment removes certain requirements for the disclosures of the recoverable amount of the Cash-Generating Units (CGU) that had been included in IAS 36 through the issuance of IFRS 13. The amendment is mandatory for the Company beginning January 1, 2014. The adoption of this standard did not have an impact on the disclosures in the interim consolidated financial statements.

##### **(b) New standards and interpretations not yet adopted**

Some new standards and interpretations are to be applied for annual periods beginning on or after January 1, 2015 and have not been applied in the preparation of these interim consolidated financial statements, as follows:

##### **IFRS 9 - "Financial instruments: recognition and measurement"**

This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 has the ultimate objective of superseding IAS 39 – "Financial Instruments: Recognition and Measurement". This standard is effective from 2018, but has been revised since its issuance. Management has not yet concluded its assessment of the impact of its adoption.

##### **IAS 41 – "Agriculture"**

IAS 41 – Agriculture (equivalent to CPC 29 – "Biological Assets and Agricultural Produce") – currently requires that biological assets relating to agricultural activities be measured at fair value less costs to sell. When revising the standard, the IASB decided that bearer plants should be accounted for as property, plant and equipment (IAS 16/CPC 27), that is, at cost less depreciation or impairment. Bearer plants are defined as those used to produce fruits for many years, but where the plant itself, after maturing, does not undergo significant transformation. Their only future economic benefits are the agricultural produce they generate, (for example, apple and orange trees and grape vines). In the case of plants where the roots remain in the ground for a second harvest or cutting and the roots are not later sold, the roots meet the definition of bearer plants, which applies, therefore, to forests that are expected to have more than one cutting. The Company's forests are expected to have more than one cutting in their management. Therefore, Management is assessing the impact of adopting the standard. This revision is effective from January 1, 2016.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### IFRS 15 – “Revenue from contracts with customers”

This new standard prescribes the principles that an entity should apply to determine the revenue measurement and when it is recognized. It will become effective in 2017, and supersedes IAS 11 – “Construction contracts” and IAS 18 – “Revenue and related interpretations”. Management is assessing the impact of its adoption.

The CPC has not yet issued equivalent new or revised standards in accordance with accounting practices adopted in Brazil, and these new or revised standards are still subject to approval by the appropriate regulatory authorities. Therefore, these standards are not included in these financial.

### 4 Critical accounting estimates and judgments

The critical accounting estimates and assumptions used in the preparation of these interim consolidated financial statements are the same as those described in Note 4 to the Company's annual consolidated financial statements at December 31, 2013.

### 5 Financial risk management

#### 5.1 Financial risk factors

##### (a) Liquidity risk

The risk management policies used in the preparation of these interim consolidated financial statements are the same as those described in Note 6 to the Company's annual consolidated financial statements at December 31, 2013.

The table below shows the Company's main financial liabilities to be settled by the Company by maturity (the remaining period from the balance sheet up to the contractual maturity date). Derivative financial liabilities are included if their contractual maturities are essential to understanding the timing of cash flows. The amounts disclosed in the table are the undiscounted cash flow, which includes interest to be incurred, and, accordingly, do not relate directly to the amounts in the balance sheet for borrowing and use of public assets.

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	As from 5 years	Total
At September 30, 2014					
Borrowing - principal	1,335	5,898	5,435	9,898	22,566
Borrowing - interest	1,549	2,791	1,989	5,737	12,066
Trade payables	3,225				3,225
Derivative financial instruments	156	4	6		166
Dividends payable	83				83
Related parties		1,014			1,014
Payables - trading	108				108
Use of public assets	66	145	160	2,561	2,932
	<u>6,522</u>	<u>9,852</u>	<u>7,590</u>	<u>18,196</u>	<u>42,160</u>
At December 31, 2013					
Borrowing - principal	1,166	4,034	7,348	10,531	23,079
Borrowing - interest	1,535	2,909	2,416	5,803	12,663
Trade payables	2,807				2,807
Derivative financial instruments	116	8	4		128
Dividends payable	151				151
Related parties		916			916
Payables - trading	112				112
Use of public assets	60	132	148	2,557	2,897
	<u>5,947</u>	<u>7,999</u>	<u>9,916</u>	<u>18,891</u>	<u>42,753</u>

# **Votorantim Industrial S.A.**

## **Notes to the condensed interim consolidated financial statements at September 30, 2014**

**All amounts in millions of reais unless otherwise stated**

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### **5.1.1 Derivatives contracted**

The hedging instruments contracted by the Company are the same as those described in Note 6 to the annual consolidated financial statements at December 31, 2013, except for the programs described below:

**Hedging program for foreign currency-denominated debts** – hedging instruments contracted for the purpose of protecting the cash flow in local currency. The mitigation of risks is achieved by means of cross-currency swaps.

The table below summarizes the derivative financial instruments and the underlying hedged items.



# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

Program	Principal			As per Unit	Purchase / Sale	Average FWD rate	Average term (days)	Fair value			Realized gain (loss)	Fair value by maturity						
	9/30/2014	9/30/2013	12/31/2013					9/30/2014	9/30/2013	12/31/2013	9/30/2014	2014	2015	2016	2017	2018+		
<b>Hedging instrument for interest rates in US Dollars</b>																		
LIBOR floating rate vs. US dollar fixed rate swaps	40	317	126	USD MM		2.18%	94	(0.4)	(1.4)		(3.0)		(0.4)					
								<b>(0.4)</b>	<b>(1.4)</b>		<b>(3.0)</b>							
<b>Hedging instrument for sales of nickel, zinc and aluminum at a fixed price</b>																		
Nickel forward	1,565	623	751	ton	P		21	4.5	0.1		(1.1)	4.6	(0.1)					
Zinc forward	76,155	10,432	4,002	ton	P		8	4.6	(0.5)	0.5	1.2	4.6						
Aluminum forward	9,050			ton	P		21	(0.1)			0.4	(0.1)						
Silver forward	54			k oz	P		7	0.3			0.3							
								<b>9.3</b>	<b>(0.4)</b>	<b>0.5</b>	<b>0.5</b>							
<b>Hedging instrument for mismatches of quotation periods</b>																		
Nickel forward	420		780	ton	S		11	(1.4)		(0.4)	(7.0)	(1.4)						
Zinc forward	193,231	291,287	214,006	ton	S		27	(1.1)	(0.1)	(20.2)	(10.8)	(1.1)						
Silver forward	244	384	727	k oz	S		31	1.0	0.4	2.8	1.0	0.8	0.2					
Aluminum forward	12,660			ton	S		24	(2.2)			0.9	(2.2)						
								<b>(3.7)</b>	<b>0.3</b>	<b>(17.8)</b>	<b>(15.9)</b>							
<b>Hedging instrument for the operating margin of metals</b>																		
Nickel forward	840	1,496	351	ton	S	15,666	1	(5.0)	2.6	3.1	8.1	(5.0)						
Zinc forward	15,065	116,675	10,350	ton	S	2,120	1	(6.4)	5.8	1.9	7.6	(6.4)						
Aluminum forward	6,000	116,055	10,135	ton	S	1,907	1	(1.3)	9.1	8.9	10.2	(1.3)						
Copper forward	155	3,671	457	ton	S	7,263	1	0.1	0.8	0.9	0.8	0.1						
Silver forward	54	642	51	k oz	S	24	1	0.7	1.0	1.6	0.9	0.7						
US Dollar forward	41	434	45	USD MM	S	2.43	1	4.0	(4.7)	(5.3)	21.0	4.0						
								<b>(7.9)</b>	<b>14.6</b>	<b>11.1</b>	<b>48.6</b>							
<b>Hedging instrument for foreign exchange exposure</b>																		
Dollar forward	45	178	610	USD MM	P	2.50	3	(2.3)	(1.0)	7.4	(103.4)	(2.3)						
Euro forward		20	39	EUR MM					0.1	8.2	(1.2)							
								<b>(2.3)</b>	<b>(0.9)</b>	<b>15.6</b>	<b>(104.6)</b>							
<b>Hedging instrument for debts</b>																		
Fixed rate in Reals vs. CDI floating rate swaps	730	730	730	BRL MM		103.65%	1,144	(11.1)	(12.4)	(15.0)	(5.8)	(0.9)	(5.0)	(3.1)	(1.5)	(0.6)		
LIBOR floating rate vs. CDI floating rate swaps	184			USD MM		1.07% / 99.83% LIBOR + / % CDI	514	6.1			(18.5)	(10.0)	(38.1)	54.2				
								<b>(5.0)</b>	<b>(12.4)</b>	<b>(15.0)</b>	<b>(24.3)</b>							
<b>Hedge accounting - Cash flow hedge</b>																		
<b>Hedging instruments for the operating margin of metals</b>																		
Nickel forward	6,460	1,176	635	ton	S	16,125	201	25.2	8.2	0.7	(36.7)	(2.5)	25.2	2.5				
Zinc forward	101,900	103,995	91,545	ton	S	2,058	151	(33.1)	18.4	(14.9)	(25.1)	(9.0)	(24.1)					
Aluminum forward	42,500	105,755	75,300	ton	S	1,903	147	(6.6)	26.9	24.7	20.3	(1.0)	(5.6)					
Copper forward	1,557	3,231	2,354	ton	S	7,145	179	1.6	4.2	1.7	3.2	0.4	1.2					
Silver forward	383	592	571	k oz	S	22	141	3.9	7.4	6.8	5.2	1.3	2.6					
US Dollar forward	312	389	292	USD MM	S	2.45	174	(34.4)	(13.5)	(30.2)	19.4	(3.8)	(29.2)	(1.4)				
								<b>(43.4)</b>	<b>51.6</b>	<b>(11.2)</b>	<b>(13.7)</b>	<b>(14.6)</b>	<b>(29.9)</b>	<b>1.1</b>				
<b>Hedging instruments for mismatches of quotation periods</b>																		
Zinc forward	98,348	103,558	64,493	ton	S		55	(0.1)	(0.7)	(2.3)	22.0	(0.1)						
Aluminum forward	6,240				S		62	(0.4)			1.4	(0.4)						
Silver forward	354				S		80	2.4			1.3	1.5	0.9					
								<b>1.9</b>	<b>(0.7)</b>	<b>(2.3)</b>	<b>24.7</b>	<b>1.0</b>	<b>0.9</b>					
<b>Hedging instrument for interest rates in US Dollars</b>																		
LIBOR floating rate vs. US dollar fixed rate swaps	138	161	149	USD MM		1.07%	31	(0.2)	(2.6)	(2.2)	(1.6)	(0.2)						
<b>Hedge accounting - Fair value hedge</b>																		
<b>Hedging instruments for sales of nickel, zinc and aluminum at a fixed price</b>																		
Nickel forward	1,286	300	364	ton	P		39	0.9			(0.9)	0.9						
Zinc forward	50,700	4,350	1,448	ton	P		41	2.3	(1.3)	0.5	(49.3)	1.9	0.4					
Aluminum forward	10,400				P		44	1.1			(3.8)	1.1						
Silver forward	75				P		38				(0.2)							
								<b>4.3</b>	<b>(1.3)</b>	<b>0.5</b>	<b>(54.2)</b>	<b>3.9</b>	<b>0.4</b>					
<b>Total (assets and liabilities, net)</b>																		
								<b>(47.4)</b>	<b>46.8</b>	<b>(20.8)</b>	<b>(143.5)</b>	<b>(25.5)</b>	<b>(72.0)</b>	<b>52.2</b>	<b>(1.5)</b>	<b>(0.6)</b>		

## **Votorantim Industrial S.A.**

### **Notes to the condensed interim consolidated financial statements at September 30, 2014**

**All amounts in millions of reais unless otherwise stated**

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#### **5.1.2 Sensitivity analysis**

Presented below is a sensitivity analysis of the main risk factors that affect the pricing of the outstanding financial instruments of cash and cash equivalents, financial investments, borrowings, and derivative financial instruments. The main risk factors are exposure to the fluctuation of the U.S. dollar and euro exchanges rates, LIBOR and CDI interest rates, and commodity prices. The scenarios for these factors were prepared using market and specialized sources, following the Company's systems of governance.

The scenarios at September 30, 2014 are described below:

- . Scenario I is based on the market forward curves and quotations at September 30, 2014, and represents a scenario probable in management's opinion as at December 31, 2014.
- . Scenario II considers a stress factor of + / - 25% applied to the market forward curves and quotations as at September 30, 2014.
- . Scenario III considers a stress factor of + / - 50% applied to the market forward curves and quotations as at September 30, 2014.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

Risk factors	Balance sheet accounts						Impacts on profit (loss)				Impacts on comprehensive income				
	In millions of reais						Scenario I		Scenarios II and III		Scenario I		Scenarios II and III		
	Cash and cash equivalents and financial investments	Borrowing	Derivative financial instruments	Unit	Changes from 2014	Results of scenario	-25%	-50%	25%	50%	Results of scenario I	-25%	-50%	25%	50%
Foreign exchange rate															
USD	2,322	10,070 (**)	759	USD million			309	619	(309)	(619)	3	1,719	3,439	(1,719)	(3,439)
EUR	70	3,275		EUR million	-1%	1	12	25	(12)	(25)	34	781	1,561	(781)	(1,561)
COP		51									(2)	13	26	(13)	(26)
Interest rates															
BRL - CDI	3,146	6,421	2,154	BRL million	+ 1 bps		98	197	(97)	(192)		8	16	(8)	(15)
LIBOR		3,139	651	USD million	+ 2 bps	(1)	1	2	(1)	(2)			1		(1)
Price - commodities															
Nickel			10,571	ton	9%	1	(4)	(7)	4	7	(23)	65	129	(65)	(129)
Zinc			535,399	ton	-2%	(2)	(28)	(57)	28	57	6	86	172	(86)	(172)
Aluminum			86,850	ton	3%	1	(8)	(16)	8	16	(6)	42	85	(42)	(85)
Copper			1,712	ton	1%							6	13	(6)	(13)
Silver			1,163	k oz (*) thousand	5%		1	2	(1)	(2)	(2)	8	15	(8)	(15)

(\*) oz – kilograms in troy ounces

(\*\*) Considers basket of currencies

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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### 5.1.3 Hedges of net investments in foreign operations

The Company adopts hedge accounting for a portion of its investments abroad.

The Company and its subsidiaries designated as hedges the investments in the investees VCEAA, VCNA, Votorantim Metais, Cajamarquilla S.A. and US-Zinc, and as a hedge instrument a portion of their debt denominated in euros and U.S. dollars, in a total amount equivalent to EUR 943 million (R\$ 2,918) (December 31, 2013: EUR 750 million – R\$ 2,420), and US\$ 3,952 million (R\$ 9,686) (December 31, 2013: US\$ 3,179 million – R\$ 7,447).

The Company documents this correlation by assessing the effectiveness of these net investment hedges both prospectively and retrospectively on a quarterly basis.

The exchange loss on the translation of debts recognized in other comprehensive income in the period ended September 30, 2014 was R\$ 430 (September 30, 2013: loss of R\$ 838).

### 5.1.4 Capital management

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

In order to maintain or adjust its capital structure, the Company can make, or 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.

One of the important indicators through which the Company monitors its capital is the gearing ratio, calculated as net debt divided by adjusted EBTIDA. Net debt is calculated as total debt less cash and cash equivalents and the amount of financial investments, adding or subtracting the fair value of derivative contracts. The adjusted EBITDA is calculated based on the profit for the period plus equity in the results of investees, the realization of comprehensive income on the disposal of investments, net finance results, income tax and social contribution, plus depreciation, amortization and depletion, and dividends received from investees. Non-cash items considered by management as exceptional are excluded from the measurement of the adjusted EBITDA.

The net debt ratios at September 30, 2014 and December 31, 2013 are as follows:

	<u>Note</u>	<u>9/30/2014</u>	<u>12/31/2013</u>
Borrowing	19	22,974	23,435
Cash and cash equivalents	7	(3,284)	(2,498)
Derivative financial instruments	5.1.1	47	20
Financial investments	8	(2,509)	(4,133)
Net debt (A)		<u>17,228</u>	<u>16,824</u>
Adjusted annualized EBITDA (B)	33 (iv)	<u>6,858</u>	<u>5,388</u>
Gearing ratio (A/B)		<u>2.51</u>	<u>3.12</u>

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

#### 6 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:

	9/30/2014			12/31/2013		
	Local rating	Global rating	Total	Local rating	Global rating	Total
Cash and cash equivalents						
AAA	1,133		1,133	815		815
AA+					64	64
AA	274		274			
AA-		5	5		2	2
A+		74	74		144	144
A		270	270		168	168
A-		133	133	1	149	150
BBB+		480	480		21	21
BBB		312	312		419	419
BBB-		342	342		436	436
BB		7	7		37	37
BB-					2	2
B+					16	16
CCC+					1	1
CCC		1	1			
CCC-		5	5			
Unrated	1	247	248	4	219	223
	<u>1,408</u>	<u>1,876</u>	<u>3,284</u>	<u>820</u>	<u>1,678</u>	<u>2,498</u>
Financial investments						
AAA	1,281		1,281	2,574		2,574
AA+	448		448	668		668
AA-				16		16
A+		81	81		30	30
A	15	151	166		130	130
A-					163	163
BBB					211	211
BBB-		98	98		100	100
BB+				1		1
CCC+					23	23
CCC		27	27			
CCC-		20	20			
Unrated	249	139	388	125	92	217
	<u>1,993</u>	<u>516</u>	<u>2,509</u>	<u>3,384</u>	<u>749</u>	<u>4,133</u>
Derivative financial assets						
AAA	56		56	40		40
AA+						
A+		1	1		2	2
A		3	3		24	24
A-		46	46		7	7
BBB		13	13		35	35
	<u>56</u>	<u>63</u>	<u>119</u>	<u>40</u>	<u>68</u>	<u>108</u>
	<u>3,457</u>	<u>2,455</u>	<u>5,912</u>	<u>4,244</u>	<u>2,495</u>	<u>6,739</u>

The local and global ratings were obtained from the ratings agencies Standard & Poor's ("S&P"), Moody's and Fitch. The Company considered the ratings of S&P and Fitch for presentation purposes.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

#### 7 Cash and cash equivalents

	<u>9/30/2014</u>	<u>12/31/2013</u>
Cash and cash equivalents in local currency		
Cash and banks	181	29
Bank Deposit Certificates ("CDB")	639	509
Repurchase agreements	588	282
	<u>1,408</u>	<u>820</u>
Cash and cash equivalents in foreign currency		
Cash and banks	1,290	671
Bank Deposit Certificates ("CDB")	586	1,007
	<u>1,876</u>	<u>1,678</u>
	<u>3,284</u>	<u>2,498</u>

Financial investments in bank deposit certificates and repurchase agreements are highly liquid, readily convertible into a known amount of cash and subject to an immaterial risk of changes in fair value in the case of anticipated redemption.

The average yield of the portfolio for the period ended September 30, 2014 was 100.78% of the CDI (year ended December 31, 2013 - 100.78% of the CDI).

#### 8 Financial investments

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

	<u>9/30/2014</u>	<u>12/31/2013</u>
Held for trading		
Financial Treasury Bills (LFTs)	310	402
National Treasury Bills (LTNs)	224	208
Investment fund quotas	2	5
Credit Rights Investment Funds (FIDC)	283	155
Investments denominated in foreign currency	139	258
Bank Deposit Certificates (CDBs)	20	25
Repurchase agreements	1,092	2,545
Other	5	4
	<u>2,075</u>	<u>3,602</u>
Available for sale		
Financial investments in foreign currency	377	491
	<u>377</u>	<u>491</u>
Held to maturity		
Investment fund quotas	44	26
Bank Deposit Certificates (CDBs)	13	14
	<u>57</u>	<u>40</u>
	2,509	4,133
Current	<u>(2,494)</u>	<u>(4,092)</u>
Non-current	<u>15</u>	<u>41</u>

Most financial investments have immediate liquidity. The average yield of the portfolio for the period ended September 30, 2014 was 100.81% of the CDI (year ended December 31, 2013 - 100.13% of the CDI).

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

In the nine-month period ended September 30, 2014, there was a decrease in cash and financial investments, justified by the payments of debts of VID, CBA and VC in the amount of R\$ 4.9 billion, partially offset by borrowing in the amount of R\$ 4.3 billion.

As regards Notes 7 and 8, in the nine-month period ended September 30, 2014, there was a decrease in cash and financial investments, as a result of payments for the debts of VID, CBA and VC in the amount of R\$ 4.9 million, which were partially offset by borrowing of R\$ 4.3 million.

#### 9 Trade receivables

##### (a) Breakdown

	Note	9/30/2014	12/31/2013
Trade receivables - Brazil		983	855
Trade receivables - foreign customers		1,717	1,269
Related parties	13	122	111
Provision for impairment of trade receivables		(93)	(90)
		<u>2,729</u>	<u>2,145</u>

The increase in trade receivables is mostly due to the decrease in cement and concrete sales volume by the subsidiary VCSA in December 2013 as a result of the celebration days and holidays in this period. In VCNA there is no seasonality caused by winter in the northern hemisphere, this effect entails a significant increase in the production and sale of cement and concrete after the winter period.

##### (b) Changes in provision for the impairment of trade receivables

	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
Opening balance	(90)	(42)
Additions, net	(35)	(29)
Receivables written off as uncollectible	30	15
Foreign exchange variations	2	(19)
Closing balance	<u>(93)</u>	<u>(75)</u>

#### 10 Inventory

	9/30/2014	12/31/2013
Finished products	748	559
Semi-finished products	1,543	1,510
Raw materials	597	577
Auxiliary materials	882	848
Imports in transit	153	187
Other	96	78
Provision for losses (i)	(447)	(357)
	<u>3,572</u>	<u>3,402</u>

- (i) Mainly refers to the obsolescence of inventory the value of which has a limited expectation of realization.

There was no inventory pledged as collateral for liabilities.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

#### 11 Taxes recoverable

	<u>9/30/2014</u>	<u>12/31/2013</u>
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) (i)	581	585
State Value-added Tax on Sales and Services (ICMS) on PP&E (ii)	134	165
State Value-added Tax on Sales and Services (ICMS)	567	563
Excise Tax (IPI)	40	52
Social Integration Program (PIS)	102	109
Social Contribution on Revenue (COFINS)	460	493
Value-added Tax (VAT) (foreign companies)	207	245
Withholding Income Tax (IRRF)	80	2
IRPJ/CSLL - Summer Plan (iii)	266	267
Other	132	185
	<u>2,569</u>	<u>2,666</u>
Current	<u>(1,063)</u>	<u>(1,048)</u>
Non-current	<u>1,506</u>	<u>1,618</u>

- (i) The credits relating to IRPJ and CSLL are linked to prepayments that will be offset, over undefined periods, against the same taxes and contributions levied on future taxable income within five years.
- (ii) 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.
- (iii) At the end of 2013, supported by the report and opinion of external and internal legal counselors who, among other factors, used the effects of the opinion expressed by the Federal Supreme Court, in a judgment on proceedings of the same nature as the basis for their recommendations, the subsidiary Companhia Brasileira de Alumínio S.A. ("CBA") recorded the credit, arising from income tax and social contribution overpaid due to the non-adoption of the deduction of indexation adjustments supplementary to the monetary restatement of the "*Plano Verão*", calculated on the profit for the base period 1989, which has been monetarily restated.



# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### 12 Assets classified as held for sale

#### (a) Assets classified as held for sale

	VCEAA/China		Baraúna		Total	
	9/30/2014	12/31/2013	9/30/2014	12/31/2013	9/30/2014	12/31/2013
Inventories	52	48			52	48
Property, plant and equipment	238	215	45	45	283	260
Goodwill	269	280			269	280
Intangible assets	54	48			54	48
Other assets	153	152			153	152
	<u>766</u>	<u>743</u>	<u>45</u>	<u>45</u>	<u>811</u>	<u>788</u>

#### (b) Liabilities relating to assets held for sale

	VCEAA/China	
	9/30/2014	12/31/2013
Other payables	338	311
Provision	33	32
Borrowings	56	47
	<u>427</u>	<u>390</u>

#### (c) Profit from discontinued operations

	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
<b>VCEAA/China</b>		
Net revenue	179	113
Cost of products sold	<u>(181)</u>	<u>(158)</u>
Gross loss	(2)	(45)
Finance results, net	<u>23</u>	<u>(16)</u>
Profit (loss) before income tax and social contribution	21	(61)
Income tax and social contribution	(4)	1
Profit (loss) from discontinued operations	<u>17</u>	<u>(60)</u>

## **Votorantim Industrial S.A.**

### **Notes to the condensed interim consolidated financial statements at September 30, 2014**

**All amounts in millions of reais unless otherwise stated**

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#### **(d) Operations in China**

The subsidiary VCSA does not intend to continue its operations in China, which were acquired as part of the exchange of Cimpor assets; consequently, this operation has been classified as held for sale since December 21, 2012. VCSA still presents these operations separately in this category and is still fully committed to selling the operation and closing the sale. The main factor that contributes to the delay in the planned sale is of a regulatory nature.

#### **(e) Baraúna assets**

The subsidiary VCNNE has decided to sell certain assets (industrial equipment) that it has in the city of Baraúna, State of Rio Grande do Norte, which are being negotiated with the investee Mizú S.A.; consequently, these assets have been classified as held for sale since September 30, 2013. Management expects to conclude the sale within the year 2014.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

#### 13 Related parties

	Trade receivables		Dividends receivable		Non-current assets	
	9/30/2014	12/31/2013	9/30/2014	12/31/2013	9/30/2014	12/31/2013
<b>Parent</b>						
Votorantim Participações S.A. (i)	2				343	364
<b>Related companies</b>						
Cementos Especiales de las Islas, S.A. (CEISA)	6	10				
Cia. de Cimento Itambé	3	14				
Citrosuco GmbH					154	148
Citrosuco S.A. Agroindústria (ii)					348	330
Citrovita Orange Juice GmbH (iii)					474	445
Fibria Celulose S.A.	1	5			1	1
Hailstone Limited					13	12
Ibar Administração e Participações Ltda.					5	5
Maré Cimento Ltda.	13	9	3	3		
Mineração Rio do Norte S.A.			4	4		
Mizú S.A.	7	6	2	1		
Polimix Concreto Ltda.	14	15	8	7		
Sitrel Siderurgia Três Lagoas Ltda. (ix)	24	18				
Sirama Participações, Administração e Transportes Ltda			37	4		
ST. Helen Holding II B.V. (iv)					640	596
Sumter Cement Co LLC	1	1			3	3
Superior Materials Holdings, LLC	11	9				
Supermix Concreto S.A.	33	22				
Suwannee American Cement LLC					60	62
Verona Participações Ltda.			11	9		
Other	7	2	8		15	11
	122	111	73	28	2,056	1,977
Current	(122)	(111)	(73)	(28)		
Non-current					2,056	1,977

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

	Trade payables		Dividends payable		Non-current liabilities	
	9/30/2014	12/31/2013	9/30/2014	12/31/2013	9/30/2014	12/31/2013
<b>Parent</b>						
Votorantim Participações S.A. (v)			66	104	394	360
<b>Related companies</b>						
Alunorte - Alumina do Norte do Brasil S.A.	21	25				
Cementos Especiales de las Islas, S.A. (CEISA)	3	2				
Esperanto S.A.R.L. (vi)					136	
Fibria Celulose S.A.	12					
Hailstone Limited (vii)					352	332
LIT Mining Coöperatief U.A (viii)					26	153
LIT Tele Ltda.					45	44
Sitrel Siderúrgia Três Lagoas Ltda. (ix)	16	18				
ST. Helen Holding II B.V.					25	24
Suwannee American Cement LLC	15	13				
Votorantim Finanças S.A.					29	3
Other	1	3			7	
Non-controlling interests			17	47		
	68	61	83	151	1,014	916
Current	(68)	(61)	(83)	(151)		
Non-current					1,014	916

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

	Finance income (costs)		Purchases		Sales	
	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
<b>Parent</b>						
Votorantim Participações S.A.	(15)	(15)				
<b>Related companies</b>						
Cia. de Cimento Itambé					13	1
Citrosuco S.A. Agroindústria	8	8			6	5
Citrovita Orange Juice GmbH	8	9				
Fibria Celulose S.A.					28	24
Hailstone Limited	(4)	(3)				
Interávia Taxi Aéreos Ltda			5	4		
LIT Mining Coöperatief U.A.						
Lit Tele LLC	(1)	(1)				
Maré Cimento Ltda.					51	33
Mizú S.A.					49	53
Polimix Concreto Ltda.					106	131
Sitrel Siderurgia Três Lagoas Ltda. (ix)			164	109	219	185
ST. Helen Holding II B.V.	16	15			19	18
Superior Materials Holdings, LLC					287	226
Supermix Concreto S.A.					5	7
Other	3	(1)		4		
	<u>15</u>	<u>12</u>	<u>164</u>	<u>113</u>	<u>783</u>	<u>683</u>

- (i) Refers basically to receivables from the sale of deferred tax on tax losses to VPAR. This tax was used by VPAR for payment under the Tax Recovery Program ("REFIS") established by Law 12,865/2013.
- (ii) Refers to prepayment transactions. The transaction is adjusted based on semiannual LIBOR and a spread of 2.75% per year.
- (iii) Balance receivable from Citrovita Orange Juice GmbH. The transaction is adjusted based on annual LIBOR and a spread of 2% per year.
- (iv) Refers to the credits of Votorantim GmbH held with the company ST. Helen Holding II B.V. The transaction is adjusted at the rate of 6% per year.
- (v) Debt of Votorantim GmbH to VPAR. The transaction is adjusted at the rate of 6% per year.
- (vi) Debt of Votorantim GmbH to Esperento. The release occurred in May 2014, adjusted based on monthly LIBOR and a spread of 1.5% per year.
- (vii) Debt of Votorantim GmbH to Hailstone Limited. The transaction is adjusted based on monthly LIBOR and a spread of 1.5% per year.
- (viii) Debt of Votorantim GmbH to LIT Mining Coöperatief U.A.. The transaction is adjusted based on annual LIBOR and a spread of 0.5% per year.
- (ix) Refers to business transactions between Sitrel and VS, mainly relating to the rod rolling process at the Sitrel plant, using as the main raw material billets from VS's Resende unit.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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#### 14 Call options

Pursuant to the Investment and Stockholders' Agreement of Fibria entered into in 2009, VID has the right to acquire up to 9.33% of Fibria's common shares by October 29, 2014. At September 30, 2014, the fair value of this option was R\$ 1 (December 31, 2013 - R\$ 127) and it was recorded in "Call options", in current assets.

#### 15 Other assets

	<u>9/30/2014</u>	<u>12/31/2013</u>
Electric energy credit (i)	414	151
Advances to suppliers	248	201
Tax credits	174	158
Prepaid expenses	169	160
Receivables from sale of ownership interests	97	139
Advances to employees	90	75
Notes receivable	53	50
Receivable from sale of PP&E	31	8
Social security credits	17	36
Checks to be cleared	7	17
Other receivables	119	70
	<u>1,419</u>	<u>1,065</u>
Current	<u>(1,077)</u>	<u>(710)</u>
Non-current	<u>342</u>	<u>355</u>

- (i) Includes R\$ 293 relating to receivables from intermediation of electric energy sale made by the subsidiary Votener. The remaining balance refers to the sale of surplus energy not used in the manufacturing processes of subsidiaries CBA, VS and VMZ.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

### 16 Investments

#### (a) Breakdown

	Information on investees at September 30, 2014			Equity in the results		Investment balance	
	Equity	Profit (loss) for the period	Ownership percentage (%)	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013	9/30/2014	12/31/2013
Investments accounted for under the equity method							
Sirama Participações Administração e Transportes Ltda.							
	919	156	38.26	60	53	352	328
Cementos Avellaneda S.A. (iii)							
	341	54	49.00	26	28	227	247
Cementos Bio Bio S.A. (ii)							
	862	61	16.70	10	(3)	144	153
Alunorte - Alumina do Norte S.A. (ii)							
	4,097	(249)	3.03	(8)	(14)	124	132
Maré Cimento Ltda. (i)							
	224	21	51.00	6	32	114	108
Polimix Concreto Ltda. (i)							
	307	16	27.57	1	7	85	85
Mineração Rio do Norte S.A. (ii)							
	621	26	10.00	3	4	62	61
Cimento Portland S.A.							
	231	3	29.50	1		68	66
Supermix Concreto S.A.							
	193	(3)	25.00	(1)	4	48	54
Mizu S.A. (ii)							
	76	10	51.00		4	39	39
Verona Participações Ltda.(i)							
	89	26	25.00	3	14	22	20
Polimix Cimento Ltda. (i)							
	30		51.00			15	15
Other investments							
				(3)	6	182	181
Joint ventures							
Fibria Celulose S.A.							
	14,730	285	29.42	84	(153)	4,334	4,250
Suwannee American Cement LLC							
	213	(3)	50.00	(2)	(2)	107	103
Sitrel Siderúrgica Três Lagoas Ltda.							
	204	29	50.00	15	20	102	88
				<u>195</u>	<u></u>	<u>6,025</u>	<u>5,930</u>

- (i) Refers to the value of the investees of the subsidiary Silcar, Empreendimentos Comércio e Participações Ltda. Under the shareholders' agreement, the Company through its subsidiary Votorantim Cimentos S.A. takes part only in financial and operating decisions in respect of certain matters and of some activities of the investees and, therefore, the Company does not control the entities. Dividends are distributed in quantities disproportionate to the ownership interest percentage.
- (ii) Refers to investees in which the ownership interest is less than 20%, but over the activities of which the Company exercises significant influence through agreements established with shareholders.
- (iii) The investment considers an amount of R\$ 60, relating to the goodwill paid on the acquisition.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### (b) Information on investees

A summary of the principal financial information on associates and joint ventures as at September 30, 2014 is presented below:

	Total and voting (%)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net revenue	Operating profit (loss)	Profit (loss) for the period
<b>Investments accounted for under the equity method</b>									
Sirama Participações Administração e Transportes Ltda.	38.26	105	844	11	18	919			156
Cementos Avellaneda S.A.	49.00	276	219	152	2	341	515	84	54
Cementos Bio Bio S.A.	16.70	451	1,550	397	742	862	878	81	61
Alunorte - Alumina do Norte S.A.	3.03	776	6,754	2,049	1,384	4,097	2,641	(186)	(249)
Maré Cimento Ltda.	51.00	284	338	82	316	224	305	30	21
Polimix Concreto Ltda.	27.57	254	258	141	64	307	363	20	16
Mineração Rio do Norte S.A.	10.00	225	2,058	542	1,118	621	708	110	26
Cimento Portland S.A.	29.50	164	77	1	9	231		(1)	3
Supermix Concreto S.A.	25.00	234	221	166	97	193	1,170	15	(3)
Mizu S.A.	51.00	57	77	26	32	76	79	9	10
Verona Participações Ltda.	25.00	53	46	10		89			26
Polimix Cimento Ltda.	51.00		30			30			
<b>Joint ventures</b>									
Fibria Celulose S.A.	29.42	4,352	21,769	2,864	8,528	14,730	5,083	1,365	285
Suwannee American Cement LLC	50.00	61	189	19	18	213	93	(3)	(3)
Sitrel Siderúrgica Três Lagoas Ltda.	50.00	164	255	62	153	204	267	40	29



## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

#### (c) Changes in investments

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Opening balance	5,930	6,186
Equity in the results of investees	195	
Capital increase	10	19
Disposal of investment		(47)
Foreign exchange gains (losses) on foreign investments	(59)	(14)
Dividends	(54)	(101)
Other	3	(6)
	<u>6,025</u>	<u>6,037</u>
Closing balance	<u>6,025</u>	<u>6,037</u>

#### (d) Investments in listed companies

	<u>9/30/2014</u>		<u>12/31/2013</u>	
	<u>Book value</u>	<u>Market value</u>	<u>Book value</u>	<u>Market value</u>
Cementos Bio Bio S.A. (*)	144	94	153	108
Fibria Celulose S.A. (*)	4,334	4,374	4,250	4,506

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

#### (e) Fibria Celulose S.A.

In March 2014 Fibria filed, with the Brazilian Federal Revenue, an application for activation of credit due to a final and unappealable court decision issued in October 2013, relating to Excise tax ("IPI") premium credit, on exports made during the period during which the BEFIEX Program was effective from December 1993 to May 1997.

The IPI premium credit was a tax and financial benefit for exporting companies, established as a reimbursement paid on the purchase of raw materials. This benefit was regulated by Decree 64,833/69, after being established by Decree 461/69, and was maintained until 1983, the year of the expiration of the benefit established by the legislation. However, the rules that regulated the end of the term for utilization of the benefit were revoked by Decree-Laws 1,724/79 and 1,894/81, so that there was no legal provision about the final term for utilization of the benefit.

Subsequently, the Decree-Laws were considered unconstitutional, which generated various discussions in the courts about the benefit expiration date. Previous court decisions have established the limitation of utilization of these credits as the year 1990; however, the case of Fibria diverges from this discussion since it had enrolled in the BEFIEX Program which, as it refers to a tax benefit granted under specific conditions and for a defined term, resulted in a vested right.

On June 2, 2014, Fibria obtained from the Brazilian Federal Revenue approval for the application for activation of credit in the amount of R\$ 861 (R\$ 568 net of tax effects), in relation to IPI premium credit, on exports made during the period during which the BEFIEX Program was effective, which had been filed in March 2014.

The credit was recognized by Fibria and part of this amount has already been utilized to offset payments of taxes.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

#### 17 Property, plant and equipment

##### (a) Breakdown and changes

								1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013	
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	Leasehold improvements	Other	Total	Total
Opening balance										
Cost	1,618	9,287	28,581	1,253	177	3,149	401	417	44,883	42,676
Accumulated depreciation	(42)	(2,972)	(14,000)	(896)	(124)		(180)	(355)	(18,569)	(16,814)
Net opening balance	1,576	6,315	14,581	357	53	3,149	221	62	26,314	25,862
Additions	1	3	65	5		1,536		4	1,614	1,729
Disposals	(9)	(12)	(38)	(3)		(2)	(2)		(66)	(45)
Depreciation	(3)	(175)	(1,058)	(81)	(8)		(11)	(5)	(1,341)	(1,267)
Foreign exchange gains (losses)	8	(140)	(123)	4		23		(3)	(231)	433
Effect of subsidiaries included in or excluded from consolidation										(26)
Provision for impairment (ii)						(356)			(356)	
Reclassification to assets held for sale (Note 12)									(1)	
Transfer to taxes recoverable (i) (Note 11) (i))						(80)			(80)	(513)
Transfers	86	116	719	55	10	(1,198)	9	77	(126)	5
Closing balance	1,659	6,107	14,146	337	55	3,072	217	135	25,728	26,178
Cost	1,704	9,177	29,244	1,301	186	3,072	409	493	45,586	43,975
Accumulated depreciation	(45)	(3,070)	(15,098)	(964)	(131)		(192)	(358)	(19,858)	(17,797)
Net closing balance	1,659	6,107	14,146	337	55	3,072	217	135	25,728	26,178
Average annual depreciation rates - %	3	3	6	18	11		9	9		

The Company has no long-lived assets that are expected to be abandoned or sold, and that would require an additional provision for obligations arising from decommissioning. The consolidated amount relating to assets pledged as guarantees for borrowing is described in Note 19 (f).

- (i) Refer to ICMS tax credits granted by the State of Santa Catarina to the subsidiary VCSA in consideration for expenses incurred for the repair of roads in that State (especially related to the access to the Vidal Ramos Plant). This amount was fully offset in the first half of 2014. Although the Company believes that the prior classification as property, plant and equipment was not appropriate, the comparative periods presented were not reclassified because the amount of the reclassification within assets is not material for those periods.
- (ii) In the period ended September 30, 2014, after Management's careful evaluation of the projects concerned, the Company recognized impairment of R\$ 356 since Management understood that the carrying amount of the asset exceeded its recoverable amount. Of the total amount provided for, R\$ 190 relates to CBA, R\$ 85 to VMZ, and R\$ 81 to VMZA.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

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#### (b) Construction in progress

The balance is made up mainly of projects for the expansion and optimization of industrial units, as shown below:

<b>Segment</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
Cement	1,800	1,420
Metals	629	1,093
Steel	399	468
Mining Peru	242	164
Other	2	4
	<u>3,072</u>	<u>3,149</u>

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

<b>Main projects in progress - Cement</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
New unit in Edealina/"GO"	407	264
New unit in Primavera/"PA"	254	148
New unit in Yacuses - Santa Cruz/Bolivia	95	
New unit in Cuiabá/"MT"	94	100
New crushing in Xambioá/"TO"	72	5
New production line in Rio Branco/"PR"	60	46
New coprocessing lines	57	38
New unit in Ituaçu/"BA"	48	45
Equipment refurbishment - Cement	34	11
Burden removal - Cement	28	72
Burden removal - Aggregates	13	9
Cement crushing in Santa Helena/"SP"	9	8
New unit in Sobral/"CE"	6	3
New production line in Salto de Pirapora/"SP"	3	3
Cement crushing in Imbituba/"SC"	1	1

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

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<b>Main projects in progress - Metals</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
Iron nickel	81	160
Rondon Alumina	74	60
Vazante expansion project 200 Kta/ Extremo Norte Project	67	80
Renovation of furnace room	54	48
Rod mill	45	12
Oven room	38	66
Polymetallics	25	119
"WEIR" pumps	13	32
Calcination furnace	12	88
Renovation of furnace room floors		10
<b>Main projects in progress - Steel</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
Mechanized and semi-mechanized underground operation of metallurgical coal	137	122
Blast furnace regenerator replacement	39	28
Resende expansion project	26	79
Barra Mansa expansion project	17	41
Plant equipment modernization	16	11
Traveling crane installation project	16	3
Forest expansion project	11	9
Free zone project	10	14
Scrap crushing equipment project	8	10
<b>Main projects in progress - Mining Peru</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
"Pucurhuay" Hydroelectric Plant	53	32
Cerro Lindo Project Phase III	17	29

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

### 18 Intangible assets

#### (a) Breakdown and changes

							1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013	
	Goodwill (i)	Rights over natural resources	Rights over trademarks and patents	Software	Use of public assets (Note 25)	Contracts, customer relationship and agreements	Other	Total	Total
Opening balance									
Cost	4,781	6,613	242	340	538	331	831	13,676	13,164
Accumulated amortization		(865)	(181)	(244)	(102)	(154)	(383)	(1,929)	(1,681)
Net opening balance	4,781	5,748	61	96	436	177	448	11,747	11,483
Additions		2					12	14	78
Write-offs		(19)						(19)	(18)
Amortization and depletion		(218)	(19)	(17)	(14)	(14)	(19)	(301)	(339)
Foreign exchange gains (losses)	350	101		1		7	8	467	783
Effect of companies included in consolidation									3
Provision for impairment		(1)						(1)	
Reclassification to assets held for sale (Note 12)									
Revision of estimated cash flow (Note 24 (a))		(4)						(4)	
Transfers (ii)		130	(1)	16			(19)	126	(48)
Closing balance	5,131	5,739	41	96	422	170	430	12,029	11,942
Cost	5,131	7,199	234	398	539	346	723	14,570	13,700
Accumulated amortization		(1,460)	(193)	(302)	(117)	(176)	(293)	(2,541)	(1,758)
Net closing balance	5,131	5,739	41	96	422	170	430	12,029	11,942

Average annual amortization rates - %

6 7 7 5 6 10

- (i) The goodwill is net of the amounts allocated to the operations in China and Petrolina included in the balance sheet as "Assets classified as held for sale".
- (i) The transfers in intangible assets during the period relate to the reclassification of "construction in progress" from "Property, plant and equipment" to "Software" and "Rights to use natural resources" within intangible assets, and the reclassification of land from "Rights to use natural resources" to "Property, plant and equipment".

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

### 19 Borrowings

#### (a) Breakdown

Type	Average annual charges (i)	Current		Non-current		Total	
		9/30/2014	12/31/2013	9/30/2014	12/31/2013	9/30/2014	12/31/2013
<b>Local currency</b>							
BNDES	4.69% fixed rate BRL / TJLP + 2.64% / SELIC + 2.40%	714	692	1,854	2,224	2,568	2,916
FINAME	4.60% fixed rate BRL / TJLP + 2.60%	29	24	159	126	188	150
Debentures	110.53% of CDI	186	126	6,235	5,341	6,421	5,467
Export credit notes	8.00% fixed rate BRL	1	1	230	230	231	231
Development promotion agency	10.00% fixed rate BRL / TJLP + 3.50%	5	5	60	53	65	58
Other		17	16	20	14	37	30
Subtotal		952	864	8,558	7,988	9,510	8,852
<b>Foreign currency</b>							
BNDES	UMBDES + 2.38%	152	132	388	430	540	562
Development promotion agency	LIBOR US\$ + 1.38%	19	19	118	130	137	149
Eurobonds - USD	6.42% fixed rate USD	144	116	6,224	7,526	6,368	7,642
Eurobonds - EUR	3.89% fixed rate EUR	44	86	2,923	2,424	2,967	2,510
Syndicated loan/bilateral agreements	LIBOR USD + 1.27% / EURIBOR + 0.91%	3	82	1,136	831	1,139	913
Export prepayments	LIBOR USD + 1.43%	321	140	1,860	2,547	2,181	2,687
Working capital	10.65% fixed rate INR / DTF + 2.21%	86	51			86	51
Other		19	27	27	42	46	69
Subtotal		788	653	12,676	13,930	13,464	14,583
		1,740	1,517	21,234	21,918	22,974	23,435
Interest on borrowing		402	351				
Current portion of long-term borrowing		1,287	1,116				
Short-term borrowing		51	50				
		1,740	1,517				

- (i) The average annual charges are presented only for agreements representing a large share of the total debt amount.
- (ii) The transactions carried out by VID, under Law 4,131, have swaps linked to them, which has resulted in a final cost of 99.80% of the CDI.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

BNDES – National Bank for Economic and Social Development

BRL – Brazilian Currency (Real)

CDI – Interbank Deposit Certificate

EUR – European Union currency (Euro)

FINAME - Government Agency for Machinery and Equipment Financing

LIBOR - London Interbank Offered Rate

EURIBOR – Euro Interbank Offered Rate

TJLP – Long-term interest rate set by the National Monetary Council. The TJLP is the basic cost of financing of BNDES.

UMBNDDES - Monetary unit of the BNDES reflecting the weighted basket of currencies of foreign currency debt obligation. At September 30, 2014, 99.97% of the basket comprised of US dollars.

USD – U.S. Dollar

INR – Indian Rupee

DTF – Time Deposit Rate

### (b) Maturity

The maturity profile of borrowing at September 30, 2014 was as follows:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As from 2024	Total
<b>Local currency</b>												
BNDES	186	689	585	442	319	169	46	39	30	17	46	2,568
FINAME	8	28	30	25	20	19	18	17	15	7	1	188
Debentures	142	45	505	903	2,523	1,403	643	243	3	3	8	6,421
Export credit notes	1		130	100								231
Development promotion agency	2	7	9	6	6	6	6	6	6	7	4	65
Other	5	16	7	6		3						37
Subtotal	344	785	1,266	1,482	2,868	1,600	713	305	54	34	59	9,510
%	3.62	8.25	13.31	15.58	30.16	16.82	7.50	3.21	0.57	0.36	0.62	
<b>Foreign currency</b>												
BNDES	39	150	135	104	71	34	6	1				540
Development promotion agency		19	18	18	18	18	18	14	9	5		137
Eurobonds - USD (i)	145	(2)	(2)	(2)	(2)	506	236	589	(1)	856	4,045	6,368
Eurobonds - EUR (i)	(1)	44	(5)	934	(5)	(5)	(5)	2,010				2,967
Syndicated loans/bilateral agreement	2	2	452	310	2	371						1,139
Export prepayments	71	387	546	546	456	175						2,181
Working capital	1	85										86
Other	5	17	11	1	1	1	1	1	1	1	6	46
Subtotal	262	702	1,155	1,911	541	1,100	256	2,615	9	862	4,051	13,464
%	1.95	5.21	8.58	14.19	4.02	8.17	1.90	19.42	0.07	6.40	30.09	
<b>Total</b>	<b>606</b>	<b>1,487</b>	<b>2,421</b>	<b>3,393</b>	<b>3,409</b>	<b>2,700</b>	<b>969</b>	<b>2,920</b>	<b>63</b>	<b>896</b>	<b>4,110</b>	<b>22,974</b>
%	2.64	6.47	10.54	14.77	14.84	11.75	4.22	12.71	0.27	3.90	17.89	

(i) The negative balances refer to borrowing costs amortized on a straight-line basis.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### (c) Changes

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Opening balance	23,435	22,291
New borrowing	5,285	2,624
Interest	1,157	1,044
Foreign exchange gains (losses)	299	1,438
Payments - principal	(6,091)	(3,068)
Payments - interest	(1,111)	(1,015)
Effect of companies excluded from consolidation		(16)
Closing balance	<u>22,974</u>	<u>23,298</u>

### (d) Breakdown by currency

	<u>Current</u>		<u>Non-current</u>		<u>Total</u>	
	<u>9/30/2014</u>	<u>12/31/2013</u>	<u>9/30/2014</u>	<u>12/31/2013</u>	<u>9/30/2014</u>	<u>12/31/2013</u>
Real	952	864	8,558	7,988	9,510	8,852
U.S. Dollar	524	390	9,124	11,130	9,648	11,520
Euro	44	87	3,231	2,425	3,275	2,512
Currency basket	127	119	295	347	422	466
Other	93	57	26	28	119	85
Total	<u>1,740</u>	<u>1,517</u>	<u>21,234</u>	<u>21,918</u>	<u>22,974</u>	<u>23,435</u>

### (e) Breakdown by index

	<u>Current</u>		<u>Non-current</u>		<u>Total</u>	
	<u>9/30/2014</u>	<u>12/31/2013</u>	<u>9/30/2014</u>	<u>12/31/2013</u>	<u>9/30/2014</u>	<u>12/31/2013</u>
<b>Local currency</b>						
CDI	186	127	6,235	5,340	6,421	5,467
TJLP	670	648	1,760	2,086	2,430	2,734
Fixed rate	96	89	560	562	656	651
SELIC			3		3	
	952	864	8,558	7,988	9,510	8,852
<b>Foreign currency</b>						
LIBOR	340	222	2,798	3,499	3,138	3,721
UMBNDDES	152	132	388	430	540	562
Fixed rate	242	242	9,182	9,999	9,424	10,241
EURIBOR			308		308	
Other	54	57		2	54	59
	788	653	12,676	13,930	13,464	14,583
Total	<u>1,740</u>	<u>1,517</u>	<u>21,234</u>	<u>21,918</u>	<u>22,974</u>	<u>23,435</u>



## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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#### (f) Collateral

At September 30, 2014, R\$ 9,649 (December 31, 2013 – R\$ 10,034) of Company the balance of borrowing was collateralized under promissory notes and sureties and R\$ 185 of the property, plant and equipment items (December 31, 2013 - R\$ 150) were collateralized by liens on the financed assets.

#### (g) Covenants/financial ratios

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

The Company was in compliance with all of these covenants, as applicable.

#### (h) New borrowing

By means of funding transactions and the early repayment of certain existing debts, the Company has sought to extend the average maturity profile of its borrowing and to balance the exposure of borrowing in different currencies.

The main funding transactions carried out were as follows:

- (i) During the period ended September 30, 2014, the Company's subsidiaries received R\$ 270 from BNDES (December 31, 2013 - R\$ 578) to fund their expansion and modernization projects, including the purchase of machinery and equipment at the average funding cost of TJLP + 2.74 % p.a. (December 31, 2013 – TJLP +2.75% p.a.)
- (ii) In September 2014, the subsidiary VCEAA contracted borrowing of EUR 100 million at EURIBOR + 0.90% p.a. with maturity in March 2017. This amount was used for the early repayment of debt.
- (iii) In June 2014, the subsidiary CBA issued bonds in U.S. dollars in the amount of US\$ 400 million, with maturity in 2024 and a semi-annual coupon of 4.75% p.a.. The issue is guaranteed by VID and is rated BBB, Baa3 and BBB by ratings agencies S&P, Moody's and Fitch, respectively.
- (iv) In June 2014, the subsidiary CBA renegotiated the contractual conditions of one of its export credit note agreements in the amount of R\$ 100, extending the final maturity to 2017 and reducing the cost of the swap linked to the transaction. At September 30, 2014, CBA had export credit note agreements totaling R\$ 230, subject to interest of 8% p.a. and with maturities in 2016 and 2017. These transactions are linked to swaps that convert fixed rates to floating rates. The final cost is 88% of the CDI.
- (v) In April 2014, the subsidiary VCSA issued bonds with maturity in 2021 and annual coupon of 3.25%, totaling EUR 650 million. The new issuance was the first made in the international market without guarantees and is rated BBB, Baa3 and BBB by ratings agencies S&P, Moody's and Fitch, respectively.
- (vi) In April 2014, the investee Votorantim Cement North America Inc made an amendment to its revolving credit contracted on October 28, 2010, increasing its amount from US\$ 125 million to US\$ 300 million, and extending the payment term to 2019. The investee also settled the syndicated loan in advance.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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- (vii) In March 2014, the subsidiary VS concluded its first public issuance 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\$ 450, with maturity in March 2017, pays 107% of the CDI.
  - (viii) In February 2014, the Company completed its second public issue of simple, non-convertible, non-privileged, unsecured debentures. The debentures were distributed with restricted placement efforts and exempt from registration with the CVM, pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The issue of R\$ 450, with maturity in February 2017, pays 107.95% of the CDI.
  - (ix) In February 2014, the Company entered into agreements in accordance with Law 4131 in the total amount of US\$ 184 million, with maturity in February 2016. These transactions, after swaps, resulted in a final cost of 99.8% of the CDI.
- (i) Repurchase of bonds (Tender Offer)**

VID, CBA and Voto IV disclosed on June 3, 2014 an offer to buy back bonds that they had issued with maturities in 2019, 2021 and 2020, respectively. On June 11, 2014, VID repurchased R\$ 98 (US\$ 44 million) of the principal, with total disbursement of R\$ 115 (US\$ 52 million), CBA repurchased R\$ 174 (US\$ 78 million) of the principal, with a total disbursement of R\$ 210 (US\$ 94 million) and Voto IV repurchased R\$ 247 (US\$ 112 million) of the principal, with a total disbursement of R\$ 313 (US\$ 142 million). The related financial settlement was made on June 17, 2014.

On April 9, 2014, the subsidiary VCSA disclosed an offer to buy back bonds in EUR that it had issued with maturity in 2017. On April 16, 2014, VCSA repurchased R\$ 1,386 (EUR 446 million) of the principal, with total disbursement of R\$ 1,655 (EUR 533 million) and obtained the approval of the creditors for excluding some covenants. The related financial settlement was made on April 28, 2014.

VID and CBA disclosed on March 10, 2014 an offer to buy back bonds that they had issued with maturities in 2019 and 2021, respectively, totaling US\$ 1 billion. On March 21, 2014, VID repurchased R\$ 1,352 (US\$ 586 million) of the principal, with a total disbursement of R\$ 1,536 (US\$ 665 million), and obtained the approval of the creditors for excluding some covenants and CBA repurchased R\$ 679 (US\$ 294 million) of the principal, with total disbursement of R\$ 788 (US\$ 341 million). The related financial settlement was made on March 28, 2014.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

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#### (j) Fair value of borrowing

	9/30/2014	
	Carrying amount	Fair value
<b>Local currency</b>		
BNDES	2,568	2,301
FINAME	188	142
Debentures	6,421	6,541
Export credit notes	231	215
Development promotion agency	65	55
Other	37	26
Subtotal	9,510	9,280
<b>Foreign currency</b>		
BNDES	540	579
Development promotion agency	137	136
Eurobonds - USD	6,368	6,457
Eurobonds - EUR	2,967	3,055
Syndicated loans/bilateral agreement	1,139	1,156
Export prepayments	2,181	2,257
Working capital	86	88
Other	46	51
Subtotal	13,464	13,779
	22,974	23,059

The difference between the fair value and the carrying amount of the borrowing is R\$ 85, and the carrying amount is lower than the fair value. The fair values of these liabilities are classified in Level I at R\$ 9,512 and Level II at R\$ 13,547.

#### 20 Current and deferred income tax and social contribution

The Company and its subsidiaries use the taxable income method, and calculate and record their income tax and social contribution 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 relating to (a) the effects of foreign exchange gains/losses (tax calculated on a cash basis for loans), (b) adjustments of derivatives to their fair values, (c) temporarily non-deductible provision, (d) investments in agribusiness activities, and (e) temporary differences arising from the adoption of CPCs.

#### (a) Reconciliation of the income tax and social contribution 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 periods ended September 30 are reconciled to their Brazilian standard rates as follows:

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## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

	1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
Profit before income tax and social contribution	1,612	982
Standard rates	34%	34%
Income tax and social contribution at standard rates	(548)	(334)
Adjustments for the calculation of income tax and social contribution at effective rates		
Equity in the results of investees	66	
Income tax losses without recording the deferred amounts	(164)	(223)
Social contribution losses without recording the deferred amounts	(64)	(90)
Recognition of deferred income tax on the portion of tax loss not recorded in 2013	68	
Recognition of deferred social contribution on the portion of tax loss not recorded in 2013	25	
Differences in the tax rates of foreign subsidiaries	90	45
Other additions (exclusions), net	(2)	(47)
Income tax and social contribution calculated	(529)	(649)
Current	(387)	(577)
Deferred	(142)	(72)
Income tax and social contribution expenses	(529)	(649)

### (b) Breakdown of deferred tax balances

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

	9/30/2014	12/31/2013
<b>Assets</b>		
Tax losses	2,317	2,055
Temporary differences		
Provision	765	715
Provision for losses on investments	351	218
Foreign exchange gains	406	390
Use of Public Assets (UBP)	186	181
Accelerated depreciation and adjustment of useful lives	58	38
CPC 29 - Biological assets	55	54
Environmental liabilities	44	38
Derivatives - Law 11,051/04	16	12
Provision for disposals of assets	20	23
Tax benefit on goodwill	37	24
Other provisions	311	308
Non-current assets	4,566	4,056
<b>Liabilities</b>		
Temporary differences		
Accelerated depreciation and adjustment of useful lives	1,613	1,497
Business combinations		1,257
Market value adjustments to property, plant and equipment	1,382	220
Goodwill amortization	353	310
CPC 20 - Capitalized interest	135	129
CPC 12 - Adjustment to present value	46	45
Borrowing cost	18	
CPC 25 - Decommissioning	11	11
Deferred gains on derivative contracts	8	5
Other	406	64
Non-current liabilities	3,972	3,538
Net (assets - liabilities)	594	518

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### (c) Effects of deferred income tax and social contribution on profit for the period and comprehensive income

	<u>1/1/2014 to 9/30/2014</u>
Opening balance	518
Effects on results for the period	(142)
Effects on comprehensive income	218
Closing balance	<u>594</u>

### 21 Other liabilities

	<u>9/30/2014</u>	<u>12/31/2013</u>
Payables for interest acquisition	225	232
"REFIS" - Tax Recovery Program (Note 23)	221	240
Provision for services	197	190
Advances from customers	125	139
Long-term trade payables	121	122
Environmental obligations	106	121
Long-term taxes payable	71	97
Provision for freight	40	35
Unappropriated premiums	33	11
Provision for utilities - water, electric energy and gas	16	18
Provision for maintenance	13	13
Other liabilities	113	61
	<u>1,281</u>	<u>1,279</u>
Current	<u>(410)</u>	<u>(539)</u>
Non-current	<u>871</u>	<u>740</u>

### 22 Transitional tax regime

Provisional Measure (MP) 627 was converted into Law 12,973/14 on May 13, 2014, confirming the repeal of the Transitional Tax System (RTT) from 2015, with the option to advance its effects to 2014.

The Company decided for the companies Votorantim Cimentos S/A, Votorantim Cimentos Norte Nordeste and Votorantim Siderurgia S.A to advance the effects of the repeal of the "RTT" for the calendar year 2014, as permitted by Law 12,973/14. This option would be mandatory for the calendar year 2015. The Company analyzed the possible impact adoption on its financial statements and concluded that it would not be material.

The Company's other companies did not choose to advance the effects, which will be applicable from 2015.

### 23 Tax recovery program ("REFIS")

On October 10, 2013, Law 12,865/2013 was enacted (conversion of MP 615/2013), with amendments to MP 627/2013, establishing, among other requirements, a program for the payment of federal tax debts incentivized by a reduction in the percentage of fines and interest due.

On November 28, 2013, the Company and its subsidiary Votorantim Investimentos Latino-Americanos S.A. ("VILA") applied for installment payment of tax debts relating to Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), arising from the application of Article 74 of MP 2,158-35/01, as follows:

## **Votorantim Industrial S.A.**

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Both applied for the installment payment over 180 months, with a reduction of 80% of the late payment fines and specific fines and 50% of the late payment interest, totaling R\$ 377 and R\$313, respectively, the effect of which was recognized in the profit for 2013. Of this amount, the Company and its subsidiary offset R\$ 202 and R\$ 167, respectively, with credits from income tax and social contribution losses, for payment of 30% of the principal amount and 100% of the fine and interest due after the reductions permitted by the REFIS, as set forth in paragraph 7 of Article 40 of Law 12,865/13, resulting in the actual cash disbursement of R\$ 140 and R\$ 117, respectively, over 180 months.

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#### 24 Provision

The movement in the provision for asset retirement obligations and legal claims is as follows:

	1/1/2014 to 9/30/2014					
	Asset Retirement Obligation (ARO)	Tax	Labor	Civil	Other	Total
Balance at the beginning of the period	876	844	111	88	58	1,977
Present value adjustment	22					22
Additions		91	53	37	3	184
Reversals		(105)	(32)	(17)	(1)	(155)
Judicial deposits, net of write-offs		34	(26)	(11)		(3)
Settlement	(8)	(22)	(16)	(9)	(3)	(58)
Monetary restatement	4	47	14	23		88
Foreign exchange gains (losses)	12					12
Revision of estimated cash flow	(25)					(25)
Balance at the end of the period	881	889	104	111	57	2,042

  

	1/1/2013 to 9/30/2013					
	Asset Retirement Obligation (ARO)	Tax	Labor	Civil	Other	Total
Balance at the beginning of the period	933	1,134	129	85	29	2,310
Present value adjustment	(2)					(2)
Additions	7	105	66	8	11	197
Reversals		(145)	(20)	(8)	(66)	(239)
Judicial deposits, net of write-offs		(40)	3	(3)	32	(8)
Settlement	(1)	(105)	(17)	(4)	(3)	(130)
Monetary restatement	18	37	9	12	5	81
Foreign exchange gains (losses)	9	2	(1)		1	11
Reclassification of liabilities related to assets held for sale					40	40
Balance at the end of the period	964	988	169	90	49	2,260

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### (a) Asset Retirement Obligation (ARO)

The calculation of obligations due to asset retirement involves 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 the pre-existing condition. These obligations arise from the beginning of the environmental degradation of the area occupied by the operation or from formal commitments made to the environmental body, under which the degradation must be compensated. The dismantling and removal of an asset from an operation occurs when it is permanently retired, through the interruption of its activities, or by its sale or disposal.

Since these are long-term obligations, they are adjusted to the present value at the current interest rate and periodically restated based on the inflation rate. The interest rate used in 2014 and 2013 is 4.23% p.a. The recognized liability is periodically adjusted based on these discount rates plus inflation for the reference period.

During 2014, the Company reviewed the assumptions adopted to calculate the provision relating to some mines due to the revision of the related cash flows with a balancing item in intangible assets, which resulted in a decrease of R\$ 25.

### (b) Provision for tax, civil, labor and environmental contingencies

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

The provision for losses regarded as probable arising from contingent liabilities is 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, except when, due to the visibility of the lawsuit, the Company considers their disclosure justified.

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.

The provision and the corresponding judicial deposits are as follows:

	9/30/2014			12/31/2013		
	Judicial deposits	Provisions	Net amount	Judicial deposits	Provisions	Net amount
Tax	(442)	1,330	888	(476)	1,320	844
Labor and social security	(107)	211	104	(81)	193	112
Civil	(27)	138	111	(16)	104	88
Other		58	58		57	57
	(576)	1,737	1,161	(573)	1,674	1,101

### (c) Outstanding judicial deposits

At September 30, 2014, the Company had deposited R\$ 476 (December 31, 2013 - R\$ 414) with the courts in relation to proceedings classified by its legal advisors as having a possible or remote possibility of loss, and therefore, did not make provision for them.



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**(d) Comments on provision with likelihood of loss considered probable**

**(i) Provision for tax contingencies**

The tax proceedings with a probable likelihood of loss relate to discussions relating to federal, state and municipal taxes. The tax obligations that the Company is challenging in court on legal or constitutional grounds are fully recorded, irrespective of the likelihood of a favorable outcome to the litigation.

**(ii) Provision for labor contingencies**

VID and its subsidiaries are parties to 5,991 labor lawsuits filed by former employees, third parties and labor unions mostly claiming the payment of indemnities on dismissals, health hazard premiums and hazardous duty premiums, overtime, and commuting hours, as well as indemnity claims by former employees and third parties based on alleged occupational illnesses, work accidents, property damage and pain and suffering, in common courts due to Constitutional Amendment 45 and the need to comply with normative clauses.

**(iii) Provision for civil contingencies**

The Company and its subsidiaries are parties to civil lawsuits involving claims for compensation for property damage and pain and suffering, collection and execution, and administrative claims.

**(iv) Provision for environmental contingencies**

The Company and its subsidiaries are subject to laws and regulations in the various countries in which they operate. The Company 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 relates to public civil claims and citizens' lawsuits, the objectives of which are the interruption of the progress of the environmental licensing of new projects, and the recovery of areas of permanent preservation, among other matters.

**(e) Litigation with likelihood of loss considered as possible**

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

	<u>9/30/2014</u>	<u>12/31/2013</u>
Tax	3,897	3,564
Labor and social security	611	561
Civil	5,946	4,736
Environmental	410	381
	<u>10,864</u>	<u>9,242</u>

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### (e.1) Comments on contingent tax and public right liabilities with likelihood of loss considered possible

The contingent liabilities relating to tax lawsuits in progress with a likelihood of loss considered as possible, for which no provision is recorded, are commented on below. In the table below we present the materiality of these lawsuits:

Nature	Amount
(i) "CFEM"	509
(ii) Tax assessment notice – "IRPJ/CSLL"	184
(iii) Disallowances of "PIS/COFINS" credits	297
(iv) Offset of tax loss – 30% limit (merger)	226
(v) "ICMS" – transfer costs	196
(vi) Requirement of "ICMS" on Distribution System Usage Tariff	160
(vii) Disallowance of "IRPJ" negative balance	109
(viii) "IRPJ/CSLL" – Profits abroad	137
Other lawsuits of individual amounts lower than R\$ 100	2,079
	<b>3,897</b>

### (i) Compensation for exploration for mineral resources

The subsidiaries VCSA, VMSA, VMZ and CBA have had various tax assessment notices issued by the National Department of Mineral Production for alleged failure to pay or underpayment of Financial Compensation for the Exploration of Mineral Resources (CFEM), for the periods 1991 to 2012, January 1991 to December 2000, January 1991 to December 2006 and 1991 to 2003, respectively. At September 30, 2014, the amount under litigation totaled R\$ 509, considered a possible loss. Currently, the lawsuits are at the administrative or judicial levels.

### (ii) Tax assessment notice – "IRPJ/CSLL"

In December 2011, the subsidiary VCSA was assessed by the Federal Revenue of Brazil in the amount of R\$ 184 for alleged failure to pay or underpayment of IRPJ and CSLL relating to the period from 2006 to 2010, due to: (i) the amortization of goodwill supposedly being incorrect; (ii) the utilization of tax loss above the 30% limit permitted by the tax regulation (merger); and (iii) failure to pay of IRPJ and CSLL obligations due on a monthly estimate basis. At September 30, 2014, of the total restated amount of R\$ 230 the subsidiary understands that the best estimate of possible contingency is only R\$ 136. In the lower court judgment, the judges decided on a reduction of the assessed amount by approximately R\$ 50. Currently, the subsidiary is awaiting a decision on the mandatory appeal and voluntary appeal filed with the Administrative Board of Tax Appeals.

In December 2011, the subsidiary VCSA was assessed by the Federal Revenue of Brazil in the amount of R\$ 448 for alleged failure to pay IRPJ and CSLL in the calendar year 2006 and disallowance of income tax and social contribution losses in the calendar year 2007, due to the contribution of assets of the companies Cimento Tocantins, Cimento Rio Branco and Companhia de Cimento Portland Itaú to Votorantim Cimentos Brasil S.A. ("VCB"), companies merged into the subsidiary VCSA, which opted for a taxation regime based on presumed income. At September 30, 2014, of the restated amount of R\$ 548 the subsidiary understood that the best estimate of possible contingency was only R\$ 48. The Federal Revenue Judgment Office considered the tax assessment partially justified, and decided to reduce the tax assessment notice by approximately 50% of the assessed amount. Currently, the subsidiary is awaiting judgment of the mandatory appeal and voluntary appeal filed with the Administrative Board of Tax Appeals.

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### (iii) Disallowances of “PIS/COFINS” credits

The Company and its subsidiaries VMSA and CBA have received various court decisions relating to the disallowance of PIS and COFINS credits on items applied in the production process, which in the Federal Revenue of Brazil's understanding would not entitle them to credits for these contributions. The restated amount at September 30, 2014 was R\$ 297. Currently, the lawsuits are pending a decision in the lower administrative court.

### (iv) Offset of tax loss – 30% limit (merger)

The subsidiary Votorantim Energia Ltda. was assessed by the Federal Revenue of Brazil, as the successor to the company VBC Participações S.A., due to the supposedly incorrect offsetting of tax losses without complying with the 30% limit (merger). The lawsuit is pending the judgment of the voluntary appeal by the Administrative Board of Tax Appeals. The amount involved at September 30, 2014 was R\$ 226.

### (v) “ICMS” – transfer costs

The subsidiary VMSA was assessed for alleged failure to pay ICMS on transfers of nickel carbonate to its branch located in the State of São Paulo, relating to the periods from January 2003 to December 2003, April 2014 to March 2005, April 2005 to March 2006, April 2006 to March 2007 and April 2007 to March 2008. These assessments totaled R\$ 196 at September 30, 2014. Currently the lawsuits are pending a decision in the administrative court.

### (vi) Requirement of “ICMS” on Distribution System Usage Tariff

The subsidiaries VMZ, CBA and VS received collections notices for alleged ICMS debts on the Distribution System Usage Tariff. The total restated amount of these was R\$ 160 at September 30, 2014. Currently the lawsuit involving VMZ is awaiting judgment by the Taxpayers Board of Minas Gerais, the lawsuit involving CBA has already been judged favorably to the company, and an appeal may be filed by the State Finance Department, at VS two lawsuits have had favorable decisions in the lower court and await decisions on the appeal of the Minas Gerais State Finance Department, and one lawsuit is pending a decision of the lower court.

### (vii) Disallowance of “IRPJ” negative balance

The Company, its subsidiary CBA and Cia Nitroquímica Brasileira Ltda.- (“CNQB”), sold by the Company to third parties, received court decisions relating to the disallowance of an IRPJ negative balance in the calendar years 2006 (VID), 2003, 2004, 2006 (CNQB) and 2008 (CBA), totaling a restated amount of R\$ 109 at September 30, 2014. Currently, the lawsuits are pending judgment on the manifestation of dissatisfaction filed by the companies. The responsibility for any liability of CNBQ, in accordance with the company purchase and sale agreement, rests with the Company.

### (viii) “IRPJ/CSLL” – profits abroad

In November 2013, the Company was assessed by the Federal Revenue of Brazil for alleged failure to pay IRPJ and CSLL on profits earned abroad in the calendar year 2011. The amount involved at September 30, 2014 was R\$ 20, and the likelihood of loss is classified as possible.

In October 2013, VCSA was assessed by the Federal Revenue of Brazil in the amount of R\$ 107, for alleged failure to pay IRPJ and CSLL on profits earned abroad in calendar years 2008 to 2010, through its subsidiaries and associates. At the lower court, the judges decided that the tax assessment notice was valid. Currently, the subsidiary is awaiting a decision on the voluntary appeal filed with the Administrative Board of Tax Appeals. At September 30, 2014, the amount under litigation was R\$ 117, considered as a possible loss.

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### (e.2) Comments on contingent labor liabilities with likelihood of loss considered possible

Labor claims with the likelihood of loss considered possible are those filed by former employees, third parties and labor unions, mostly claiming the payment of indemnities on dismissals, health hazard premiums and hazardous duty premiums, overtime and commuting hours, as well as indemnity claims by former employees and third parties based on alleged occupational illnesses and work accidents.

### (e.3) Comments on contingent civil liabilities with likelihood of loss considered possible

The contingent liabilities relating to civil lawsuits in progress with likelihood of loss considered possible, for which there is no provision recorded, are commented on below. In the table below we present the materiality of these lawsuits:

Nature	Amount
(i) Litigation with a Northeast transportation company	85
(ii) Litigation with a São Paulo transportation company	164
(iii) Public civil suit - Violation of the economic order	2,947
(v) Litigation in the State of Goiás	332
(vi) Litigation in the State of Minas Gerais	91
(vii) Litigation in the State of Rio de Janeiro	58
(viii) Litigation in the State of São Paulo	43
(ix) Litigation in Brasília	36
Other lawsuits	2,190
	<u>5,946</u>

#### (i) Litigation with a northeastern transportation company

In August 2010, a transportation company filed a claim against the subsidiary VCNNE seeking compensation for property damages in the amount of R\$124, alleging that VCNNE did not comply with the minimum transportation volume established in the cement transportation agreement entered into by the parties. VCNNE was notified of this claim in March 2011 and presented its reply, challenging the jurisdiction and stating that there was no written agreement regarding the minimum volume claimed, and that the losses borne by the transportation company were due to poor management and did not have any relation to VCNNE. The transportation company filed its reply. On January 22, 2013, the court published its decision to accept the Company's plea and transfer the case to the civil court in the city of Recife. In November 2013, the Court accepted the transportation company's appeal to confirm that the Court of São Luís-MA was competent to judge the cause. VCNNE appealed the decision. In April 2014 the appeal was accepted and a Motion to Clarify against this decision was filed by the transportation company, which was challenged by VCNNE. On June 17, 2014 a decision was issued, rejecting the Motion to Clarify. Based on the opinion of its outside legal advisors, VCNNE believes that the likelihood of loss as regards property damages in the amount of R\$ 85 is possible and, for this reason, did not record provision in relation to this lawsuit.

#### (ii) Litigation with a São Paulo transportation company

In September 2003, a transportation company filed a claim against VCB, a company merged into VCSA. Seeking compensation for property damages in the amount of R\$ 84 and pain and suffering in an unspecified amount, alleging that the Company did not comply with its obligations under two verbal agreements entered into. The transportation company argued that those breaches had caused the discontinuance of the activities of its sales department and significant losses to its transportation area. VCB filed its reply in September 2009, alleging that: (1) the statute of limitations had expired; (2) VCB had not change the general conditions of the agreement; and (3) the transportation company had mismanaged the business and caused its own insolvency. In August 2011, the court rejected the argument of the expiration of the statute of limitations and ordered an expert examination, as requested by the parties. The expert examination was concluded and the report presented. The parties filed their challenges to the report and the lawsuit was sent back to the expert for his

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opinion. In June 2014, clarifications were provided by the expert. On June 24, 2014, the Company challenge was presented. Management considers the likelihood of loss of part of the property damage estimated at R\$ 164 as possible.

#### **(iii) Public civil suit - violation of the economic order**

The Public Prosecutor Office of the State of Rio Grande do Norte filed a public civil suit against the Company and another eight defendants, including several of the largest Brazilian cement producers, relating to the establishment of a cartel. The public civil suit demands the payment of an indemnity, on a joint liability basis, for pain and suffering and collective damages and the payment of a fine according to the Brazilian antitrust laws. As the amount of the claim is R\$ 5,600 and the public civil suit alleges joint liability, the Company estimates that, based on its market share, its liability, if it was sentenced to pay, would be approximately R\$ 2,400. However, there is no guarantee that this division between the parties would prevail or that the Company would not be considered liable for a greater amount, or for the total amount of the claim. In July 2012, the company filed its reply. The Public Prosecutor's Office filed its replies to the defenses presented in October 2012. Since then, there has been no significant decision on the lawsuit. Loss is considered possible and the Company did not recognize any provision. At September 30, 2014, the amount under litigation was R\$ 2.947.

#### **(iv) Class action – in the State of Tocantins**

In August 2007, a class action was filed against the subsidiary VCNNE, seeking the annulment of the bid that transferred the mineral rights relating to the Lawsuit DNPM No. 860.933/1982 to VCNNE due to alleged failures in the bid procedures. The plaintiff also applied for an injunction to suspend all the bid's effects, which has not yet been decided on by the court. In May 2008, VCNNE filed its defense alleging that this lawsuit was connected with another class action and, thus, should be joined to the other and filed together, and that the bidding process had been carried out according to the law. In April 2009, the State Attorney agreed on the existence of a connection between the lawsuits and that both should be judged together. Management considers loss as possible. The lawsuit does not involve the payment of money, but may have operating impacts if the granting is suspended.

#### **(v) Litigation in the State of Goiás**

An indemnity lawsuit has been filed by a former service provider against the subsidiary VMSA, in the State of Goiás. After receiving the complaint, VMSA filed its defense. The court records are at the Court Registry Office due to the removal of the judge responsible for the case, awaiting the appointment of a new judge. The restated amount involved at September 30, 2014 was R\$ 261.

There is a judicial recovery lawsuit stating VMSA as creditor, which has not yet been approved by the court. There is the possibility of the bankruptcy of the accusing party. The restated amount involved at September 30, 2014 was R\$ 71.

#### **(vi) Litigation in the State of Minas Gerais**

An indemnity lawsuit has been filed against the subsidiary VMZ, in the State of Minas Gerais, alleging the inexistence of a legal relation and claiming adverse judgment for property damages and pain and suffering. After receiving the complaint, VMZ challenged it. The plaintiff presented a replica allegation and the judgment considered the lawsuit as groundless. The judgment of the appeal filed by the plaintiff is awaited. The restated amount involved at September 30, 2014 was R\$ 63.

An indemnity lawsuit has been filed against CBA alleging unilateral rescission of the agreement. After receiving the complaint, CBA filed its defense, totally refuting the claim. The court records are in the expert witness phase. The restated amount involved at September 30, 2014 was R\$ 28.

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#### **(vii) Litigation in the state of Rio de Janeiro**

Two connected indemnity lawsuits have been filed against the subsidiary VMZ in the State of Rio de Janeiro, alleging property damage and pain and suffering. VMZ has not yet filed its defense because it is awaiting the beginning of the term for challenge. The restated amount involved at September 30, 2014 was R\$ 58.

#### **(viii) Litigation in the State of São Paulo**

A lawsuit has been filed by VMSA attempting to sustain a protest in order to suspend collection and the inclusion of the VMSA name due to alleged breach of contract. The records are in the remedy phase. The restated amount involved at September 30, 2014 was R\$ 43. Concurrently, arbitration proceedings for the parties has been started, with the selection of arbitrators, and the parties have not yet presented their claims.

There is have been arbitration proceeding filed against VMSA, currently in the starting phase, due to the termination of a nickel supply agreement. As the arbitration proceedings are in the initial phase, the amount of the litigation is illiquid at September 30, 2014.

#### **(ix) Litigation in Brasília**

In 2005, the subsidiary VS was fined in an administrative proceeding by the Secretariat of Economic Law. Due to its conviction of the inconsistency of the fine, the subsidiary filed an annulment action, which is in progress in Brasília. Based on the outside legal advisors' opinion, the claim is classified as possible. If the subsidiary loses the action, it will have to comply with the requirements of the Administrative Council for Economic Defense ("CADE" - Conselho Administrativo de Defesa Econômica) decision published and refrain from the conduct specified therein, and pay the fine applied which, restated through September 30, 2014, was R\$ 36. The original amount of the fine, of R\$23, is guaranteed by a bank guarantee provided in 2006, monetarily restated and with an indeterminate period. The lawsuit is currently pending the court decision on the request for production of proof.

#### **(x) Administrative investigations carried out by the "SDE"**

- (a)** CADE is responsible for adjudicating anti-competitive acts referred by the SDE of the Ministry of Justice (currently General Superintendence). CADE adjudicates on matters relating to concentration and conduct, including cartel cases. The minimum quorum for the CADE to make decisions is five counselors.

With respect to administrative procedures, a company condemned by CADE for anti-competitive behavior can be condemned to pay an administrative fine in the range of 0.1% up to 20% of the company's, group's or conglomerate's annual revenue after the deduction of taxes relating to the fiscal year immediately preceding the year in which the alleged violation has happened.

The legislation provides for the possibility of imposing other accessory penalties, such as prohibiting borrowing from official or state financial institutions, a mandatory split of the company, transfer of control, mandatory sale of assets or an obligation to cease certain activities and relinquish certain tax benefits as well as participation in state-related bids promoted by the Federal, State and Municipal Public Administration for a minimum period of five years, as well as other non-pecuniary sanctions, when these penalties are considered necessary to prohibit the conduct or correct anti-competitive practices in the market.

In 2006, the SDE, currently the General Superintendent of CADE, initiated administrative proceedings against the Cement Industry Union, some industry associations (cement and concrete) and the largest Brazilian cement companies, including the Company, and some executives. These proceedings relate to allegations by anti-competitive practices of several companies and associations, including the formation of a cartel.

On January 22, 2014, CADE initiated the trial of the proceedings and on May 28, 2014, after suspending the first trial session, issued its final decision on the administrative proceeding, imposing the following penalties on Votorantim Cimentos: (i) the payment of a fine in the amount of R\$1.6 billion;

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(ii) the sale of 20% of the Company's assets from concrete-producing activities in Brazil, to be sold in relevant markets in which there is more than one concrete-producing company owned or possessed by the company; (iii) the sale of all of its interests, minority or not, in other companies operating in the cement or concrete markets; (iv) a prohibition on contracting with official financial institutions until the date of sale of the assets, counted from the decision publication date; (v) a recommendation to the Federal Revenue and other appropriate bodies for them not to authorize the installment payment of federal taxes due or to cancel, in whole or in part, any tax incentives or public subsidies; (vi) the cancelation of any interests among the condemned companies existing in the cement and concrete markets, either directly or through minority interests in other companies that are not part of the group of condemned companies; (vii) a prohibition on any concentration among the condemned companies in the cement market, by any means, for a period of five years counted from the decision publication date; (viii) a prohibition on any concentration in the concrete market, by any means, for a period of five years counted from the decision publication date; (ix) a prohibition on any association for greenfield, by any means, in the cement, concrete and slag sectors, for a period of five years counted from the decision publication date, with any of the condemned companies; (x) other non-monetary sanctions, among them: (a) the publication of the decision in newspapers; (b) registration with the National Consumer Protection Register; and (c) an obligation to inform the Brazilian Competition Protection System of any transaction carried out in the cement and concrete sectors, for a period of five years counted from the decision publication date; and (xi) the sale of a specific cement asset.

On July 1, 2014, the decision with the counselors' votes was published, with the confidential versions provided to the condemned companies on the following day. On July 14 the Company filed a Motion to Clarify (administrative appeals) to dispel contradictions, omissions and obscurities of CADE's decision. The Company is awaiting the analysis of the matter, and there is no legal term for such analysis. Until the trial of the administrative appeal by CADE, CADE's decision will not be concluded at the administrative level and, therefore, it will not have legal effects on the parties.

The Company does not agree with any of the accusations and intends to appeal CADE's decision in the courts at the appropriate time because as it understands it, there were no anti-competitive practices, and as such it should not be subject to any sanctions or penalties.

The Company classified the likelihood of loss for this matter in a legal environment as possible.

- (b)** In 2003, the SDE, the current General Superintendence of CADE, started administrative proceedings against the largest concrete-producing Brazilian cement companies, including the Company. These proceeding relates to allegations by certain ready-mix concrete producers that the large cement companies may have been breached Brazilian antitrust laws by not selling certain types of cement to ready-mix concrete companies. The evidence phase of this lawsuit ended in April 2012 and until now there are no indications that the General Superintendence of CADE intends to submit any recommendation to the CADE Board on conducting future investigations into this matter. If the Company is found to have violated these antitrust laws, it could be subject to administrative and criminal penalties, including an administrative fine that could range from 0.1% up to 20.0% (if the new Brazilian antitrust law is applied) of the Company's annual after-tax cement revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding were initiated. The Company and its external legal counsel believe that Votorantim will not be subject to any administrative or criminal fines. The likelihood of loss in these proceedings is considered to be remote.

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#### 25 Use of public assets

The Company invests in companies that have concession contracts in the electric energy industry. Most of these contracts provide for annual payments from the commencement of operations and are adjusted by the General Market Price Index for the Use of Public Assets.

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

Plants/Companies	Investor	Concession start date	Concession end date	Payment start date	Ownership interest	9/30/2014		12/31/2013		
						Intangible assets (Note 18)	Liabilities	Ownership interest	Intangible assets (Note 18)	Liabilities
Salto Pilão	Companhia Brasileira de Alumínio	nov-01	dec-36	jan-10	60%	227	429	60%	235	428
Enercan - Campos Novos	Companhia Brasileira de Alumínio	apr-00	mai-35	jun-06	33%	5		33%	4	8
Salto do Rio Verdinho	Companhia Brasileira de Alumínio	aug-02	sep-37	oct-10	100%	9	16	100%	9	16
Itupararanga	Companhia Brasileira de Alumínio	nov-03	dec-23	jan-04	100%	1	2	100%	1	2
Piraju	Companhia Brasileira de Alumínio	dec-98	jan-34	feb-03	100%	1	5	100%	1	6
Ourinhos	Companhia Brasileira de Alumínio	jul-00	aug-35	sep-05	100%	2	4	100%	2	4
Baesa - Energética Barra Grande	Companhia Brasileira de Alumínio	jun-01	may-36	jun-07	15%	16	38	15%	17	38
Capim Branco I e Capim Branco II	Votorantim Metais Zinco S.A.	aug-01	sep-36	oct-07	13%	3	9	13%	3	9
Picada	Votorantim Metais S.A.	may-01	jun-36	jul-06	100%	21	58	100%	22	58
Enercan - Campos Novos	Votorantim Metais S.A.	apr-00	may-35	jun-06	12%		11	12%	1	3
Pedra do Cavalo	Votorantim Cimentos N/NE S.A.	mar-02	apr-37	apr-06	100%	137	424	100%	141	423
						422	996		436	995
Current							(61)			(60)
Non-current						422	935		436	935



# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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### 26 Equity

#### (a) Share capital

At September 30, 2014 and December 31, 2013, the Company's fully subscribed and paid-up capital, in the amount of R\$ 20,167, comprised 17,687,579 thousand registered common shares.

#### (b) Dividends

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

During the year 2014, VID paid R\$ 154 mandatory dividends to its parent (VPAR) regarding the fiscal year 2013 (ratified at the Ordinary General Meeting "AGO" dated April 30, 2014), and interim dividends approved at the Extraordinary General Meeting "AGE" dated January 17, 2014.

#### (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), and it is credited with the benefits of tax incentives, which are recognized in the results of operations for the year and appropriated to the reserve from retained earnings. 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 relating to foreign exchange, commodities prices and interest rate (hedge accounting), actuarial gains and losses on pension plans, and the amount relating to the fair value of available-for-sale financial assets.

#### (f) Securities convertible into shares

In December 2013, the Company carried out its third private issue of debentures, issuing 90 thousand debentures convertible into shares, in a single series, of the subordinated type. The debentures were issued with exemption from registration with the CVM or with any other regulatory bodies, considering that they were subject to private placement, and not subject to the terms of Law 6,385/76, CVM Instruction 400/03 or CVM Instruction 476/09. The issue in the amount of R\$ 900, with maturity in December 2023, pays 100% of the CDI, plus a spread of 1% per year, with semiannual amortization of interest. These debentures, fully subscribed by Votorantim Finanças, are mandatorily convertible into shares on the expiration date, and the semiannual amortization of interest may be postponed at the Company's sole discretion.

Debenture holders have, as from the 12th month after the issue, the option to convert the debentures into shares, and the conversion is mandatory on the maturity date. The issuer, in turn, has the right to defer the payment of interest and, also, to redeem the debentures in cash at any time. For conversion purposes, each debenture will be converted into a fixed lot of registered common shares in the issuer, without par value.

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

In the event of the postponement of interest payment, the indenture establishes the conversion by the same factor used to set the share conversion ratio. Based on these characteristics, the debentures were accounted for as an equity instrument.

The yield of R\$ 50 is included in equity, under retained earnings, net of income tax and social contribution.

On June 20, 2014, according to the contractual clauses above, VID made the first payment of interest to Votorantim Finanças, amounting to R\$ 49, of which R\$ 10 relates to the effect of withholding income tax.

#### (g) Reclassification from non-controlling interests to revenue reserve

During the first nine months of 2014, the subsidiary VCSA reclassified R\$ 43 from non-controlling interests to revenue reserve, in relation to the fair value of the assets not recognized by the parent company in the recording of the acquisition of 30% of the non-controlling interest in the investee Cimpor Macau – Companhia de Investimentos S.A. (“Macau”) on April 16, 2013.

At September 30, 2014, the Company reclassified R\$ 251 from revenue reserves to non-controlling interests, related to the depreciation and amortization of the goodwill on subsidiary Companhia Mineira Milpo, not recognized in non-controlling interests in prior years.

#### 27 Net revenue

##### (a) Reconciliation of revenue

The reconciliation between gross and net revenues for the periods ended September 30 is as follows:

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Gross revenue		
Sales of products - domestic market	13,970	13,461
Sales of products - foreign market	7,980	7,706
Supply of electric energy (i)	1,975	860
Service revenue	892	1,008
	<u>24,817</u>	<u>23,035</u>
Taxes on sales and services and other deductions	<u>(4,002)</u>	<u>(3,610)</u>
Net revenue	<u>20,815</u>	<u>19,425</u>

- (i) During the first nine months of 2014, the revenues from the sale of electric energy increased due to the increase in the Differences Settlement Price in spot market operations, which is determined weekly for each cargo level based on the marginal cost of the operation and is used to calculate the purchase or sale of electric energy in the spot market.

##### (b) Information on geographic areas in which the Company operates

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:

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

#### (i) Revenue by destination

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Brazil	12,936	11,875
United States	1,809	1,587
Peru	1,234	1,047
Colombia	680	565
Canada	568	590
Argentina	515	510
Turkey	451	436
Spain	291	298
Morocco	236	226
Switzerland	218	637
Uruguay	199	201
Luxembourg	194	211
Japan	154	114
Tunisia	152	167
India	124	97
The Netherlands	113	9
Singapore	108	179
China	91	67
Belgium	89	61
Chile	71	90
South Korea	71	28
Other countries	511	430
	<u>20,815</u>	<u>19,425</u>

#### (ii) Revenue by currency

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Real	12,822	11,718
US Dollar	4,861	4,716
Colombian Peso	594	497
Canadian Dollar	565	588
Euro	497	304
Argentine Peso	473	614
New Lira	412	399
Dirham	236	217
Dinar	178	170
Rupee	119	97
Luan-China	53	51
Uruguayan Peso	5	54
	<u>20,815</u>	<u>19,425</u>

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### 28 Other operating income (expenses), net

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Financial instruments - firm commitment (Note 1 (i))	882	
Recovery of taxes	19	5
Revenue from co-processing	18	
Gain on sale of property, plant and equipment	8	4
Gain on sale of scrap	8	10
Non-recurring revenues		13
Impairment of property, plant, equipment and intangible (Notes 17 and 18)	(360)	
Mark-to-market of embedded derivatives - Fibria call option (Note 14)	(126)	(37)
Provisions for lawsuits	(59)	(12)
Provision for obsolete and slow-moving inventories	(49)	(3)
Expenses on research	(12)	(16)
Other taxes	(38)	(32)
Expenses on environmental obligations	(37)	(10)
Sale of electric energy	(11)	
Gain (loss) on sale of investments	(1)	39
Other expenses, net	(92)	(6)
	<u>150</u>	<u>(45)</u>

### 29 Finance results, net

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Finance costs		
Interest on borrowing	(1,145)	(945)
Premium paid on Repurchase of bonds (Note 19 (i))	(528)	(11)
Derivative financial instruments (i)	(141)	(23)
Income tax on remittances of interest abroad	(132)	(40)
Interest and monetary restatement "UBP"	(49)	(70)
Discounts granted	(71)	(39)
Interest on taxes payable	(37)	(24)
Interest on related-party transactions	(19)	(19)
Other finance costs	(230)	(196)
	<u>(2,352)</u>	<u>(1,367)</u>
Finance income		
Income from financial investments	284	216
Interest on financial assets	56	31
Monetary restatement on assets	46	52
Interest on related-party transactions	34	31
Discounts obtained	18	16
Monetary restatement on judicial deposits	30	23
Other finance income	15	93
	<u>483</u>	<u>462</u>
Foreign exchange and monetary gains (losses), net	<u>91</u>	<u>(341)</u>
Finance results, net	<u>(1,778)</u>	<u>(1,246)</u>

(i) Refers mainly to currency hedge transaction relating to the repurchase of bonds (tender offer – Note 19 (i)).

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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#### 30 Expenses by nature

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

The cost of sales, selling and administrative expenses for the periods ended September 30 are as follows:

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Raw materials, inputs and consumables used	11,043	10,579
Employee benefit expenses	2,750	2,682
Depreciation, amortization and depletion	1,669	1,648
Transportation expenses	987	883
Outsourced services	793	956
Other expenses	528	404
Total cost of sales, selling and administrative expenses	<u>17,770</u>	<u>17,152</u>
<b>Reconciliation</b>		
Cost of products sold and services rendered	14,802	14,248
Selling expenses	1,350	1,201
General and administrative expenses	1,618	1,703
Total cost of sales, selling and administrative expenses	<u>17,770</u>	<u>17,152</u>

#### 31 Employee benefit expenses

	<u>1/1/2014 to 9/30/2014</u>	<u>1/1/2013 to 9/30/2013</u>
Salaries and bonuses	1,694	1,636
Payroll charges	722	732
Social benefits	334	314
	<u>2,750</u>	<u>2,682</u>

#### 32 Insurance

Pursuant to the Insurance Management Policy of the Company and its subsidiaries, different types of insurance policy, such as operational risk and civil liability insurance are contracted, to protect 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 at September 30, 2014 was as follows:

## Votorantim Industrial S.A.

### Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

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Assets	Type of coverage	Coverage amount
Facilities, equipment and products in inventory	Property damage	44,881
	Loss of profits	9,462

### 33 Supplemental information - Business segments

In order to provide more detailed information, the Company has elected to present financial information organized into two business segments. The following information refers to the analysis of each business segment, and considers the elimination of balances and transactions among the companies before: (i) eliminations between business segments; (ii) 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.

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

### (i) Balance sheet – business segments

	9/30/2014									
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
<b>Assets</b>										
Current assets										
Cash and cash equivalents, financial instruments and derivative financial instruments	2,446	1,061	341	152	1,017	37	316	474		5,844
Trade receivables	1,501	255	207	277	342	48	474	33	(408)	2,729
Inventories	1,282	597	196	671	155	3	668			3,572
Taxes recoverable	272	68	187	264	46	3	133	90		1,063
Dividends receivable	61	19	3					70	(80)	73
Other assets	352	138	24	55	94		105	310		1,078
	<u>5,914</u>	<u>2,138</u>	<u>958</u>	<u>1,419</u>	<u>1,654</u>	<u>91</u>	<u>1,696</u>	<u>977</u>	<u>(488)</u>	<u>14,359</u>
Assets held for sale	1,250								(439)	811
Non-current assets										
Long-term receivables										
Financial investments and derivative financial instruments	16		8			23		21		68
Taxes recoverable	238	507	491	229		3	34	4		1,506
Related parties	146	240	404	3			78	2,320	(1,135)	2,056
Deferred income tax and social contribution	1,027	741	521	763	63	4	468	882	97	4,566
Judicial deposits	236	75	20	49		28	67	1		476
Financial instruments - firm commitment		672						210		882
Other assets	167	19	12	11	6	3	20	124	(20)	342
	<u>1,830</u>	<u>2,254</u>	<u>1,456</u>	<u>1,055</u>	<u>69</u>	<u>61</u>	<u>667</u>	<u>3,562</u>	<u>(1,058)</u>	<u>9,896</u>
Investments	1,475	1,028	294	839			103	18,277	(15,991)	6,025
Property, plant and equipment and biological assets	10,381	4,712	1,097	3,942	984	714	3,493	165	343	25,831
Intangible assets	5,078	621	199	5,246	422	44	278	141		12,029
	<u>18,764</u>	<u>8,615</u>	<u>3,046</u>	<u>11,082</u>	<u>1,475</u>	<u>819</u>	<u>4,541</u>	<u>22,145</u>	<u>(16,706)</u>	<u>53,781</u>
Total assets	<u>25,928</u>	<u>10,753</u>	<u>4,004</u>	<u>12,501</u>	<u>3,129</u>	<u>910</u>	<u>6,237</u>	<u>23,122</u>	<u>(17,633)</u>	<u>68,951</u>

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

	9/30/2014									
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
<b>Liabilities</b>										
<b>Current liabilities</b>										
Borrowing	819	190	193	264	15	53	200	6		1,740
Trade payables	1,273	294	133	901	260	2	374	421	(433)	3,225
Payables - trading	108									108
Salaries and payroll charges	296	103	57	74	78	1	105	51		765
Income tax and social contribution	68	12	1	3	22		34			140
Taxes payable	255	21	8	41	33	3	78	26		465
Dividends payable	7		68	1	2	12	1	66	(74)	83
Advances from customers	65	11	136	1		2	110	1		326
Payables and other liabilities	238	77	30	67	64	7	60	84		627
	<u>3,129</u>	<u>708</u>	<u>626</u>	<u>1,352</u>	<u>474</u>	<u>80</u>	<u>962</u>	<u>655</u>	<u>(507)</u>	<u>7,479</u>
Liabilities related to assets held for sale	850								(423)	427
<b>Non-current liabilities</b>										
Borrowing	12,975	2,338	651	1,466	871	188	836	1,909		21,234
Related parties	65	1	139	57			589	1,299	(1,136)	1,014
Deferred income tax and social contribution	1,259	769	182	1,276	2		404	80		3,972
Tax, civil, labor and environmental provisions	672	211	54	67	28	14	60	55		1,161
Provision for asset retirement	182	104	108	233	216		38			881
Payables and other liabilities	458	485	43	261		68	369	74	422	2,180
	<u>15,611</u>	<u>3,908</u>	<u>1,177</u>	<u>3,360</u>	<u>1,117</u>	<u>270</u>	<u>2,296</u>	<u>3,417</u>	<u>(714)</u>	<u>30,442</u>
Total equity attributable to owners of the Company	5,959	6,137	2,201	6,421	1,449	560	2,979	19,050	(17,287)	27,469
Non-controlling interests	379			1,368	89				1,298	3,134
Total equity	<u>6,338</u>	<u>6,137</u>	<u>2,201</u>	<u>7,789</u>	<u>1,538</u>	<u>560</u>	<u>2,979</u>	<u>19,050</u>	<u>(15,989)</u>	<u>30,603</u>
Total liabilities and equity	<u>25,928</u>	<u>10,753</u>	<u>4,004</u>	<u>12,501</u>	<u>3,129</u>	<u>910</u>	<u>6,237</u>	<u>23,122</u>	<u>(17,633)</u>	<u>68,951</u>



# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

### (ii) Statement of income – business segments

	Statement of income for the period from 1/1/2014 to 9/30/2014									
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
Net revenue from products sold and services rendered	9,690	2,646	688	3,130	1,322	226	2,968	1,905 (*)	(1,760)	20,815
Cost of products sold and services rendered	(6,329)	(2,010)	(600)	(2,501)	(799)	(115)	(2,350)	(1,858) (*)	1,760	(14,802)
<b>Gross profit</b>	<b>3,361</b>	<b>636</b>	<b>88</b>	<b>629</b>	<b>523</b>	<b>111</b>	<b>618</b>	<b>47</b>		<b>6,013</b>
<b>Operating income (expenses)</b>										
Selling	(862)	(55)	(14)	(119)	(44)	(7)	(246)	(3)		(1,350)
General and administrative	(596)	(169)	(90)	(271)	(62)	(20)	(223)	(187)		(1,618)
Other operating income (expenses), net	210	357	(106)	(243)	(101)	(8)	(16)	57		150
	(1,248)	133	(210)	(633)	(207)	(35)	(485)	(133)		(2,818)
<b>Operating profit (loss) before equity investments and finance results</b>	<b>2,113</b>	<b>769</b>	<b>(122)</b>	<b>(4)</b>	<b>316</b>	<b>76</b>	<b>133</b>	<b>(86)</b>		<b>3,195</b>
<b>Result from equity investments</b>										
Equity in the results of investees	102	(8)	(1)	86		21	14	825	(844)	195
<b>Finance results, net</b>										
Finance costs	(1,196)	(407)	(28)	(88)	(33)	(23)	(125)	(474)	22	(2,352)
Finance income	166	101	32	15	5	9	42	135	(22)	483
Foreign exchange gains (losses), net	(19)	(112)	(27)	(94)		1	(8)	350		91
	(1,049)	(418)	(23)	(167)	(28)	(13)	(91)	11		1,778
<b>Profit (loss) before income tax, social contribution and profit sharing</b>	<b>1,166</b>	<b>343</b>	<b>(146)</b>	<b>(85)</b>	<b>288</b>	<b>84</b>	<b>56</b>	<b>750</b>	<b>(844)</b>	<b>1,612</b>
<b>Income tax and social contribution</b>										
Current	(192)	(30)	(2)	(12)	(98)	(29)	(34)	10		(387)
Deferred	(20)	(188)		109	8	(8)	25	(68)		(142)
<b>Profit (loss) for the period from continuing operations</b>	<b>954</b>	<b>125</b>	<b>(148)</b>	<b>12</b>	<b>198</b>	<b>47</b>	<b>47</b>	<b>692</b>	<b>(844)</b>	<b>1,083</b>
<b>Discontinued operations</b>										
Profit (loss) for the period from discontinued operations	17									17
<b>Profit (loss) for the period</b>	<b>971</b>	<b>125</b>	<b>(148)</b>	<b>12</b>	<b>198</b>	<b>47</b>	<b>47</b>	<b>692</b>	<b>(844)</b>	<b>1,100</b>
Profit (loss) attributable to the owners of the Company	927	125	(148)	27	197	47	47	692	(896)	1,018
Profit (loss) attributable to non-controlling interests	44			(15)	1				52	82
<b>Profit (loss) for the period</b>	<b>971</b>	<b>125</b>	<b>(148)</b>	<b>12</b>	<b>198</b>	<b>47</b>	<b>47</b>	<b>692</b>	<b>(844)</b>	<b>1,100</b>

(\*) Refers to the net revenues from electric energy operations (Votoner and Santa Cruz Energia).

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## Notes to the condensed interim consolidated financial statements at September 30, 2014 All amounts in millions of reais unless otherwise stated

	Statement of income for the period from 1/1/2013 to 9/30/2013									
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
Net revenue from products sold and services rendered	9,191	2,503	1,051	2,730	1,134	247	2,764	883 (*)	(1,078)	19,425
Cost of products sold and services rendered	(6,125)	(2,170)	(984)	(2,251)	(732)	(143)	(2,137)	(784) (*)	1,078	(14,248)
<b>Gross profit</b>	<b>3,066</b>	<b>333</b>	<b>67</b>	<b>479</b>	<b>402</b>	<b>104</b>	<b>627</b>	<b>99</b>		<b>5,177</b>
<b>Operating income (expenses)</b>										
Selling	(696)	(63)	(19)	(140)	(38)	(2)	(240)	(3)		(1,201)
General and administrative	(573)	(161)	(109)	(292)	(63)	(16)	(321)	(168)		(1,703)
Other operating income (expenses), net	262	46	6	(121)	(113)	(1)	25	(123)	(26)	(45)
	(1,007)	(178)	(122)	(553)	(214)	(19)	(536)	(294)	(26)	(2,949)
<b>Operating profit (loss) before equity investments and finance results</b>	<b>2,059</b>	<b>155</b>	<b>(55)</b>	<b>(74)</b>	<b>188</b>	<b>85</b>	<b>91</b>	<b>(195)</b>	<b>(26)</b>	<b>2,228</b>
<b>Result from equity investments</b>										
Equity in the results of investees	165	21	(32)	23		(122)	20	266	(341)	
<b>Finance results, net</b>										
Finance costs	(711)	(267)	(23)	(103)	(27)	(30)	(97)	(164)	55	(1,367)
Finance income	250	83	19	36	4	10	19	96	(55)	462
Foreign exchange gains (losses), net	(73)	(284)	(25)	(90)		1	(19)	149		(341)
	(534)	(468)	(29)	(157)	(23)	(19)	(97)	81		(1,246)
<b>Profit (loss) before income tax, social contribution and profit sharing</b>	<b>1,690</b>	<b>(292)</b>	<b>(116)</b>	<b>(208)</b>	<b>165</b>	<b>(56)</b>	<b>14</b>	<b>152</b>	<b>(367)</b>	<b>982</b>
<b>Income tax and social contribution</b>										
Current	(392)	(16)	(2)	(24)	(74)	(26)	(37)	(6)		(577)
Deferred	(87)	(48)	(1)	42	7	(3)	3	15		(72)
<b>Profit (loss) for the period from continuing operations</b>	<b>1,211</b>	<b>(356)</b>	<b>(119)</b>	<b>(190)</b>	<b>98</b>	<b>(85)</b>	<b>(20)</b>	<b>161</b>	<b>(367)</b>	<b>333</b>
<b>Discontinued operations</b>										
Loss for the period from discontinued operations	(60)									(60)
<b>Profit (loss) for the period</b>	<b>1,151</b>	<b>(356)</b>	<b>(119)</b>	<b>(190)</b>	<b>98</b>	<b>(85)</b>	<b>(20)</b>	<b>161</b>	<b>(367)</b>	<b>273</b>
Profit (loss) attributable to the owners of the Company	1,142	(356)	(119)	(113)	109	(85)	(20)	161	(424)	295
Profit (loss) attributable to non-controlling interests	9			(77)	(11)				57	(22)
<b>Profit (loss) for the period</b>	<b>1,151</b>	<b>(356)</b>	<b>(119)</b>	<b>(190)</b>	<b>98</b>	<b>(85)</b>	<b>(20)</b>	<b>161</b>	<b>(367)</b>	<b>273</b>

(\*) Refers to the net revenues from electric energy operations (Votoner and Santa Cruz Energia).

# Votorantim Industrial S.A.

## Notes to the condensed interim consolidated financial statements at September 30, 2014

All amounts in millions of reais unless otherwise stated

### (iii) Adjusted EBITDA – business segments

	Adjusted EBITDA - period from 1/1/2014 to 9/30/2014									
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
Net revenue from products sold and services rendered	9,690	2,646	688	3,130	1,322	226	2,968	1,905	(1,760)	20,815
Cost of products sold and services rendered	(6,329)	(2,010)	(600)	(2,501)	(799)	(115)	(2,350)	(1,855)	1,760	(14,802)
<b>Gross profit</b>	<b>3,361</b>	<b>636</b>	<b>88</b>	<b>629</b>	<b>523</b>	<b>111</b>	<b>618</b>	<b>47</b>		<b>6,013</b>
<b>Operating income (expenses)</b>										
Selling	(862)	(55)	(14)	(119)	(44)	(7)	(246)	(3)		(1,350)
General and administrative	(596)	(169)	(90)	(271)	(62)	(20)	(223)	(187)		(1,618)
Other operating income (expenses), net	210	357	(106)	(243)	(101)	(8)	(16)	57		150
	(1,248)	133	(210)	(633)	(207)	(35)	(485)	(133)		(2,818)
<b>Operating profit (loss) before equity investments and finance results</b>	<b>2,113</b>	<b>769</b>	<b>(122)</b>	<b>(4)</b>	<b>316</b>	<b>76</b>	<b>133</b>	<b>(86)</b>		<b>3,195</b>
<b>Additions:</b>										
Depreciation, amortization and depletion - continuing operations	582	229	62	402	167	31	181	15		1,669
<b>EBITDA</b>	<b>2,695</b>	<b>998</b>	<b>(60)</b>	<b>398</b>	<b>483</b>	<b>107</b>	<b>314</b>	<b>(71)</b>		<b>4,869</b>
<b>Addition:</b>										
Dividends received	17									17
<b>Exceptional items</b>										
FIBRIA call option								126		126
Provision for impairment - property, plant, equipment and intangible		190	81	86						357
Fair value of biological assets							(1)			(1)
Other	1	28								29
<b>Adjusted EBITDA</b>	<b>2,713</b>	<b>1,216</b>	<b>21</b>	<b>484</b>	<b>483</b>	<b>107</b>	<b>313</b>	<b>55</b>		<b>5,392</b>

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	Adjusted EBITDA - period from 1/1/2013 to 9/30/2013									
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
Net revenue from products sold and services rendered	9,191	2,503	1,051	2,730	1,134	247	2,764	883	(1,078)	19,425
Cost of products sold and services rendered	(6,125)	(2,170)	(984)	(2,251)	(732)	(143)	(2,137)	(784)	1,078	(14,248)
<b>Gross profit</b>	<b>3,066</b>	<b>333</b>	<b>67</b>	<b>479</b>	<b>402</b>	<b>104</b>	<b>627</b>	<b>99</b>		<b>5,177</b>
<b>Operating income (expenses)</b>										
Selling	(696)	(63)	(19)	(140)	(38)	(2)	(240)	(3)		(1,201)
General and administrative	(573)	(161)	(109)	(292)	(63)	(16)	(321)	(168)		(1,703)
Other operating income (expenses), net	262	46	6	(121)	(113)	(1)	25	(123)	(26)	(45)
	(1,007)	(178)	(122)	(553)	(214)	(19)	(536)	(294)	(26)	(2,949)
<b>Operating profit (loss) before equity investments and finance result</b>	<b>2,059</b>	<b>155</b>	<b>(55)</b>	<b>(74)</b>	<b>188</b>	<b>85</b>	<b>91</b>	<b>(195)</b>	<b>(26)</b>	<b>2,228</b>
<b>Additions:</b>										
Depreciation, amortization and depletion - continuing operations	546	249	54	364	212	28	190	5		1,648
<b>EBITDA</b>	<b>2,605</b>	<b>404</b>	<b>(1)</b>	<b>290</b>	<b>400</b>	<b>113</b>	<b>281</b>	<b>(190)</b>	<b>(26)</b>	<b>3,876</b>
<b>Addition:</b>										
Dividends received	18									18
<b>Exceptional items</b>										
FIBRIA call option								37		37
Net gain on sale of equity interest VCNNE		(26)							26	
Net gain on sale of equity interest VS		(26)								
Gain on sale of investment C+PA	(38)									(38)
Other	(2)	(6)						37		29
<b>Adjusted EBITDA</b>	<b>2,583</b>	<b>346</b>	<b>(1)</b>	<b>290</b>	<b>400</b>	<b>113</b>	<b>281</b>	<b>(90)</b>		<b>3,922</b>

# Votorantim Industrial S.A.

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### (iv) Adjusted EBITDA

The table below reconciles the annualized adjusted EBITDA to Note 5.1.4 for the calculation of the gearing ratio.

	10/1/2013 to 9/30/2014	1/1/2013 to 12/31/2013
Profit for the period	1,058	238
Plus (less):		
Equity in the results of investees	(121)	74
Finance income (costs), net - continuing operations	2,151	1,612
Finance income (costs), net - discontinued operations	(15)	25
Income tax and social contribution - continuing operations	36	156
Income tax and social contribution - discontinued operations	4	(1)
Depreciation, amortization and depletion - continuing operations	2,247	2,226
EBITDA	5,360	4,330
Plus (less):		
Dividends received	70	71
Extraordinary items		
EBITDA - discontinued operations	(17)	25
Fibra call option	119	30
Impairment of goodwill	383	383
Provision for impairment - inventory	137	137
Provision for impairment - PP&E	760	403
Gain on sale of investment C+PA		(35)
Fair value of biological assets	33	34
Other	13	10
Adjusted EBITDA	6,046	5,388

### 34 Events after the reporting period

#### (i) Renewal of the “Fibra” Shareholders Agreement

In accordance with the Extraordinary General Meeting of VID, held on October 27, 2014, and meeting of the Executive Officers of BNDESPAR held on October 28, 2014, which, among other terms and conditions, extended the effective period of the Fibria Shareholders Agreement for a period of five years, that is, until October 29, 2019, and the share call option (Note 14), which had not been exercised by the Company, was discontinued.

#### (ii) Payment of dividends

In accordance with the “AGE”, held on October 29, 2014, the subsidiary Companhia Brasileira de Alumínio approved the distribution of interim dividends of R\$ 370, which were paid on October 29, 2014.

#### (iii) Borrowings

In October 2014, the subsidiary VCSA concluded its seventh public issuance of simple, non-convertible, non-privileged, unsecured debentures, in three series.

## **Votorantim Industrial S.A.**

### **Notes to the condensed interim consolidated financial statements at September 30, 2014**

**All amounts in millions of reais unless otherwise stated**

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The debentures were distributed with restricted placement efforts and exempt from registration with the "CVM", pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The first series of R\$ 150, with maturity in September 2018, pays 108.8% of the CDI, the second series of R\$ 300, with maturity in September 2019, pays 107.91% of the CDI, and the third series of R\$ 150, with maturity in September 2019, pays 109.4% of the CDI. Part of these amounts was used to amortize the first series of the fourth public issuance of the subsidiary VCSA's debentures of R\$ 500 and the swap related to this transaction.

- (iv) In October 2014, the subsidiary VCSA entered into borrowing agreements in the total amount of US\$ 300 million, with final maturity in October 2017 and October 2018. These transactions, after swaps, resulted in a final cost of 103.3% of the CDI. These amounts will be used for the prepayment of borrowings.
- (v) In October 2014, Votorantim GMBH entered into an export prepayment agreement in the total amount of US\$ 600 million at the cost of LIBOR + 1.25% p.a. with maturity in 2019. This transaction is guaranteed by VID and is linked to a swap that converts the floating rate to a fixed rate, and its final cost is 2.56% p.a.. This amount was used for the partial early settlement of the export prepayment contracted in 2011.