(A free translation of the original in Portuguese)

Votorantim Industrial S.A.

Consolidated financial statements at December 31, 2014 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report on the consolidated financial statements

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

We have audited the accompanying consolidated financial statements of Votorantim Industrial S.A. (the "Company") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers, Al. Dr. Carlos de Carvalho 417, 10º, Curitiba, PR, Brasil 80410-180, Caixa Postal 699
T: (41) 3883-1600, F: (41) 3222-6514, www.pwc.com/br

Votorantim Industrial S.A.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Votorantim Industrial S.A. and its subsidiaries as at December 31, 2014, and their financial performance and their cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters - supplementary information

Statement of value added

We also have audited the consolidated statement of value added for the year ended December 31, 2014 which is supplementary information with respect to accounting practices adopted in Brazil and IFRS which do not require such disclosure. This statement was subject to the same audit procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Information by business unit

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

Curitiba, February 27, 2015

PricewaterhouseCoopers

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

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Votorantim Industrial S.A.

Consolidated balance sheet
As at December 31
All amounts in millions of reais

(A free translation of the original in Portuguese)

	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents	9	3,564	2,498
Financial investments	10	3,846	4,092
Derivative financial instruments	6.1.1	105	108
Trade receivables	11	2,466	2,346
Inventories	12	3,473	3,402
Taxes recoverable	13	1,086	1,048
Dividends receivable	15	45	28
Call options	16		127
Financial instruments - firm commitment for sale of power surplus	1 (ii)	405	
Other assets	17	467	509
		15,457	14,158
Assets classified as held for sale	14 (a)	849	788
		16,306	14,946
Non-current assets			
Long-term receivables			
Financial investments	10	19	41
Derivative financial instruments	6.1.1	197	
Taxes recoverable	13	1,524	1,618
Related parties	15	2,482	1,977
Deferred income tax and social contribution	24 (b)	2,205	1,910
Judicial deposits	28 (c)	433	414
Financial instruments - firm commitment for sale of power surplus	1 (ii)	889	
Other assets	17	297	355
		8,046	6,315
Investments	18	6,270	5,993
Property, plant and equipment	19	26,037	26,314
Biological assets	20	134	109
Intangible assets	21	12,518	11,684
		53,005	50,415
Total assets		69,311	65,361

	Note	2014	2013
Liabilities and equity			
Current liabilities			
Borrowing	22	1,530	1,517
Derivative financial instruments	6.1.1	242	116
Trade payables		3,242	2,807
Payables - trading	23	116	112
Salaries and payroll charges		791	758
Income tax and social contribution		108	146
Taxes payable		385	357
Dividends payable to the owners of the Company	15	379	104
Dividends payable to non-controlling interests	15	10	47
Advances from customers		250	191
Use of public assets	29	64	60
Other liabilities	25	624	539
		7,741	6,754
Liabilities related to assets held for sale	14 (b)	461	390
		8,202	7,144
Non-current liabilities			
Borrowing	22	22,473	21,918
Derivative financial instruments	6.1.1	3	12
Deferred income tax and social contribution	24 (b)	1,513	1,392
Related parties	15	895	916
Provision	28	1,922	2,020
Use of public assets	29	954	935
Pension plan	36	303	374
Other liabilities	25	1,310	697
		29,373	28,264
Total liabilities		37,575	35,408
Equity	30		
Share capital		20,363	20,167
Revenue reserves		7,295	6,294
Carrying value adjustments		589	61
Total equity attributable to owners of the Company		28,247	26,522
Non-controlling interests		3,489	3,431
Total equity		31,736	29,953
Total liabilities and equity		69,311	65,361

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

Votorantim Industrial S.A.

Consolidated statement of income
Years ended December 31
All amounts in millions of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	2014	2013
Continuing operations			
Net revenue from products sold and services rendered	31	28,059	26,244
Cost of products sold and services rendered	34	(20,202)	(19,127)
Gross profit		7,857	7,117
Operating income (expenses)			
Selling	34	(1,846)	(1,676)
General and administrative	34	(2,264)	(2,244)
Other operating income (expenses), net	32	329	(1,068)
		(3,781)	(4,988)
Operating profit before equity results and finance results		4,076	2,129
Result from equity investments			
Equity in the results of investees	18	258	(74)
Finance results, net	33		
Finance costs		(3,026)	(2,009)
Finance income		782	911
Foreign exchange gains (losses), net		(85)	(514)
		(2,329)	(1,612)
Profit before income tax and social contribution		2,005	443
Income tax and social contribution	24		
Current		(492)	(963)
Deferred		152	807
Profit for the year from continuing operations		1,665	287
Discontinued operations			
Profit (loss) for the year from discontinued operations	14 (c)	16	(49)
Profit for the year		1,681	238
Profit attributable to the owners of the Company		1,594	433
Profit (loss) attributable to non-controlling interests		87	(195)
Profit for the year		1,681	238
Weighted average number of shares - thousands		17,698,165	17,532,872
Basic and diluted earnings per thousand shares*		90.07	24.70
From continuing operations:			
Basic and diluted earnings per thousand shares*		89.11	27.49
From discontinued operations:			
Basic and diluted earnings (loss) per thousand shares*		0.90	(2.79)

* Considers in 2014, for purposes of dilution, 90 thousand shares related to securities convertible into shares (Note 30 (f)).

Votorantim Industrial S.A.

Consolidated statement of comprehensive income
Years ended December 31
All amounts in millions of reais (A free translation of the original in Portuguese)

	Note	2014	2013
Profit for the year		1,681	238
Other components of comprehensive income net of income tax and social contribution to be subsequently reclassified to profit or loss			
Foreign exchange gains on foreign investments		1,759	1,967
Hedge accounting of net investments in foreign operations	6.1.4	(883)	(892)
Hedge accounting for the operations of subsidiaries		20	(38)
Share in other comprehensive income of investees		(13)	28
		883	1,065
Other components of comprehensive income net of income tax and social contribution that will not be reclassified to profit or loss			
Remeasurement of retirement benefits	36	18	(24)
Other comprehensive income for the year, net of taxes		901	1,041
Total comprehensive income for the year		2,582	1,279
Comprehensive income attributable to			
Owners of the Company		2,122	1,028
Non-controlling interests		460	251
		2,582	1,279

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

Votorantim Industrial S.A.

Statement of changes in equity
Years ended December 31
All amounts in millions of reais

(A free translation of the original in Portuguese)

		Attributable to owners of the parent								
			Revenue reserves							
	Note	Share capital	Tax incentives	Legal	Profit retention	Retained earnings	Carrying value adjustments	Total	Non-controlling interests	Equity
At January 1, 2014		20,167	6	555	5,733		61	26,522	3,431	29,953
Total comprehensive income for the year										
Profit for the year						1,594		1,594	87	1,681
Components of comprehensive income for the year							528	528	373	901
Total comprehensive income for the year						1,594	528	2,122	460	2,582
Total contributions by and distributions to stockholders										
Securities convertible into shares	30 (f)					(68)		(68)		(68)
Capital increase	1 (i)	196						196		196
Acquisition of non-controlling interests										
Acquisition of non-controlling interests VCNNE	1 (v)				(38)			(38)	(100)	(138)
Increase in non-controlling interests Yacuces									48	48
Increase in non-controlling interests Itacamba									13	13
Reclassification from non-controlling interests to revenue reserve	30 (g)				294			294	(294)	
Allocation of profit for the year										
Legal reserve	30 (c)			80		(80)				
Dividends (R$ 0.04 per share)	30 (b)				(402)	(379)		(781)	(69)	(850)
Profit retention					1,067	(1,067)				
Total contributions by and distributions to stockholders		196		80	921	(1,594)		(397)	(402)	(799)
At December 31, 2014		20,363	6	635	6,654		589	28,247	3,489	31,736

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

Votorantim Industrial S.A.

Statement of changes in equity
Years ended December 31
All amounts in millions of reais

(A free translation of the original in Portuguese)

		Attributable to owners of the parent								
			Revenue reserves				Carrying			
			Tax			Retained	value		Non-controlling	
	Note	Share capital	incentives	Legal	Profit retention	earnings	adjustments	Total	interests	Equity
At January 1, 2013		19,907	5	533	5,513		(1,434)	24,524	3,249	27,773
Total comprehensive income for the year										
Profit (loss) for the year						433		433	(195)	238
Components of comprehensive income for the year							595	595	446	1,041
Total comprehensive income for the year						433	595	1,028	251	1,279
Total contributions by and distributions to stockholders										
Securities convertible into shares	30 (f)					(2)	900	898		898
Capital increase		260						260		260
Acquisition of non-controlling interests					38			38	(47)	(9)
Decrease in non-controlling interests Macau					(10)			(10)	(28)	(38)
Increase in non-controlling interests Antequera									6	6
Reversal of dividends prescribed and not claimed					62			62		62
Allocation of profit for the year										
Tax incentive reserve			1			(1)				
Legal reserve	30 (c)			22		(22)				
Dividends (R$ 0.01 per share)	30 (b)				(176)	(102)		(278)		(278)
Profit retention					306	(306)				
Total contributions by and distributions to stockholders		260	1	22	220	(433)	900	970	(69)	901
At December 31, 2013		20,167	6	555	5,733		61	26,522	3,431	29,953

Votorantim Industrial S.A.

Consolidated statement cash flows
Years ended December 31
All amounts in millions of reais (A free translation of the original in Portuguese)

	Note	2014	2013
Cash flow from operating activities			
Profit before income tax and social contribution		2,005	443
Profit (loss) on discontinued operations		16	(49)
Adjustments of items that do not represent changes in cash and cash equivalents			
Interest, indexation and foreign exchange gains		3,102	1,483
Equity in the results of investees	18	(258)	74
Depreciation, amortization and depletion	19, 20 and 21	2,291	2,226
Gain on sale of non-current assets			86
Call options	32	126	30
Change in fair value of biological assets		(32)	34
Derivative financial instruments		(44)	(12)
Provision for asset impairment	32	621	928
Financial instruments – firm commitment	32	(1,294)	
Provision		(143)	199
		6,390	5,442
Decrease (increase) in assets			
Financial investments		642	(686)
Derivative financial instruments		(43)	152
Trade receivables		(144)	(273)
Inventories		(135)	(64)
Taxes recoverable		138	39
Related parties		(505)	(25)
Other assets		77	(147)
Increase (decrease) in liabilities			
Trade payables		425	69
Deferred revenue - performance obligation		905	
Payables - trading		4	58
Salaries and payroll charges		33	160
Taxes payable		(172)	8
Advances from customers		59	100
Use of public assets		59	80
Other liabilities		(365)	(818)
		7,368	4,095
Interest paid on borrowing and use of public assets		(1,599)	(1,449)
Premium paid on the Tender Offer		(527)	(78)
Income tax and social contribution paid		(330)	(361)
Net cash provided by operating activities		4,912	2,207
Cash flow from investing activities			
Purchases of property, plant and equipment		(2,435)	(2,354)
Increase in biological assets	20	(34)	(26)
Increase in intangible assets	21	(82)	(114)
Acquisition of investments			(356)
Capital increase in investees	18		(20)
Proceeds from sale of non-current assets		336	248
Dividends received		56	71
Net cash used in investing activities		(2,159)	(2,551)
Cash flow from financing activities			
New borrowing		8,235	3,380
Repayment of borrowing		(9,040)	(4,368)
Derivative financial instruments		(149)	(22)
Related parties		(21)	(189)
Securities convertible into shares			900
Capital increase			260
Acquisition of non-controlling interests Macau			(38)
Acquisition of non-controlling interests VCNNE	1 (v)	(138)	
Increase in non-controlling interests Yacuces		48	
Increase in non-controlling interests Itacamba		13	
Interest on debentures VFIN		(68)	
Payment of dividends		(612)	(233)
Net cash used in financing activities		(1,732)	(310)
Increase (decrease) in cash and cash equivalents		1,021	(654)
Effect of fluctuations in exchange rates		45	181
Cash and cash equivalents at the beginning of the year		2,498	2,971
Cash and cash equivalents at the end of the year		3,564	2,498
Principal non-cash transactions			
Payment of REFIS with deferred tax on tax losses		562	167
Loans from FINAME for acquisition of property, plant and equipment		67	62
Capital increase through ownership interests and other non-current assets		196	

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

Votorantim Industrial S.A.

Consolidated statement of value added
Years ended December 31
All amounts in millions of reais (A free translation of the original in Portuguese)

	Note	2014	2013
Revenue			
Sales of products and services,			
less discounts and returns		33,192	30,927
Other operating income (expenses), net	32	950	(140)
Provision for impairment of trade receivables	11 (c)	(56)	(62)
		34,086	30,725
Inputs acquired from third parties			
Cost of products sold and services rendered		(17,832)	(16,800)
Loss of assets (Impairment)	32	(621)	(928)
Gross value added		15,633	12,997
Depreciation, amortization and depletion	19,20 and 21	(2,291)	(2,226)
Net value added generated by the Company		13,342	10,771
Value added received through transfer			
Equity in the results of investees	18	258	(74)
Finance income		3,385	4,275
		3,643	4,201
Total value added to distribute		16,985	14,972
Distribution of value added			
Personnel and payroll charges	35		
Direct remuneration		2,337	2,202
Social charges		979	981
Benefits		454	421
		3,770	3,604
Taxes and contributions			
Federal		2,632	2,878
State		3,085	2,924
Municipal		32	37
Deferred taxes		(152)	(807)
		5,597	5,032
Third-party capital remuneration			
Finance costs		5,714	5,887
Rentals		223	211
		5,937	6,098
Own capital remuneration			
Non-controlling interests		87	(195)
Dividends		448	102
Reinvested profits		1,130	380
Profit (loss) on discontinued operations	14 (c)	16	(49)
		1,681	238
Value added distributed		16,985	14,972

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

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 2014

(i) Capital increase in VID

At the Extraordinary General Meeting held on December 31, 2014, VPAR increased VID's capital by R$196 by transferring its ownership interest in Votorantim Novos Negócios Ltda and other non-current assets at carrying amount.

(ii) Financial instrument – firm commitment for sale of surplus energy

The Company, through its subsidiary Votener – Votorantim Comercializadora de Energia Ltda., operates in the Sale of Electric Energy in the Regulated Environment ("CCEAR") and its last participation was on the 13th electric energy auction on April 30, 2014 in which it signed a firm commitment for sale of surplus energy to be supplied until 2019. These transactions resulted in a gain on sale of surplus energy for the Company, which was recognized at its fair value in the amount of R$ 958.

Additionally, the Company, also through its subsidiary Votener – Votorantim Comercializadora de Energia Ltda., operates in the Sale of Electric Energy in the Deregulated Environment ("ACL"), which also resulted in a gain resulting from the fair value recognition of the sale of surplus energy to be supplied until 2020.

In the year ended December 31, 2014, the result of these transactions, both in the Regulated and in the Deregulated Environment, recognized at their fair value, generated a gain of R$ 1,294 (R$ 854 net of deferred taxes) recognized as "Other operating income (expenses), net" (Note 32).

(iii) Bond issuance

In June 2014, the subsidiary Companhia Brasileira Alumínio ("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 the rating agencies Standard & Poor's (S&P), Moody's and Fitch, respectively.

In April 2014, the subsidiary Votorantim Cimentos S.A. ("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 the rating agencies S&P, Moody's and Fitch, respectively.

(iv) Repurchase of bonds (Tender Offer)

VID, CBA and Voto - Votorantim Overseas Trading Operations IV Ltd. ("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 a 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 a 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 a total disbursement of R$ 788 (US$ 341 million). The related financial settlement was made on March 28, 2014.

(v) Repurchase of non-controlling interest in Votorantim Cimentos N/NE S.A. ("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, of which 663,591 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, a 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 VCNEE.

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

2.1. Basis of preparation

(a) Summary of significant accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in the years presented.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil effective up to December 31, 2014 , including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), as well as according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and their interpretations ("IFRIC").

The preparation of consolidated financial statements considered the historical cost basis, which in the case of certain financial assets and liabilities, including derivative instruments, is adjusted to reflect the fair value measurement.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(c) Approval of the financial statements

The Board of Directors approved these consolidated financial statements for issue on February 27, 2015.

2.2. Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to VID. They are deconsolidated from the date that control ceases.

Transactions, balances and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Transactions with non-controlling interests

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

(c) Loss of control of subsidiaries

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The amounts previously recognized in carrying value adjustments are reclassified to results.

(d) Associates and joint arrangements

Associates are all entities over which the Company has significant influence but not control.

Joint arrangements are all entities over which the Company shares control with one or more parties. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.
Joint operations are accounted for in the financial statements in order to represent the Company's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are individually accounted for in its financial statements.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest. Unrealized losses are also eliminated unless the transaction demonstrates evidence of an impairment of the asset transferred. Accounting policies of associates and jointly-controlled investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates are recognized in the statement of income.

(e) Main companies included in the consolidated financial statements

The Company consolidates all entities over which it has control.

The main subsidiaries and joint ventures included in the consolidation are:

All amounts in millions of reais unless otherwise stated

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

(i) The percentage of the voting capital of VCNNE at December 31, 2013 was 95.79. The percentages stated in the table for the company refer to the total capital.

(ii) On February 26, 2014, VM Holding S.A. was established. This company is located in Luxembourg and will have as its main activity investing in companies in the zinc and mining segments.

(iii) On December 31, 2014, the parent company VPAR increased VID's capital by transferring, among other assets, the ownership interest in VNN.

(iv) Due to the nature of the exclusive funds, these do not present voting capital. The Company holds the total capital mentioned. 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.

All amounts in millions of reais unless otherwise stated

(f) Main figures of the jointly-controlled entities

The assets, liabilities and profit or loss accounts considered in the consolidation of the Company's main jointly-controlled entities ("joint operations") are presented below, taking into account the percentage held by the Company:

	Baesa - Energética Barra Grande S.A.		Campos Novos Energia S.A.	
	2014	2013	2014	2013
Ownership percentage	15%	15%	45%	45%
Current assets	11	15	64	44
Non-current assets	187	201	572	599
Current liabilities	21	15	56	46
Non-current liabilities	73	67	167	201
Net revenue	60	71	223	210
Operating expenses	11	11	37	34
Profit for the year	6	21	44	62

2.3. Foreign currency translation

(a) Functional and presentation currency of the financial statements

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

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

(b) Transactions and balances

Foreign currency transactions are translated into Reais using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in equity as net investment hedges.

(c) Subsidiaries with a different functional currency

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

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

(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity, in the account "Carrying value adjustments".

The amounts presented in the cash flow are extracted from the translated movements of the assets, liabilities and profit or loss, as detailed above.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other foreign currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

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

Below are the functional currencies defined for the significant foreign subsidiaries:

Company	Country	Functional currency
Cement		
VCNA	Canada	Canadian Dollar
VCEAA	Spain	Euro
Metals		
Cajamarquilla	Peru	US Dollar
USZinc	USA	US Dollar
Mining		
Milpo	Peru	US Dollar
Steel		
APDR	Colombia	Colombian Peso
Acerbrag	Argentina	Argentine Peso
Holding and trading companies		
VM Holding	Luxembourg	US Dollar
VGmbH	Austria	US Dollar

2.4. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, which are readily convertible into a known amount of cash and subject to immaterial risk of change in value. Bank overdrafts are shown within borrowings in current liabilities.

Cash and cash equivalents are classified as loans and receivables. Regarding cash equivalents, in practice, fair value and amortized cost are equal, considering by definition, their characteristics.

2.5. Financial assets

2.5.1. Classification

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

(a) Held for trading

These are financial assets held for active and frequent trading. These assets are measured at their fair value, and the changes are recognized in the statement of income for the year within "Finance results, net". All financial assets in this category are classified as current assets.

Derivatives are also categorized as held for trading unless they are designated as hedges.

(b) Held to maturity

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

(c) Loans and receivables

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

2.5.2. Recognition and measurement

Normal purchases and sales of financial assets are typically recognized on the trade date, which is the date on which the Company commits to purchase or sell the assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, when existing, are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss, when existing, are subsequently carried at fair value.

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or become impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as "Finance results, net".

Interest on available-for-sale securities calculated using the effective interest rate method is recognized in the statement of income as "Finance results, net".

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.5.3. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal right should not be contingent on future events and should apply in the normal course of business and in the case of default, insolvency or bankruptcy of the company or the counterparty.

2.5.4. Impairment of financial assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and if that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income.

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

2.6. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, in the case of adoption of hedge accounting, and if so, the nature of the item being hedged. The Company adopts the hedge accounting procedure and designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

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

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

(a) Cash flow hedge

With a view to ensuring a fixed operating margin in Reais for a portion of the production of the metal businesses, the subsidiaries enter into commodity forward contracts (zinc, aluminum and nickel) on sales of certain commodities combined with the sale of U.S. Dollar forward contracts. These subsidiaries adopt hedge accounting for the derivative instruments entered into for this purpose. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". The gain or loss relating to the ineffective portion is recognized as other operating income (expenses). The amounts recognized in equity are recorded in the statement of income (in the same line item affected by the transaction originally hedged) upon realization of the hedged exports and/or sales referenced to the London Metal Exchange ("LME") prices.

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

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

(b) Fair value hedges

With the objective of maintaining the flow of the metal businesses' operating revenue pegged to LME prices, the subsidiaries enter into hedging transactions under which they convert sales at fixed prices to floating prices in commercial transactions with customers interested in purchasing products at a fixed price. These subsidiaries adopt hedge accounting for the derivative instruments entered into for this purpose. Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in "Operating income (expenses)". The change in the fair value of the hedged item, in this case the firm commitment of the fixed price sale to the customer, is recorded in "Operating income (expenses)".

(c) Net investment hedges

The Company and its subsidiary VCSA designated certain borrowing agreements in foreign currency as hedges of a portion of their investments in foreign operations. The purpose of this procedure is to mitigate the impact of the volatility of exchange rates on their statements of income.

The effectiveness of these hedging transactions is periodically tested. The portion of foreign exchange gains/losses on these borrowing agreements is recorded in "Carrying value adjustments" in the Company's equity. This type of hedging is used for the foreign investments held in VCNA, Cajamarquilla, US Zinc and VCEAA.

Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges.

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

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

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

(e) Financial instrument – firm commitment

The subsidiary Votener - Votorantim Comercializadora de Energia Ltda. centralizes the energy purchase and sale transactions to meet the demands of VID companies. Part of these transactions is carried out under contracts that have been entered into and continue to be performed for the purpose of receiving or delivering energy for own use, according to the production demands of VID companies and, therefore, do not meet the definition of financial instrument.

Another portion of these transactions refers to the purchase and sale of surplus energy, not used in VID's production process and which is, therefore, sold in an active market and meet the definition of financial instrument because such instruments are settled in energy readily convertible into cash. These contracts are accounted for as derivatives pursuant to IAS 39 / CPC 38 and are recognized in the Company's balance sheet at fair value on the date the derivative is entered into and remeasured at fair value at the end of the reporting period.

The fair value of such derivative is estimated partly based on price quotations published in an active market, to the extent that observable market inputs exist, and partly by using valuation techniques, the inputs of which include data that is not based on or derived from observable market inputs. (i) prices set in purchase and sale transactions, (ii) risk margin in the supply, (iii) adjustment to present value, and (iv) market price projected in the availability period. Whenever the fair value at the initial recognition of these contracts differs from the transaction price a fair value gain or a fair value loss arises.

2.7. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables. Receivables from customers abroad are presented based on the exchange rates prevailing at the balance sheet date.

2.8. Inventories

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

2.9. Current and deferred income tax and social contribution

The income tax and social contribution expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity. The current and deferred income tax and social contribution is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total

amount due on the reporting date.
Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

2.10. Judicial deposits

Judicial deposits are monetarily restated and presented net in "tax, civil, labor and other provisions", when there is a corresponding provision. The deposits without corresponding provision are presented in non-current assets.

2.11. Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company and they can be measured reliably. The carrying amount of the replaced items or parts is derecognized.

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

Buildings	25 - 56 years
Machinery and equipment	10 - 40 years
Vehicles	4 - 10 years
Furniture and fixtures	4 - 16 years

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

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

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

2.12. Leases

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other payables.

The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

2.13. Biological assets

The biological assets of the subsidiary VS represent growing eucalyptus forests located in the State of Minas Gerais, with a total area of approximately 22,801 hectares, used in the Company's production process, mainly as fuel for transformation of pig iron, a raw material for the production of long steel.

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

2.14. Assets classified as held for sale

Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value, less costs to sell.

2.15. Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Rights over natural resources

Mineral studies and research expenditures are considered operating expenses until such time as the economic feasibility of the commercial exploitation of a certain mine is proven. Once feasibility is proven, the expenditure incurred is capitalized as mine development costs. Once the mine is operational the cumulative costs capitalized in relation to exploitation rights are reclassified from “property, plant and equipment” to “intangible assets” and subsequently amortized or included in the cost of the product. The capitalized construction costs relating to the plant are reclassified to "equipment and facilities".

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

Once the mine is operational, these costs are amortized and considered a cost of production.

Depletion of mineral resources is calculated based on extraction, taking into consideration the estimated productive lives of the reserves.

In mining operations related to the cement and metal business, it is necessary to remove overburden and other waste to gain access to mineral ore deposits. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine, before production commences, when the stripping activity asset improves access to the ore body, the component of the ore body for which access has been improved can be identified and the costs can be measured reliably, the stripping activity asset is capitalized as part of the investment in construction of the mine, accounted for as part of the intangible assets, and subsequently amortized over the life of the mine on a units of production basis.

(c) Computer software

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

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets.

(d) Use of public assets

This represent the amounts established in the concession contracts regarding the rights to hydroelectric power generation (onerous concession) under Use of Public Assets agreements.

These transactions are accounted for at the time when the operating permit is awarded, regardless of the disbursement schedule established in the contract. Upon inception, this liability (obligation) and intangible asset (concession right) correspond to the total amount of the future obligations discounted to their present value.

The amortization of the intangible asset is calculated on a straight-line basis over the period of the authorization to use the public asset. The financial liability is updated by the effective interest method and reduced by the payments contracted.

(e) Contractual customer relationships and non-competition agreements

Contractual customer relationships and non-competition agreements acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations and non-competition agreements have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives as follows:

Customer relationships	15 years
Non-competition agreements	Five years

2.16. Business combination and goodwill based on expected future profitability

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

2.17. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. The impairment review of goodwill is performed annually or more frequently if events or changes in circumstances indicate a possible impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.18. Trade payables

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

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

2.19. Borrowings

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

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

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company and costs can be measured reliably. The other borrowing costs are recognized as finance costs in the period in which they are incurred.

2.20. Provision

(a) Provision for tax, civil, labor, environmental and other legal claims

The provision for tax, civil, labor, environmental and other legal claims is recognized when: (i) the Company has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount can be reliably estimated. Provision does not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to time elapsing is recognized as interest expense.

(b) Asset retirement obligations

Expenditures relating to mine retirement are recorded as asset retirement obligations. Obligations consist mainly of costs associated with termination of activities. The asset retirement cost, equivalent to the present value of the obligation (liability), is capitalized as part of the carrying amount of the asset, which is depreciated over its useful life. These liabilities are recorded as provision.

2.21. Employee benefits

The Company operates certain types of post-employment benefits, including both defined benefit and defined contribution plans and a post-retirement healthcare plan.

(a) Pension obligations

The Company, through its subsidiaries abroad (VCNA, VCEAA, Artigas and APDR) and in Brazil (VCNNE), participates in pension plans managed by a private pension entity, which provide post-employment benefits to employees.

In Brazil, the Company and its main subsidiaries sponsor a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For VCNNE, and for its subsidiaries abroad (VCNA, VCEAA, Artigas and APDR), the Company sponsors a defined benefit plan, which is different from a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. In countries where there is no active market related to such obligations, market rates for government securities are used.

Actuarial gains and losses arising from changes in actuarial assumptions are recognized within "Carrying value adjustments" in the period in which they arise.

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

For defined contribution plans, the Company pays contributions to the pension plan administrators on a compulsory, contractual or voluntary basis. The Company no longer has payment obligations once the contributions are paid. Contributions are recognized as employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Health care (post-retirement)

The Company, through its subsidiaries abroad (VCNA, VCEAA and Artigas), offers post-retirement health care benefits to its employees. The health care benefits are offered by the Company under a policy that has been discontinued. This policy established a lifetime benefit concession to a predetermined group of employees. This benefit is closed to new participants and there are no active employees who can opt for it.

The liability related to the health care plan for retired employees is stated at the present value of the obligation, less the market value of the plan assets, adjusted by actuarial gains and losses and past-service costs, in a manner similar to the accounting methodology used for defined benefit pension plans. The post-retirement health care obligation is calculated annually by independent actuaries. The present value of the post-retirement health care obligation is determined based on an estimate of the future cash outflow. Actuarial gains and losses arising from changes in actuarial assumptions are fully recognized within "Carrying value adjustments" in the period in which they arise.

(c) Employee profit sharing

Provision is recorded to recognize the expenses related to employee profit sharing. This provision is calculated based on qualitative and quantitative targets established by management and recorded in the statement of income as "Employee benefits".

2.22. Share capital

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

2.23. Revenue recognition

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

The Company and its subsidiaries recognize revenue when: (i) the amount of revenue can be reliably measured; (ii) it is probable that future economic benefits will flow to the entity; and (iii) specific criteria have been met for each of the activities of the Company and its subsidiaries as described below. Revenue will not be deemed as reliably measured if all sale conditions are not resolved. The Company and its subsidiaries base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue recognition is based on the following principles:

(a) Sales of products

Revenue from sales in the domestic and foreign markets is usually recognized when the products are delivered and the risks and rewards are transferred to the customer.

(b) Sales of services

The Company sells, through its subsidiaries, concrete pouring, co-processing and cargo transportation services and the VOTORAÇO products. These services are provided on a time and materials basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years. Revenue from fixed-price contracts for delivering transportation services is generally recognized according to the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the statement of income in the period in which the circumstances that give rise to the revision become known to management.

(c) Sale of surplus energy

The electric energy purchase and sale transactions entered into by the Company and its subsidiaries that have the purpose of purchase of energy for own consumption or supply of own generation energy does not meet the definition of financial instrument. The other energy purchase and sale transactions are recognized in the Company's financial statements at their fair value.

(d) Interest income

Interest income arising from financial assets is recognized on an accrual basis, using the effective interest rate method.

2.24. Distribution of dividends

The distribution of dividends to the Company's stockholders is recognized as a liability in the Company's financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required, 25% of the profit for the year, is only provided on the date it is approved by the stockholders at the General Meeting.

2.25. Earnings per share

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

2.26. Interest on capital

Interest on capital is subject to a withholding income tax rate of 15%, except for the Company's stockholders that are declared immune or exempt from such taxes, pursuant to Law 9,249/95 and based on the Long-term Interest Rate ("TJLP"). Interest on capital is a form of dividend distribution, which is deductible for tax purposes in Brazil and is included in the dividend distribution for the year, as established in the Company's bylaws.
The tax benefit of interest on capital is recognized in the statement of income.

2.27. Government grants

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

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

2.28. Statement of cash flows

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

Cash flow from operating activities is presented using the indirect method. The consolidated profit is adjusted by the effects of non-cash transactions, any deferrals or appropriations of operating past or future cash receipts or payments, and the effects of revenue or expenses related to cash flow from investing or financing activities.

All revenue and expenses arising from non-monetary operations attributable to investment or financing are eliminated. Interest received or paid is classified as cash flow from operations.

2.29. Statement of value added

The statement of value added has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements. The first part of the statement presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied on the sale, other revenues and the effects of the provision for impairment of trade receivables), inputs acquired from third parties (cost of sales and purchases of materials, energy and third party services, including taxes levied on the purchase, the effects of impairment and recovery of assets, and depreciation and amortization) and the value added received from third parties (equity in the results of associates and joint ventures, finance income and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes and contributions, third party capital remuneration and own capital remuneration.

The presentation of the statement of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statement is considered supplementary information, and not part of the set of financial statements.

3. Changes in accounting policies and disclosures

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

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

ICPC 19 / IFRIC 21 - "Levies"

In May 2013 the IASB issued a new interpretation to addresses 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.

CPC 01 / 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 consolidated financial statements.

CPC 38 / IAS 39 - Financial Instruments: Recognition and Measurement

Clarifies that the substitution of original counterparts by compensation counterparts that may be required due to introduction or changes in law and regulations does not cause the expiration or end of a hedge instrument. Furthermore, the effects of the original counterpart substitution should be reflected in the measurement of the hedge instrument and, therefore, on the evaluation and measurement of the hedge effectiveness.

CPC 39 / IAS 32 – Financial Instruments: Presentation

This standard addresses the compensation of financial assets and liabilities. This change clarifies that the right of compensation should not be contingent on a future event. It should also be legally applied to all counterparts during the normal course of the business as well as in the case of insolvency or bankruptcy. The change also considers the settlement mechanisms.

(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 consolidated financial statements.

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 and 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 as defined are 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 agriculture 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.

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.

4. Critical accounting estimates and judgments

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting estimates will seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Business combinations

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

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 6.1.1).

(c) Asset retirement obligations

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

(d) Deferred income tax and social contribution

The Company is subject to income taxes in all countries in which it operates. The provision for income tax is calculated individually by the entity based on tax rates and rules effective at the entity's location. The Company also recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the current and deferred tax assets and liabilities in the period in which the determination is made (Note 24).

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

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

(f) Provision for tax, civil, labor and other legal claims

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

(g) Impairment of goodwill and investments

The Company tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy (Note 2.5.4). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

For the recoverable amount of its investments, the Company applies a similar procedure to impairment testing of goodwill.

Additional information is disclosed in Note 21 (c).

(h) Use of public assets

The amount is originally recognized as a financial liability (obligation) and as an intangible asset (right to use a public asset) which corresponds to the amount of the total annual charges over the period of the agreement discounted to present value (present value of the future payment cash flows).

(i) Recognition for impaired trade receivables

The provision for impairment of trade receivables is recognized in an amount considered sufficient to cover probable losses on their realization. The Company's accounting policy for establishing the provision for impairment of trade receivables requires that all invoices be individually reviewed by the legal, collection and credit departments, in order to determine the amount of the probable expected losses.

5. Social and environmental risk management

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

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

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

6. Financial risk management

6.1. Financial risk factors

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

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

In order to mitigate the various effects of each market risk factor, the Company and its subsidiaries follow a Market Risk Management Policy, approved by the Finance Committee, with the objective of establishing governance and the overall guidelines of the process of managing these risks, as well as the metrics for their measurement and monitoring.

This policy is complemented by establishing guidelines and rules for: (i) foreign exchange exposure management, (ii) interest rate exposure management, (iii) commodity price exposure management,

All amounts in millions of reais unless otherwise stated

(iv) counterparty and issuer risk management, and (v) liquidity and financial indebtedness management. The proposals made to comply with each of the policies are discussed and approved by the Finance Committee, pursuant to the governance structure described in the Market Risk Management Policy.

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

(a) Market risk

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

(b) Foreign exchange risk

The Foreign Exchange Exposure Management Policy highlights that the purpose of derivative transactions is to reduce cash flow volatility, hedge against foreign exchange exposure, and avoid the mismatch between Company currencies.

The Company has certain investments in foreign operations, the net assets of which are exposed to foreign exchange risk. Foreign exchange exposure arising from the Company's foreign operations is mainly hedged by borrowings in the same currency of these investments, being classified as net investment hedges, as described in Note 2.6. We present below the carrying amounts of assets and liabilities indexed to foreign currency at the end of the reporting period:

		Current		Non-current	
	Note	2014	2013	2014	2013
Assets in foreign currency					
Cash and cash equivalents	9	2,201	1,678		
Financial investments	10	339	258	709	491
Derivative financial instruments	6.1.1	105	108	197	
Trade receivables	11 (b)	1,429	1,254		
		4,074	3,298	906	491
Liabilities in foreign currency					
Borrowing	22 (a)	586	653	14,376	13,930
Derivative financial instruments	6.1.1	242	112	3	12
Trade payables		2,035	1,606	19	17
		2,863	2,371	14,398	13,959
Net exposure		1,211	927	13,492	13,468

(c) Cash flow and fair value interest rate risk

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

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

(d) Commodity price risk

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

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

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

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

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

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

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

(e) Credit risk

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

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

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

In the case of credit risk arising from customer credit exposure, the Company assesses the credit quality of the customer, taking into account mainly the historical relationships with the customers and financial indicators defining individual credit limits, which are continuously monitored. The Company recognizes a provision for the impairment of trade receivables whenever necessary.

The provision for the impairment of trade receivables is recorded at an amount deemed sufficient to cover probable losses on the collection of trade receivables and is charged to "Selling expenses".

All amounts in millions of reais unless otherwise stated

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

(f) Liquidity risk

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

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

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

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	As from 5 years	Total
At December 31, 2014					
Borrowing - principal	1,161	6,061	6,876	9,536	23,634
Borrowing - interest	1,579	2,904	1,936	5,935	12,354
Derivative financial instruments	242	3			245
Trade payables	3,242				3,242
Payables - trading	116				116
Dividends payable	389				389
Related parties		895			895
Use of public assets	66	144	163	2,546	2,919
	6,795	10,007	8,975	18,017	43,794
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
Derivative financial instruments	116	8	4		128
Trade payables	2,807				2,807
Payables - trading	112				112
Dividends payable	151				151
Related parties		916			916
Use of public assets	60	132	148	2,557	2,897
	5,947	7,999	9,916	18,891	42,753

6.1.1. Derivative financial instruments

All derivative transactions were carried out on the over-the-counter market.

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

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

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

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

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

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

Hedging program for foreign currency-denominated debts – hedging instruments contracted for the purpose of protecting the cash flow in local currency. Risk mitigation is carried out by means of cross-currency swaps.

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

All amounts in millions of reais unless otherwise stated

Program	Principal 2014	Principal 2013	As per Unit	Purchase / Sale	Average FWD rate	Average term (days)	Fair value 2014	Fair value 2013	Realized gain (loss) 2014	Fair value by maturity 2015	Fair value by maturity 2016	Fair value by maturity 2017	Fair value by maturity 2018
Hedging instrument for interest rates in US Dollars													
LIBOR floating rate vs. US dollar fixed rate swaps	10	126	USD MM		2.18% % fixed rate	2			(3.6)				
									(3.6)				
Hedging instrument for sales of nickel, zinc and aluminum at a fixed price													
Nickel forward	606	751	ton	P		77			(0.8)				
Zinc forward	1,663	4,002	ton	P		46	(0.2)	0.5	1.3	(0.2)			
Aluminum forward	2,500		ton	P		53	(0.6)		0.6	(0.6)			
							(0.8)	**0.5**	**1.1**	**(0.8)**			
Hedging instrument for mismatches of quotation periods													
Nickel forward	3,719	780	ton	P/S		22	2.9	(0.4)	(3.0)	2.9			
Zinc forward	371,386	214,006	ton	P/S		26	0.9	(20.1)	(27.4)	0.9			
Silver forward	366	727	k oz	P		29	1.6	2.8	1.8	1.6			
Aluminum forward	17,881		ton	P/S		29	0.9		(1.0)	0.9			
							6.3	**(17.7)**	**(29.6)**	**6.3**			
Hedging instrument for the operating margin of metals													
Nickel forward	815	351	ton	S	15,182 USD/ton	1	(1.6)	3.1	4.7	(1.6)			
Zinc forward	10,730	10,350	ton	S	2,108 USD/ton	1	(1.8)	1.9	3.7	(1.8)			
Aluminum forward	5,400	10,135	ton	S	1,911 USD/ton	1		8.9	8.9				
Copper forward	160	457	ton	S	7,097 USD/ton	1	0.3	0.9	0.6	0.3			
Silver forward	56	51	k oz	S	21 USD/oz	1	0.7	1.6	0.8	0.7			
US Dollar forward	34	45	USD MM	S	2.47 R$/US$	1	(5.9)	(5.3)	0.8	(5.9)			
							(8.3)	**11.1**	**19.5**	**(8.3)**			
Hedging instrument for foreign exchange exposure													
Dollar forward		610	USD MM					7.3	(104.5)				
Euro forward		59	EUR MM					8.2	(1.1)				
								15.5	**(105.6)**				
Hedging instrument for debts													
Fixed rate in Reais vs. CDI floating rate swaps	230	730	BRL MM		87.66% % CDI	627	(9.0)	(15.0)	(9.1)	(5.9)	(2.4)	(0.7)	
LIBOR floating rate vs. CDI floating rate swaps	484		USD MM		0,91% / 102,00% LIBOR + / % CDI	801	50.6		(28.7)	(118.1)	27.2	83.4	58.1
							41.6	**(15.0)**	**(37.8)**	**(124.0)**	**24.8**	**82.7**	**58.1**

All amounts in millions of reais unless otherwise stated

Program	Principal 2014	Principal 2013	As per Unit	Purchase / Sale	Average FWD rate	Average term (days)	Fair value 2014	Fair value 2013	Realized gain (loss) 2014	Fair value by maturity 2015	2016	2017	2018	2019+
Hedge accounting - Cash flow hedge														
Hedging instruments for the operating margin of metals														
Nickel forward	3,990	635	ton	S	19,499 USD/ton	195	45.6	0.7	(38.6)	45.6				
Zinc forward	70,005	91,545	ton	S	2,185 USD/ton	120	1.1	(14.9)	(35.3)	1.1				
Aluminum forward	42,200	75,300	ton	S	1,947 USD/ton	150	8.8	24.7	20.6	8.8				
Copper forward	1,097	2,354	ton	S	7,033 USD/ton	135	2.1	1.7	3.9	2.1				
Silver forward	217	571	k oz	S	21 USD/oz	110	2.9	6.8	7.5	2.9				
US Dollar forward	245	292	USD MM	S	2.47 R$/US$	158	(58.7)	(30.2)	7.6	(58.7)				
							1.8	**(11.2)**	**(34.3)**	**1.8**				
Hedging instruments for mismatches of quotation periods														
Zinc forward	100,355	64,493	ton	S/P		51	(0.3)	(2.3)	10.4	(0.3)				
Aluminum forward	10,025		ton	S/P		55	1.5		(1.9)	1.5				
Silver forward	400		k oz	P		76	1.2		3.4	1.2				
							2.4	**(2.3)**	**11.9**	**2.4**				
Hedging instrument for interest rates in US Dollars														
LIBOR floating rate vs. US dollar fixed rate swaps	600	149	USD MM		2.56%	1,408	14.6	(2.2)	(2.1)	(13.9)	0.7	12.9	11.2	3.8
							14.6	**(2.2)**	**(2.1)**	**(13.9)**	**0.7**	**12.9**	**11.2**	**3.8**
Hedge accounting - Fair value hedge														
Hedging instruments for sales of nickel, zinc and aluminum at a fixed price														
Nickel forward		364	ton						(0.2)					
Zinc forward	4,563	1,448	ton	P	2,177	174	(0.1)	0.5	1.6	(0.1)				
							(0.1)	**0.5**	**1.4**	**(0.1)**				
Hedging instruments for mismatches of quotation periods														
Zinc forward			ton						(12.6)					
Nickel forward			ton						(1.1)					
									(13.7)					
Total (assets and liabilities, net)							**57.5**	**(20.8)**	**(192.8)**	**(136.6)**	**25.5**	**95.6**	**69.3**	**3.8**

The transactions involving derivative financial instruments recognized in the statement of income total R$ 37, and R$ 20 recognized in carrying value adjustments.

6.1.2. Fair value estimation

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

- Cash and cash equivalents, financial investments, trade receivables and other current assets - considering the nature and the terms, the amounts recorded approximate their realizable values.
- Financial liabilities - these instruments are subject to the usual market interest rates. The market value was based on the present value of the expected future cash disbursements, at interest rates currently available for the issue of debts with similar maturities and terms.
- Derivative financial instruments - the methods for determining the fair values of the derivative instruments used by the Company for hedging transactions were based on procedures commonly used in the market, which are in compliance with widely-tested theoretical bases.

The difference between the fair value and the carrying amount of the borrowing is R$ 320 (2013 - R$ 351), and the carrying amount is lower than the fair value (Note 22 (j)).

The Company disclosures fair value measurements according to their level of the following fair value measurement hierarchy:

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

As at December 31, 2014 and 2013, the financial assets and liabilities carried at fair value were classified as levels 1 and 2 in the fair value measurement hierarchy.

All amounts in millions of reais unless otherwise stated

		Fair value measured based on		2014
	Note	Prices quoted in an active market	Valuation technique supported by prices	
		(Level 1)	Observable (Level 2)	Fair value
Assets				
Cash and cash equivalents (i)	9		3,436	3,436
Financial investments	10	2,472	1,393	3,865
Derivative financial instruments	6.1.1		302	302
Firm commitment	1 (i)		1,294	1,294
		2,472	6,425	8,897
Liabilities				
Borrowing	22 (j)	10,184	13,499	23,683
Derivative financial instruments	6.1.1		245	245
		10,184	13,744	23,928

		Fair value measured based on		2013
		Prices quoted in an active market	Valuation technique supported by prices	
	Note	(Level 1)	Observable (Level 2)	Fair value
Assets				
Cash and cash equivalents (i)	9		2,469	2,469
Financial investments	10	2,155	978	3,133
Derivative financial instruments	6.1.1		108	108
Call option			127	127
		2,155	3,682	5,837
Liabilities				
Borrowing		10,332	13,457	23,789
Derivative financial instruments	6.1.1		128	128
		10,332	13,585	23,917

(i) The difference for the total presented in Note 9 is the amount of cash in reais.

6.1.3. 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 exchange 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 December 31, 2014 are described below:

- Scenario I is based on the market forward curves and quotations at December 31, 2014, and represents a probable scenario in management's opinion as at March 31, 2015.

- Scenario II considers a stress factor of + / – 25% applied to the market forward curves and quotations as at December 31, 2014.

- Scenario III considers a stress factor of + / – 50% applied to the market forward curves and quotations as at December 31, 2014.

All amounts in millions of reais unless otherwise stated

	Balance sheet accounts					Impacts on profit (loss)						Impacts on comprehensive income				
						Scenario I	Scenarios II and III				Scenario I	Scenarios II and III				
Risk factors	Cash and cash equivalents and financial investments	Borrowing	Principal of derivative financial instruments	Unit	Changes from 2014	Results of scenario I	-25%	-50%	25%	50%	Results of scenario I	-25%	-50%	25%	50%
Foreign exchange rate															
USD	3,231	11,401 (**)	1,373	USD million	2%	(28)	312	623	(312)	(623)	(145)	1,590	3,179	(1,590)	(3,179)
EUR	70	3,445		EUR million	4%	(3)	21	43	(21)	(43)	(140)	859	1,718	(859)	(1,718)
COP		47									(1)	12	24	(12)	(24)
Interest rates															
BRL - CDI	3,943	6,007	2,256	BRL million	+47 bps	(8)	67	136	(67)	(132)		6	13	(6)	(12)
LIBOR		3,981	2,608	USD million	-4 bps		(6)	(13)	6	13	(2)	(23)	(47)	23	45
Price - commodities															
Nickel			9,130	ton	10%	(8)	20	40	(20)	(40)	(17)	40	80	(40)	(80)
Zinc			558,702	ton	2%	(10)	160	320	(160)	(320)	(4)	68	136	(68)	(136)
Aluminum			78,006	ton	3%	(1)	2	4	(2)	(4)	(14)	55	110	(55)	(110)
Copper			1,257	ton	4%						(1)	5	9	(5)	(9)
Silver			1,038	k oz (*) thousand	8%	(1)	2	5	(2)	(5)	(1)	6	13	(6)	13
Firm commitment - electric energy															
Purchase agreement			4,991	BRL million			(189)	(391)	178	345					
Sale agreement			5,949	BRL million			225	466	(212)	(411)					
Sale and purchase agreement - fair value			222	BRL million			219	216	225	228					

(*) oz – kilograms in troy ounces

All amounts in millions of reais unless otherwise stated

6.1.4. Hedges of net investments in foreign operations

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

The Company and its subsidiaries designated as hedges the investments in the investees VCEAA, VCNA, Cajamarquilla and USZinc, and as a hedge instrument a portion of their debt denominated in Euros and US Dollars, in a total amount equivalent to EUR 943 million (R$ 3,042) (2013: EUR 750 million – R$ 2,420), and US$ 3,853 million (R$ 10,235) (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 carrying value adjustments in 2014 was R$ 1,338 (2013: loss of R$ 1,352).

6.1.5. 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 year 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 in 2014 and 2013 are as follows:

	Note	2014	2013
Borrowing	22	24,003	23,435
Cash and cash equivalents	9	(3,564)	(2,498)
Derivative financial instruments	6.1.1	(57)	20
Financial investments	10	(3,865)	(4,133)
Net debt (A)		16,517	16,824
Adjusted annualized EBITDA (B)	39 (iv)	7,105	5,388
Gearing ratio (A/B)		2.32	3.12

All amounts in millions of reais unless otherwise stated

7. Financial instruments by category

	Note	Loans and receivables	Assets held for trading	Available-for-sale assets	Held-to-maturity investments	Derivatives used for hedging	Total
							2014
Assets as per balance sheet							
Cash and cash equivalents	9	3,564					3,564
Financial investments	10		3,110	709	46		3,865
Derivative financial instruments	6.1.1		191			111	302
Trade receivables	11	2,466					2,466
Related parties	15	2,482					2,482
Financial instruments - firm commitment			1,294				1,294
		8,512	4,595	709	46	111	13,973

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
					2014
Liabilities as per balance sheet					
Borrowing	22			24,003	24,003
Derivative financial instruments	6.1.1	142	103		245
Trade payables				3,242	3,242
Related parties	15			895	895
Payables - trading	23			116	116
Use of public assets	29			1,018	1,018
		142	103	29,274	29,519

	Note	Loans and receivables	Assets held for trading	Available-for-sale assets	Held-to-maturity investments	Derivatives used for hedging	Total
							2013
Assets as per balance sheet							
Cash and cash equivalents	9	2,498					2,498
Financial investments	10		3,602	491	40		4,133
Derivative financial instruments	6.1.1		38			70	108
Trade receivables	11	2,346					2,346
Related parties	15	1,977					1,977
		6,821	3,640	491	40	70	11,062

	Note	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
					2013
Liabilities as per balance sheet					
Borrowing	22			23,435	23,435
Derivative financial instruments	6.1.1	56	72		128
Trade payables				2,807	2,807
Related parties	15			916	916
Payables - trading	23			112	112
Use of public assets	29			995	995
		56	72	28,265	28,393

All amounts in millions of reais unless otherwise stated

8. Credit quality of financial assets

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

			2014			2013
	Local rating	Global rating	Total	Local rating	Global rating	Total
Cash and cash equivalents						
AAA	1,308		1,308	815		815
AA+	8		8		64	64
AA-		4	4		2	2
A+		364	364		144	144
A		285	285		307	307
A-	1	293	294	1	149	150
BBB+		500	500		21	21
BBB		399	399		419	419
BBB-		130	130		436	436
BB+		41	41			
BB		10	10		37	37
BB-					2	2
B+					16	16
CCC+					1	1
CCC		3	3			
CCC-		11	11			
Unrated	46	161	207	4	80	84
	1,363	2,201	3,564	820	1,678	2,498
Financial investments						
AAA	2,113	66	2,179	2,574		2,574
AA+	450		450	668		668
AA-				16		16
A+		159	159		30	30
A	17	270	287		130	130
A-	1		1		163	163
BBB+		74	74			
BBB		2	2		303	303
BBB-		274	274		100	100
BB+				1		1
CCC+					23	23
CCC		99	99			
CCC-		27	27			
Unrated	236	77	313	125		125
	2,817	1,048	3,865	3,384	749	4,133
Derivative financial assets						
AAA	143		143	40		40
A+		9	9		2	2
A		5	5		24	24
A-		122	122		7	7
BBB		22	22		35	35
BBB-		1	1			
	143	159	302	40	68	108
	4,323	3,408	7,731	4,244	2,495	6,739

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

Local rating*:* Local scale ratings are ratings for the specific purpose of being applying to credits in a certain country or region. They consist of credit quality assessments related to the "best" credit risk rating within a certain country or region. The "best" risk is usually, but not always, attributed to all financial commitments issued or guaranteed by the sovereign state.

Global rating: International credit ratings are related to foreign currency or local currency commitments and, in both cases, assess the ability to honor these commitments, using a globally-applicable scale. Thus, both the foreign currency rating and the local currency rating consist of internationally comparable assessments.

All amounts in millions of reais unless otherwise stated

9. Cash and cash equivalents

	2014	2013
Cash and cash equivalents in local currency		
Cash and banks	128	29
Repurchase agreements	709	282
Bank Deposit Certificates	526	509
	1,363	820
Cash and cash equivalents in foreign currency		
Cash and banks	1,279	671
Bank Deposit Certificates	922	1,007
	2,201	1,678
	3,564	2,498

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 year ended December 31, 2014 was 100.79% of the CDI (2013 -100.78% of the CDI).

10. Financial investments

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

	2014	2013
Held for trading		
Repurchase agreements	1,680	2,545
Financial Treasury Bills (LFTs)	562	402
Investments denominated in foreign currency	339	258
Credit Rights Investment Funds (FIDC)	269	155
National Treasury Bills (LTNs)	230	208
Bank Deposit Certificates (CDBs)	23	25
Investment fund quotas	2	5
Other	5	4
	3,110	3,602
Available for sale		
Financial investments in foreign currency	709	491
	709	491
Held to maturity		
Investment fund quotas	34	26
Bank Deposit Certificates (CDBs)	12	14
	46	40
	3,865	4,133
Current	(3,846)	(4,092)
Non-current	19	41

Most financial investments have immediate liquidity. The average yield of the portfolio for the year ended December 31, 2014 was 100.42% of the CDI (2013 -100.13% of the CDI).

All amounts in millions of reais unless otherwise stated

11. Trade receivables

(a) Breakdown

	Note	2014	2013
Trade receivables - Brazil		1,508	1,269
Trade receivables - foreign customers		976	1,056
Related parties	15	96	111
Provision for impairment of trade receivables		(114)	(90)
		2,466	2,346

(b) Breakdown by currency

	2014	2013
Real	1,037	1,092
US Dollar	720	547
Canadian Dollar	169	170
Euros	128	143
Colombian Pesos	87	87
Argentine Pesos	83	64
Other currencies	242	243
	2,466	2,346

(c) Changes in the provision for impairment of trade receivables

	2014	2013
Opening balance	(90)	(34)
Additions, net	(56)	(62)
Receivables written off as uncollectible	33	29
Foreign exchange variations	(1)	(23)
Closing balance	(114)	(90)

(d) Ageing of trade receivables

	2014	2013
To fall due	2,225	1,927
Up to 3 months past due	256	287
3 to 6 months past due	14	49
Over 6 months past due	85	173
	2,580	2,436

All amounts in millions of reais unless otherwise stated

12. Inventories

(a) Breakdown

	2014	2013
Semi-finished products	1,498	1,512
Auxiliary materials and consumables	885	863
Finished products	660	551
Raw materials	597	595
Imports in transit	173	187
Other	101	71
Provision for losses (i)	(441)	(377)
	3,473	3,402

(i) The provision for losses refers mainly to obsolete and slow-moving materials in inventory. There was no inventory pledged as collateral for liabilities.

(b) Changes in the provision for inventory losses

						2014	2013
	Finished products	Semi-finished products	Raw materials	Auxiliary materials and consumables	Other	Total	Total
Opening balance	(12)	(48)	(193)	(122)	(2)	(377)	(182)
Additions	(16)	(57)	(11)	(32)	(3)	(119)	(232)
Reversals	15	25	1	56	1	98	45
Foreign exchange variations		(8)	36	(52)	(19)	(43)	(8)
Closing balance	(13)	(88)	(167)	(150)	(23)	(441)	(377)

13. Taxes recoverable

	2014	2013
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) (i)	633	585
State Value-added Tax on Sales and Services (ICMS)	577	563
Social Contribution on Revenue (COFINS)	461	493
IRPJ/CSLL - Summer Plan (ii)	266	267
Value-added Tax (VAT) (foreign companies)	234	245
State Value-added Tax on Sales and Services (ICMS) on PP&E (iii)	132	165
Social Integration Program (PIS)	117	109
Excise Tax (IPI)	37	52
Withholding Income Tax (IRRF)	19	2
Other	134	185
	2,610	2,666
Current	(1,086)	(1,048)
Non-current	1,524	1,618

(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) 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 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. The credits will be available for utilization after the due confirmation process by the Brazilian Federal Revenue Service.

All amounts in millions of reais unless otherwise stated

(iii) 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.

14. Assets classified as held for sale and liabilities relating to assets held for sale

(a) Assets classified as held for sale

	VCEAA/China		Baraúna		Total	
	2014	2013	2014	2013	2014	2013
Inventories	52	48			52	48
Other assets	35	152			35	152
Deferred income tax and social contribution	115				115	
Property, plant and equipment	264	215	45	45	309	260
Intangible assets	58	48			58	48
Goodwill	280	280			280	280
	804	743	45	45	849	788

(b) Liabilities relating to assets held for sale

	VCEAA/China	
	2014	2013
Other payables	40	311
Provision	33	32
Deferred income tax and social contribution	61	
Borrowing	311	
Other liabilities	16	47
	461	390

(c) Profit from discontinued operations

	2014	2013
VCEAA/China		
Net revenue	261	185
Cost of products sold	(273)	(210)
Gross loss	(12)	(25)
Finance results, net	34	(25)
Profit (loss) before income tax and social contribution	22	(50)
Income tax and social contribution	(6)	1
Profit (loss) from discontinued operations	16	(49)

(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. The subsidiary continues to present these assets separately in this category and is fully committed to marketing this operation and completing the planned sale. The development of this process in 2014 indicates that a favorable resolution will be reached.

All amounts in millions of reais unless otherwise stated

15. Related parties

	Trade receivables		Dividends receivable		Non-current assets	
	2014	2013	2014	2013	2014	2013
Parent						
Votorantim Participações S.A. (i)	2				598	364
Associates or joint operations						
St. Helen Holding II B.V. (ii)					699	596
Citrovita Orange Juice GmbH (iii)					516	445
Citrosuco S.A. Agroindústria (iv)					374	330
Citrosuco GmbH					167	148
Suwannee American Cement LLC					80	62
Hailstone Limited					14	12
SOPACIM, SARL					10	
Ibar Administração e Participações Ltda.					5	5
Sumter Cement Co LLC	1	1			3	3
Fibria Celulose S.A.	1	5	11		1	1
Cementos Especiales de las Islas, S.A. (CEISA)	1	10				
Cia de Cimento Itambé	2	14				
Maré Cimento Ltda.	6	9	4	3		
Mineração Rio do Norte S.A.			3	4		
Mizú S.A.	8	6	2	1		
Polimix Concreto Ltda.	11	15	8	7		
Sitrel Siderúrgia Três Lagoas Ltda. (v)	20	18				
Sirama Participações, Administração e Transportes Ltda.			3	4		
Superior Materials Holdings,LLC	10	9				
Supermix Concreto S.A.	25	22				
Verona Participações Ltda.			11	9		
Other	9	2	3		15	11
	96	111	45	28	2,482	1,977
Current	(96)	(111)	(45)	(28)		
Non-current					2,482	1,977

All amounts in millions of reais unless otherwise stated

	Trade payables		Dividends payable		Non-current liabilities	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Parent						
Votorantim Participações S.A. (vi)			379	104	433	360
Associates or joint operations						
Hailstone Limited (vii)					382	332
St. Helen Holding II B.V.					27	24
Votorantim Finanças S.A.					3	3
Alunorte - Alumina do Norte do Brasil S.A.		25				
Fibria Celulose S.A.	36					
LIT Mining Coöperatief U.A (viii)						153
LIT Tele Ltda.						44
Sitrel Siderúrgia Três Lagoas Ltda. (v)	23	18				
Suwannee American Cement LLC	19	13				
Other	2	5			50	
	80	61	379	104	895	916
Non-controlling interests			10	47		
Current	80	61	389	151		
Non-current					895	916

All amounts in millions of reais unless otherwise stated

	Finance income (costs)		Purchases		Sales	
	2014	2013	2014	2013	2014	2013
Parent						
Votorantim Participações S.A.	(22)	(19)				
Associates or joint operations						
Supermix Concreto S.A. (ix)					390	306
Sitrel Siderúrgia Três Lagoas Ltda. (v)			226	152	292	252
Polimix Concreto Ltda. (ix)				1	141	169
Maré Cimento Ltda.					80	66
Mizú S.A.					69	75
Fibria Celulose S.A.					31	37
Superior Materials Holdings,LLC					30	27
Cia de Cimento Itambé					21	1
Citrosuco S.A. Agroindústria	11	11			8	7
Somix Concreto Ltda					6	6
Alunorte Alumina do Norte do Brasil S.A.				16		
Citrovita Orange Juice GmbH	10	11				
Hailstone Limited	(5)	(5)				
Interávia Taxi Aéreos Ltda.			8			
Lit Tele LLC		(2)				
St. Helen Holding II B.V.	22	20				
Other				2	1	2
	16	16	234	171	1,069	948

(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 the credits of Votoratim VGmbH held with the company ST. Helen Holding II B.V. The transaction is adjusted at the rate of 6% 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 prepayment transactions. The transaction is adjusted based on semi-annual LIBOR and a spread of 2.75% per year.

(v) Refers to business transactions between Sitrel Siderúrgia Três Lagoas Ltda. ("Sitrel") and VS, mainly relating to the rod rolling process at the Sitrel plant, which entered operation in December 2012, using as the main raw material billets from the VS's Resende unit.

(vi) Debt of VGmbH to VPAR. The transaction is adjusted at the rate of 6% per year.

(vii) Debt of VGmbH to Hailstone Limited. The transaction is adjusted based on monthly LIBOR and a spread of 1.5% per year.

(viii) Debt of VGmbH to LIT Mining Coöperatief U.A. The transaction is adjusted based on annual LIBOR and a spread of 0.5% per year.

(ix) The sale transactions with Supermix Concreto S.A. and Polimix Concreto Ltda. refer to sales of cement and aggregates.

All amounts in millions of reais unless otherwise stated

16. Call options

The call options to buy Fibria shares, which had not been exercised by the Company, expired on October 27, 2014.

17. Other assets

	2014	2013
Advances to suppliers	185	201
Tax credits	173	158
Prepaid expenses	147	150
Receivables from sale of ownership interests	65	139
Advances to employees	43	75
Social security credits	28	36
Fiduciary contract	15	14
Receivable from sale of PP&E	14	31
Checks to be cleared	9	17
Notes receivable	7	10
Employee benefits	2	1
Other receivables	76	64
	764	864
Current	(467)	(509)
Non-current	297	355

All amounts in millions of reais unless otherwise stated

18. Investments

(a) Breakdown

	Information on investees at December 31, 2014			Equity in the results		Investment balance	
	Equity	Profit (loss) for the year	Ownership percentage (%)	2014	2013	2014	2013
Investments accounted for under the equity method							
Sirama Participações Administração e Transportes Ltda.	973	210	38.26	80	74	372	328
Cementos Avellaneda S.A. (i)	411	88	49.00	43	42	267	247
Cementos Bio Bio S.A. (ii)	922	77	16.70	13	(13)	154	153
Maré Cimento Ltda. (iii)	261	65	51.00	26	26	133	108
Alunorte - Alumina do Norte S.A. (ii)	4,075	(275)	3.03	(8)	(17)	124	132
Polimix Concreto Ltda. (iii)	325	34	27.57	6	(4)	90	85
Mineração Rio do Norte S.A. (ii)	607	43	10.00	4	6	61	61
Cemento Portland S.A.	243	5	29.50	1		72	66
Supermix Concreto S.A.	209	13	25.00	3	7	52	54
Mizu S.A. (iii)	99	33	51.00	12	1	50	39
Verona Participações Ltda.(iii)	109	70	25.00	9	(3)	27	20
Polimix Cimento Ltda. (iii)	30		51.00			15	15
Other investments				5	5	274	181
Joint ventures							
Fibria Celulose S.A. (iv)	14,564	156	29.42	46	(208)	4,285	4,250
Suwannee American Cement LLC (i)	212	(21)	50.00	(11)	(13)	177	166
Sitrel Siderúrgica Três Lagoas Ltda.	234	58	50.00	29	23	117	88
				258	(74)	6,270	5,993

(i) The investments Cementos Avellaneda S.A. and Suwannee American Cement LLC consider, at December 31, 2014, R$ 66 and R$ 71, respectively, relating to the goodwill paid on their acquisition.

(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) 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.

(iv) On June 2, 2914, Fibria obtained from the Brazilian Federal Revenue approval to utilize the credit of R$861 (R$ 568 net of tax effects) relating to IPI Premium Credit on exports made during the period the BEFIEX Program was effective.

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 at December 31, 2014 is presented below:

	Total and voting (%)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Other comprehensive income	Equity (i)	Net revenue	Operating profit (loss)	Finance income (costs)	Profit (loss) for the year
Investments accounted for under the equity method											
Sirama Participações Administração e Transportes Ltda.	38.26	105	889	3	18	17	973			(1)	210
Cementos Avellaneda S.A.	49.00	361	245	189	6	(32)	411	872	144	3	88
Cementos Bio Bio S.A.	16.70	479	1,676	322	911	(47)	922	1,241	110	(39)	77
Alunorte - Alumina do Norte S.A.	3.03	967	6,701	2,166	1,427		4,075	3,772	6	(400)	(275)
Maré Cimento Ltda.	51.00	340	356	123	312		261	695	87	(7)	65
Polimix Concreto Ltda.	27.57	271	296	195	47		325	816	44	(1)	34
Mineração Rio do Norte S.A.	10.00	254	1,753	474	926		607	995	196	(131)	43
Cemento Portland S.A.	29.50	176	80	3	10	14	243		3	10	5
Supermix Concreto S.A.	25.00	276	217	188	96		209	1,891	32	(10)	13
Mizu S.A.	51.00	51	92	35	9		99	182	16	32	33
Verona Participações Ltda.	25.00	56	65	12			109			4	70
Polimix Cimento Ltda.	51.00		30				30				
Joint ventures											
Fibria Celulose S.A.	29.42	3,859	21,892	2,576	8,611	(1)	14,564	7,084	1,650	(1,635)	156
Suwannee American Cement LLC	50.00	54	200	15	27	26	212	119	(23)		(21)
Sitrel Siderúrgica Três Lagoas Ltda.	50.00	164	273	52	151		234	363	88	(14)	58

(i) Equity comprises the balance of comprehensive income presented.

All amounts in millions of reais unless otherwise stated

(c) Changes in investments

	2014	2013
Opening balance	5,993	6,241
Equity in the results of investees	258	(74)
Capital increase		20
Disposal of investments		(113)
Foreign exchange gains (losses) on foreign investments	(2)	17
Effect of subsidiaries included in consolidation (i)	80	
Dividends	(66)	(88)
Other	7	(10)
Closing balance	6,270	5,993

(i) As mentioned in Note 1(i), VPAR transferred to VID its ownership interest in VNN, which has some investments valued using the cost method that are not consolidated.

(d) Investments in listed companies

	2014		2013	
	Book value	Market value	Book value	Market value
Cementos Bio Bio S.A. (*)	154	99	153	108
Fibria Celulose S.A. (*)	4,285	5,298	4,250	4,506

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

(e) Non-controlling interests

Non-controlling interests at December 31, 2014 amounted to R$3,489, of which R$2,059 refer to Cajamarqila, R$ 908 to Milpo, R$215 to VCEAA, R$189 to Artigas, and R$ 118 to others.

All amounts in millions of reais unless otherwise stated

19. Property, plant and equipment

(a) Breakdown and changes

	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	Leasehold improvements	Other	2014 Total	2013 Total
Opening balance										
Cost	1,618	9,287	28,581	1,253	177	3,149	401	417	44,883	42,904
Accumulated depreciation	(42)	(2,972)	(14,000)	(896)	(124)		(180)	(355)	(18,569)	(16,941)
Net opening balance	1,576	6,315	14,581	357	53	3,149	221	62	26,314	25,963
Additions	9	36	211	7	2	2,234		6	2,505	2,394
Disposals	(12)	(44)	(157)	(4)	(1)	(16)	(2)	(12)	(248)	(173)
Depreciation	(11)	(235)	(1,428)	(109)	(11)		(16)	(6)	(1,816)	(1,687)
Foreign exchange gains (losses)	28	(56)	102	12		13	11	1	111	710
Effect of subsidiaries included in consolidation	5								5	22
Provision for impairment (i)		(109)	(117)	(2)		(317)			(545)	(403)
Reclassification to assets held for sale (Note 14)										105
Transfers to taxes recoverable (ii) (Note 13 (i))						(80)			(80)	(513)
Transfers	94	183	1,352	69	12	(2,028)	27	82	(209)	(104)
Closing balance	1,689	6,090	14,544	330	55	2,955	241	133	26,037	26,314
Cost	1,736	9,293	30,369	1,315	191	2,955	446	491	46,796	44,883
Accumulated depreciation	(47)	(3,203)	(15,825)	(985)	(136)		(205)	(358)	(20,759)	(18,569)
Net closing balance	1,689	6,090	14,544	330	55	2,955	241	133	26,037	26,314
Average annual depreciation rates - %	2	3	6	18	11		9	10		

All amounts in millions of reais unless otherwise stated

The Company has no long-lived assets that are expected to be abandoned or sold, and that would require an additional provision for asset retirement obligations. The consolidated amount relating to assets pledged as guarantees for borrowing is described in Note 22(f).

(i) As at December 31, 2014, an additional provision for impairment of R$544 was set up, and R$ 231 of this amount refers to assets of which management understood that their carrying amount exceeded their recoverable amount and R$ 313 refers to discontinued projects. The main variations that occurred in the companies are as follows: CBA R$ 358, which is mainly R$ 168 of the Furnace Rooms I and III, R$ 80 of the Calcination Furnace, R$ 25 of the Furnace Room VIII, and$ 19 of the Dam Pumps; VMZ R$ 84 relating to Polymetallics I and Polymetallics II projects; and VMSA R$ 81 relating to Ferro Níquel Project.

(ii) 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.

(b) Construction in progress

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

	2014	2013
Segment		
Cement	1,770	1,420
Metals	654	1,093
Steel	397	468
Mining Peru	131	164
Other	3	4
	2,955	3,149

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

Main projects in progress - Cement	**2014**	**2013**
New unit in Edealina/"GO"	492	264
New unit in Primavera/"PA"	327	148
New unit in Yacuses - Santa Cruz/Bolivia	124	
New unit in Xambioá/"TO"	78	5
New coprocessing lines	51	38
New unit in Ituaçú/"BA"	45	45
Equipment refurbishment - Cement	44	11
Burden removal - Cement	39	72
New unit in Cuiabá/"MT"	17	100
New mortar unit in Camaçari/"BA"	15	
Burden removal - Aggregates	11	9
New unit in Sobral/"CE"	8	3
Other	518	725
	1,770	1,420

Main projects in progress - Metals	**2014**	**2013**
Iron nickel	81	160
Rondon Alumina	78	60
Renovation of furnace room	77	48
Vazante expansion project 200 Kta/ Extremo Norte Project	76	80
Extension of useful life of Vazante Mine	31	5
Polymetallics	21	119
Rod mill	13	32
Calcination furnace	12	88
Other	266	501
	654	1,093

All amounts in millions of reais unless otherwise stated

Main projects in progress - Mining Peru	2014	2013
Expansão depósito de resíduos	28	
Central Hidroelétrica "Pucurhuay"	25	32
Moinho de bolas	13	22
Projeto Pique Santa Barbara	11	10
Cerro Lindo fase III	8	29
Outros	46	71
	131	164

20. Biological assets

The Company's biological assets represent growing forests substantially located in the State of Minas Gerais.

The reconciliation of the book balances at the beginning and at the end of the year is as follows:

	2014	2013
Opening balance	109	151
Additions	34	26
Depletion	(41)	(34)
Change in fair value	32	(34)
Closing balance	134	109

(i) To determine the fair value of biological assets the projections are based on a single projected scenario, based on productivity and plantation area.

The main assumptions used in the calculations of fair value at December 31, 2014 are as follows:

- The projected cash flow is consistent with the production cycle of the areas evaluated.
- The volume of production of standing eucalyptus trees to be harvested was estimated considering the average productivity by cubic meter of timber per hectare from each plantation at harvest time. The average productivity varies according to the genetic material, climate and soil conditions and the forestry management.
- The average net sales price was projected based on the estimated price for eucalyptus in the local market, as well as a market study and a sample of actual transactions, adjusted to reflect the price of standing timber for each region.
- Considering that the pricing model considers the net cash flows, after deducting taxes on income, the discount rate used also considers the tax benefits.
- The estimated standard cost includes expenses for felling, chemical control of undergrowth, ant and other pest control, composting, road maintenance, inputs and manpower. Tax effects based on current rates, as well as the contribution of assets, such as property, plant and equipment and own land, were also considered, at an average rate of return of 4.2% p.a. (average depreciation rate of 4.2%). The discount rate considered was 10.107% (2013 – 9.40%).

All amounts in millions of reais unless otherwise stated

21. Intangible assets

(a) Breakdown and changes

	Goodwill (i)	Rights over natural resources	Rights over trademarks and patents	Software	Use of public assets (Note 29)	Contracts, customer relationship and agreements	Other	2014 Total	2013 Total
Opening balance									
Cost	4,718	6,613	242	340	538	331	831	13,613	13,026
Accumulated amortization and depletion		(865)	(181)	(244)	(102)	(154)	(383)	(1,929)	(1,681)
Net opening balance	4,718	5,748	61	96	436	177	448	11,684	11,345
Additions		66		1			15	82	114
Write-offs		(22)						(22)	(48)
Amortization and depletion		(321)	(25)	(25)	(19)	(19)	(25)	(434)	(505)
Foreign exchange gains (losses)	584	432		10		21	37	1,084	1,129
Effect of subsidiaries included in consolidation									62
Provision for impairment	(51)							(51)	(383)
Revision of estimated cash flow (Note 28)		(36)			2			(34)	(119)
Transfers (ii)		205	(1)	25			(20)	209	89
Closing balance	5,251	6,072	35	107	419	179	455	12,518	11,684
Cost	5,251	7,740	251	424	541	375	768	15,350	13,613
Accumulated amortization and depletion		(1,668)	(216)	(317)	(122)	(196)	(313)	(2,832)	(1,929)
Net closing balance	5,251	6,072	35	107	419	179	455	12,518	11,684
Average annual amortization and depletion rates - %		6	7	7	5	7	10		

(i) The goodwill is net of the amounts allocated to the operations in China included in the balance sheet as "Assets classified as held for sale" (Note 14).

(ii) The transfers in intangible assets relate to the reclassification of "construction in progress" from "Property, plant and equipment" to "Software" and "Rights to use natural resources" within intangible assets.

All amounts in millions of reais unless otherwise stated

(b) Goodwill on acquisitions

Description	2014	2013
Aluminum		
Campos Novos Energia S.A.	57	57
Metalex Ltda.	49	49
Rio Verdinho Energia S.A.	29	29
Machadinho Energética S.A.	15	15
BAESA - Energética Barra Grande S.A.	7	7
	157	157
Cement		
European Segment		
Votorantim Cimentos EAA Inversiones, S.L.	925	849
North American Segment		
Votorantim Investimentos Internacionais S.A.	774	774
Prairie Material Sales Inc	532	469
St. Marys Cement Inc.	314	289
Prestige Gunite Inc.	79	164
Prestige Materials	146	97
Brazilian Segment		
Companhia de Cimento Ribeirão Grande	206	206
Engemix S.A.	76	76
Mineração Potilider Ltda.	36	71
CJ Mineração Ltda.	16	16
Pedreira Pedra Negra Ltda.	12	12
Petrolina Zeta Mineração Ltda.		14
Other	2	4
Other segments South America		
Cementos Artigas S.A.	11	11
	3,129	3,052
Steel		
Acergroup S.A.	149	149
Acerholding S.A.	28	32
Acerbrag S.A.	6	7
	183	188
Zinc		
Compañía Minera Milpo S.A.	1,536	1,068
UsZinc Corporation	24	20
Votorantim Metais - Cajamarquilla S.A.	206	217
	1,766	1,305
Holding companies and other		
Votorantim Andina S.A.	16	16
	16	16
	5,251	4,718

(c) Impairment testing of goodwill

At the end of 2014, the Company and its subsidiaries assessed the recovery of the carrying amount of goodwill based on its value in use, using the discounted cash flow model for each business segment. The process of estimating the value in use and fair value involves the use of assumptions, judgments and projections of future cash flows and represents the best estimates of management.

Goodwill is allocated to the identified companies in accordance with the operating segment Note 21 (b).

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

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

The calculations of the value in use were based on the discounted cash flow model and are based on market assumptions.

At December 31, 2014, the subsidiary VCSA recognized impairment of goodwill of R$ 51 (December 31, 2013 - R$ 28) relating to investees Mineração Potilíder Ltda. (R$ 36), PetrolinaZeta Mineração Ltda. (R$ 14) and Lidermarc Indústria e Comércio Ltda. (R$ 1).

(i) Mineração Potilíder Ltda.

The recoverable amount of the Mineração Politíder Ltda. investment was calculated based on the value in use, using the cash flow based on the financial budget projections for the next five years approved by the Board of Directors.

As a result of this calculation, the recoverable amount of the investment was lower than its carrying amount at December 31, 2014. Accordingly, an impairment of R$ 36 was recognized, against a provision in "Other liabilities" (Earn out). This loss did not have any impact on the profit for the year.

(ii) Petrolina Zeta Mineração Ltda.

Companhia Petrolina Zeta Ltda. is not currently in operation due to the lawsuit for returning the company to its former owner. The articles of dissolution were requested by the Company in February 2013 and the company is in the phase of litigation. The entire amount recognized as goodwill, R$ 14, is being considered as impairment in "Other operating income, net".

(iii) Lidermarc Indústria e Comércio Ltda.

The recoverable amount of the Lidermac Indústria e Comércio Ltda. investment was calculated based on the value in use, using the cash flow based on the financial budget projections for the next five years approved by the Board of Directors.

As a result of this calculation, the recoverable amount of the investment was lower than its carrying amount at December 31, 2014. Accordingly, the entire amount recognized as goodwill, R$ 1, is being considered as impairment in "Other operating income (expenses), net".

All amounts in millions of reais unless otherwise stated

22. Borrowings

(a) Breakdown

Type	Average annual charges (i)	Current 2014	Current 2013	Non-current 2014	Non-current 2013	Total 2014	Total 2013
Local currency							
BNDES	4.54% fixed rate BRL / TJLP + 2.65% / SELIC + 2.40%	714	692	1,786	2,224	2,500	2,916
FINAME	4.68% fixed rate BRL / TJLP + 2.60%	29	24	163	126	192	150
Debentures	110.13% of CDI/CDI+1.26%	176	126	5,832	5,341	6,008	5,467
Export credit notes (ii)	8.00% fixed rate BRL	1	1	230	230	231	231
Development promotion agency	8.30% fixed rate BRL / TJLP + 3.50%	7	5	67	53	74	58
Other		17	16	19	14	36	30
		944	864	8,097	7,988	9,041	8,852
Foreign currency							
BNDES	UMBNDES + 2.39%	169	132	400	430	569	562
Development promotion agency	LIBOR USD + 1.38%	21	19	128	130	149	149
Eurobonds - USD	6.61% fixed rate USD	87	116	6,738	7,526	6,825	7,642
Eurobonds - EUR	3.89% fixed rate EUR	76	86	3,047	2,424	3,123	2,510
Syndicated loan/bilateral agreements (iii)	LIBOR USD + 1.01% / EURIBOR + 0.90% / 3.54% fixed rate USD / 3.54% fixed rate TND	5	82	1,863	831	1,868	913
Export prepayments (iv)	LIBOR USD + 1.31%	126	140	2,170	2,547	2,296	2,687
Working capital	10.65% fixed rate INR / DTF + 2.21%	84	51			84	51
Other		18	27	30	42	48	69
		586	653	14,376	13,930	14,962	14,583
		1,530	1,517	22,473	21,918	24,003	23,435
Interest on borrowing		369	351				
Current portion of long-term borrowing		1,114	1,116				
Short-term borrowing		47	50				
		1,530	1,517				

(i) The average annual charges are presented only for agreements representing a large share of the total debt amount.

(ii) The export credit notes entered into by the subsidiary CBA have swaps linked to the transactions, which has resulted in a final weighted cost of 88% p.a. of the CDI.

(iii) The transactions carried out by VID and subsidiary VCSA, under Law 4,131, have swaps linked to them, which has resulted in a final weighted cost of 102.00% of the CDI.

(iv) The export prepayment note of US$ 600 million entered into by the subsidiary VGmbH has a swap linked to the transaction, which has resulted in a final cost of fixed rate in USD of 2.56% p.a.

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
DTF – Time Deposit Rate
EUR – European Union currency (Euro)
EURIBOR – Euro Interbank Offered Rate
FINAME - Government Agency for Machinery and Equipment Financing
INR – Indian Rupee
LIBOR - London Interbank Offered Rate
TJLP – Long-term Interest Rate set by the National Monetary Council. The TJLP is the basic cost of financing of BNDES.
TND – Tunisian Dinar
UMBNDES - Monetary unit of the BNDES reflecting the weighted basket of currencies of foreign currency debt obligation. At December 31, 2014, 99.14% of the basket was comprised of US dollars.
USD – U.S. Dollar

(b) Maturity

The maturity profile of borrowing at December 31, 2014 was as follows:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	As from 2025	Total
Local currency												
BNDES	714	610	466	344	186	47	39	30	17	17	30	2,500
FINAME	29	32	27	21	20	19	18	16	8	2		192
Debentures	176	504	1,002	2,274	1,154	643	243	3	3	3	3	6,008
Export credit notes	1	130	100									231
Development promotion agency	7	8	7	7	8	8	8	8	8	5		74
Other	17	7	8	2	2							36
	944	1,291	1,610	2,648	1,370	717	308	57	36	27	33	9,041
%	10.44	14.28	17.81	29.29	15.15	7.93	3.41	0.63	0.40	0.30	0.37	
Foreign currency												
BNDES	169	152	118	82	40	7	1					569
Development promotion agency	21	20	20	20	21	20	14	9	4			149
Eurobonds - USD (i)	87	(3)	(3)	(3)	548	255	636	(2)	928	1,062	3,320	6,825
Eurobonds - EUR (i)	76	(6)	975	(6)	(6)	(6)	2,096					3,123
Syndicated loans/bilateral agreement	5	549	826	238	250							1,868
Export prepayments	126	181	314	949	726							2,296
Working capital	84											84
Other	18	14	3	2	1	1	1	1	1	5	1	48
	586	907	2,253	1,282	1,580	277	2,748	8	933	1,067	3,321	14,962
%	3.92	6.06	15.06	8.57	10.56	1.85	18.37	0.05	6.24	7.13	22.20	
Total	1,530	2,198	3,863	3,930	2,950	994	3,056	65	969	1,094	3,354	24,003
%	6.37	9.16	16.09	16.37	12.29	4.14	12.73	0.27	4.04	4.56	13.97	

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

All amounts in millions of reais unless otherwise stated

(c) Changes

	2014	2013
Opening balance	23,435	22,291
New borrowing	8,302	3,442
Interest	1,578	1,346
Foreign exchange gains (losses)	1,317	2,180
Payments - principal	(9,066)	(4,390)
Payments - interest	(1,563)	(1,417)
Realization of fair value of business combination		(17)
Closing balance	24,003	23,435

(d) Breakdown by currency

	Current		Non-current		Total	
	2014	2013	2014	2013	2014	2013
Real	944	864	8,097	7,988	9,041	8,852
U.S. Dollar	283	394	10,683	11,139	10,966	11,533
Euro	76	86	3,369	2,424	3,445	2,510
Currency basket	137	116	298	338	435	454
Other	90	57	26	29	116	86
	1,530	1,517	22,473	21,918	24,003	23,435

(e) Breakdown by index

	Current		Non-current		Total	
	2014	2013	2014	2013	2014	2013
Local currency						
CDI	176	127	5,832	5,340	6,008	5,467
TJLP	668	648	1,689	2,086	2,357	2,734
Fixed rate	100	89	571	562	671	651
SELIC			5		5	
	944	864	8,097	7,988	9,041	8,852
Moeda estrangeira						
LIBOR	149	222	3,832	3,499	3,981	3,721
UMBNDES	169	132	400	430	569	562
Fixed rate	221	242	9,822	9,999	10,043	10,241
EURIBOR			322		322	
Other	47	57		2	47	59
	586	653	14,376	13,930	14,962	14,583
	1,530	1,517	22,473	21,918	24,003	23,435

(f) Collateral

At December 31, 2014, R$ 7,879 (2013 – R$ 10,034) of the balance of borrowing is collateralized by promissory notes and sureties from the Company, whereas R$ 192 of the property, plant and equipment items (2013 - R$ 150) are 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 and its subsidiaries have fully complied with these covenants.

(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 the borrowing in different currencies.

The main funding transactions carried out were as follows:

(i) During the year ended December 31, 2014, the Company's subsidiaries received R$ 411 from BNDES (2013 - R$ 578) to fund their expansion and modernization projects, including the purchase of machinery and equipment at the average funding cost of TJLP + 2.76 % p.a. (2013 – TJLP +2.75% p.a.)

(ii) In October 2014, the subsidiary VCSA completed its seventh public issue of simple, non-convertible, non-privileged, unsecured debentures, in three series. The debentures were distributed with restricted placement efforts and exempt from registration with the Brazilian Securities Commission ("CVM"), pursuant to Article 6 of CVM Instruction 476, of January 16, 2009. The first series of R$ 150, with final maturity in September 2018, pays 108.8% of the CDI, the second series of R$ 300, with final maturity in September 2019, pays 107.91% of the CDI, and the third series of R$ 150, with final maturity in September 2019, pays 109.4% of the CDI. Part of the proceeds raised was used to amortize the first series of the fourth public issue of the subsidiary VCSA's debentures in the amount of R$ 500 and to settle the swap related to this transaction.

(iii) 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. Part of the proceeds from this issue were used for the early redemption of the second series of the subsidiary VCSA's first public issue of debentures amounting to R$ 500,000.

(iv) In October 2014, VGmbH 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.

(v) 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.

(vi) In June 2014, the subsidiary CBA issued bonds in US 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 the rating agencies Standard & Poor's, Moody's and Fitch, respectively.

(vii) In June 2014, the subsidiary CBA renegotiated the contractual conditions of one of its export credit note agreements in the amount of R$ 100 million, extending the final maturity to 2017 and reducing the cost of the swap linked to the transaction. At December 31, 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.

All amounts in millions of reais unless otherwise stated

(viii) 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 the rating agencies S&P, Moody's and Fitch, spectively.

(ix) In April 2014, VCNA 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. From August to December 2014, the subsidiary VCNA settled in advance US$ 90 million related to its revolver line. As this is a revolving line, the amount continues to be available to the company.

(x) In March 2014, the subsidiary VS concluded its first public issue of simple, non-convertible, non-privileged, secured debentures. 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 March 2017, pays 107% of the CDI.

(xi) 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.

(xii) In February 2014, the Company entered into agreements in accordance with Law 4,131 in the total amount of USD 184 million, with maturity in February 2016. These transactions, after conducting swaps, resulted in a final cost of 99.8% of the CDI.

(i) Fair value of borrowing

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

	2014	
	Carrying amount	Fair value
Local currency		
BNDES	2,500	2,129
FINAME	192	144
Debentures	6,008	5,807
Export credit notes	231	202
Development promotion agency	74	63
Other	36	19
	9,041	8,364
Foreign currency		
BNDES	569	597
Development promotion agency	149	146
Eurobonds - USD	6,825	7,034
Eurobonds - EUR	3,123	3,150
Syndicated loans/bilateral agreement	1,868	1,866
Export prepayments	2,296	2,389
Working capital	84	84
Other	48	53
	14,962	15,319
	24,003	23,683

23. Payables - Trading

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

All amounts in millions of reais unless otherwise stated

24. 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 related substantially to (a) the effect of foreign exchange gains (losses) (tax calculated on a cash basis for loans); (b) adjustment of derivatives to their fair values; (c) temporarily non-deductible provision; (d) 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 years ended December 31 are reconciled to their Brazilian standard rates as follows:

	2014	2013
Profit before income tax and social contribution	2,005	443
Standard rates	34%	34%
Income tax and social contribution at standard rates	(682)	(151)
Adjustments for the calculation of income tax and social contribution at effective rates		
Equity in the results of investees	88	(25)
Recognition (non-recognition) of deferred amount on income tax loss	207	(84)
Recognition (non-recognition) of deferred amount on social contribution t	75	(26)
Reversal of deferred income tax and social contrition	(92)	
Reversal of (provision for) impairment of deferred income tax	(6)	269
Reversal of (provision for) impairment of deferred social contribution	(1)	98
Deferred income tax on provision for impairment of goodwill		(130)
Differences in the tax rates of foreign subsidiaries	124	76
Recognition of tax credit - Summer Plan		69
REFIS (Note 26)		(240)
Other exclusions, net	(53)	(12)
Income tax and social contribution calculated	(340)	(156)
Current	(492)	(963)
Deferred	152	807
Income tax and social contribution expenses	(340)	(156)

All amounts in millions of reais unless otherwise stated

(b) Breakdown of deferred tax balances

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

	2014	2013
Tax losses	2,173	2,055
Foreign exchange gains	829	390
Provision	695	715
Provision for losses on investments	339	218
Use of Public Assets (UBP)	189	181
Environmental liabilities	51	38
CPC 29 - Biological assets	43	54
Tax benefit on goodwill	54	24
Derivatives - Law 11,051/04	9	12
Provision for impairment of goodwill	7	23
Temporary differences		
CPC 25 – Retirement	(11)	(11)
Borrowing cost	(18)	
Deferred gains on derivative contracts	(26)	(5)
CPC 12 - Adjustment to present value	(46)	(45)
CPC 20 - Capitalized interest	(137)	(129)
Goodwill amortization	(326)	(310)
Goodwill of assets added to the cost of PP&E	(1,300)	(1,477)
Accelerated depreciation and useful life adjustment	(1,668)	(1,459)
Other	(165)	244
Net	692	518
Net deferred tax asset of the same legal entity	2,195	(1,910)
Net deferred tax liability of the same legal entity	1,504	1,392

In order to improve the presentation of its financial statements, the Company decided to present, in its balance sheet, deferred income tax and social contribution of the same legal entity on a net basis between offsetable deferred tax assets and deferred tax liabilities. Accordingly, the amount of R$ 4,056 at December 31, 2013, previously presented as a deferred income tax asset and the amount of R$ 3,538 previously presented as a deferred income tax liability are being presented in these financial statements on a net basis, by legal entity, in the amounts of R$ 1,910 and R$ 1,392 as a deferred income tax asset and liability, respectively.

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

	2014	2013
Opening balance	518	191
Effects on results for the year	152	807
Offset of tax loss	(562)	(167)
Portion of deferred tax on tax losses sold to the parent company VPAR		(174)
Reclassification to prepayment of income tax and social contribution	(2)	(177)
Deferred income tax and social contribution on hedge accounting	452	189
Effects of foreign exchange variation	12	(75)
Other	122	(76)
Closing balance	692	518

All amounts in millions of reais unless otherwise stated

(d) Realization of deferred income tax and social contribution

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

	2014	%
Em 2015	400	18%
Em 2016	104	5%
Em 2017	238	11%
Em 2018	342	16%
After 2019	1,089	50%
	2,173	100%

25. Other liabilities

	2014	2013
Deferred revenue - performance obligation (i)	905	
Payables for interest acquisition	249	232
Provision for services	210	179
Environmental obligations	150	121
Long-term trade payables	112	122
"REFIS" - Tax Recovery Program (Note 27)	48	240
Provision for utilities - water, electric energy and gas	46	18
Provision for freight	50	46
Advances from customers	23	139
Provision for maintenance	21	13
Long-term taxes payable	15	97
Unappropriated premiums	11	11
Other liabilities	94	18
	1,934	1,236
Current	(624)	(539)
Non-current	1,310	697

(i) In December 2014, the Company, through its subsidiary Votener, assigned to a financial institution the receivables through December 2019 arising from certain Electric Energy Sale Agreements in the Regulated Environment ("CCEAR") equivalent to R$ 1,253, without any right of subrogation and/type of co-obligation by the Company. For the assignment of receivables, the Company received a total amount of R$ 905 and interest in advance will be recognized pro rata to income over the term of the contract.

26. Transitional tax regime ("RTT")

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

The Company decided for the companies VCSA, VCNNE and VS 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 of adoption and decided to apply the requirements contained in Art. 1 and 2 and 4 to 70.

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

27. 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 some of its subsidiaries 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.

In 2014, in accordance with Law 12,865/13 the companies settled the debit previously included in the installment payment program, part of the credit from tax losses, and part of the actual cash disbursement.

All amounts in millions of reais unless otherwise stated

28. Provision

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

							2014
			Legal claims				
	ARO	Restructuring	Tax	Labor	Civil	Other	Total
Balance at the beginning of the year	876	43	844	112	88	57	2,020
Present value adjustment	27						27
Additions	5		91	74	64	6	240
Reversals		(24)	(234)	(55)	(21)	(5)	(339)
Judicial deposits, net of write-offs			(13)	17	(12)		(8)
Settlement	(12)		(102)	(42)	(17)		(173)
Monetary restatement	14		132	19	34		199
Foreign exchange gains (losses)	34		1				35
Revision of estimated cash flow	(79)						(79)
Balance at the end of the year	865	19	719	125	136	58	1,922

							2013
	ARO	Restructuring	Tax	Labor	Civil	Other	Total
Balance at the beginning of the year	933	87	1,134	129	85	29	2,397
Present value adjustment	11						11
Additions	13		378	66	27	41	525
Reversals		(2)	(561)	(24)	(31)	(13)	(631)
Judicial deposits, net of write-offs			30	(53)	1		(22)
Settlement	(18)	(59)	(171)	(21)	(6)	(3)	(278)
Monetary restatement			29	16	12	3	60
Foreign exchange gains (losses)	56	17	5	(1)			77
Revision of estimated cash flow	(119)						(119)
Balance at the end of the year	876	43	844	112	88	57	2,020

All amounts in millions of reais unless otherwise stated

(a) Asset Retirement Obligation (ARO)

The calculation of asset retirement obligations involves judgment about certain assumptions. In environmental terms, they refer to the future obligation to restore the ecological conditions similar to those existing before the beginning of the project or activity, or to carry out compensatory measures, agreed upon with the applicable bodies, as a result of the impossibility of returning the areas to 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. (2013 2%p.a.) The recognized liability is periodically adjusted based on these discount rates plus inflation for the reference period.

At December 31, 2014, the 2015 interest rate forecast was increased to 6.685% resulting in an R$79 increase in liabilities, recognized as a balancing item to assets.

(b) Provision for tax, civil, labor and other legal claims

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. Management, with the support of its legal counsel, is responsible for the classification of losses as possible, probable or remote.

The provision and the corresponding judicial deposits are as follows:

			2014			2013
	Judicial deposits	Provision	Net amount	Judicial deposits	Provision	Net amount
Tax	(489)	1,208	719	(476)	1,320	844
Labor	(64)	189	125	(81)	193	112
Civil	(28)	164	136	(16)	104	88
Other		58	58		57	57
	(581)	1,619	1,038	(573)	1,674	1,101

(c) Outstanding judicial deposits

At December 31, 2014, the Company had deposited amounts 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.

All amounts in millions of reais unless otherwise stated

	2014	2013
Tax	262	283
Labor	42	41
Civil	109	88
Other	20	2
	433	414

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

(i) Tax provision

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) Labor provision

VID and its subsidiaries are parties to 6,337 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) Civil provision

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) Environmental provision

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:

	2014	2013
Tax	4,130	3,564
Labor and social security	243	278
Civil	6,066	4,736
Environmental	404	381
	10,843	8,959

All amounts in millions of reais unless otherwise stated

(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	2014	2013
(i) "CFEM"	586	437
(ii) Tax assessment notice – "IRPJ/CSLL"	189	173
(iii) Disallowances of "PIS/COFINS" credits	297	296
(iv) Offset of tax loss – 30% limit (merger)	230	214
(v) "ICMS" – transfer costs	200	185
(vi) Requirement of "ICMS" on Distribution System Usage Tariff	169	150
(vii) Disallowance of "IRPJ" negative balance	112	102
(viii) "IRPJ/CSLL" – Profits abroad	140	127
Other lawsuits of individual amounts lower than R$ 100	2,207	1,880
	4,130	3,564

(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 December 31, 2014, the amount under litigation totaled R$ 586, 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 IRPJ and CSLL obligations due on a monthly estimate basis. At December 31, 2014, of the total restated amount of R$ 235 the subsidiary understands that the best estimate of possible contingency is only R$ 140. In the lower court judgment, the judges decided on the 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 December 31, 2014, of the restated amount of R$ 570 the subsidiary understood that the best estimate of possible contingency was only R$ 49. The Federal Revenue Judgment Office considered the tax assessment partially justified, 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.

(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 December 31, 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 VE was assessed by the Federal Revenue of Brazil, as the successor to the company VBC Participações S.A., due to the supposedly improper 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 December 31, 2014 was R$ 230.

(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$200 at December 31, 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 collection notices for alleged ICMS debts on the Distribution System Usage Tariff. The total restated amount of these was R$ 169 at December 31, 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, and 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.-("CNBQ"), sold by the Company to third parties, received court decisions related to the disallowance of an IRPJ negative balance in the calendar years 2006 (VID), 2003, 2004, 2006 (CNBQ) and 2008 (CBA), totaling a restated amount of R$ 112 at December 31, 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 December 31, 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 December 31, 2014, the amount under litigation was R$ 120, considered as a possible loss.

All amounts in millions of reais unless otherwise stated

(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	2014	2013
(i) Public civil suit - Violation of the economic order	3,013	2,800
(ii) Administrative investigations carried out by the “SDE”	666	604
(iii) Indemnity lawsuits	507	384
(iv) Arbitration – Petrolina Aggregates Operation	285	
(v) Litigation with a São Paulo transportation company	166	158
(vi) Litigation with a Northeast transportation company	86	80
(vii) Litigation in Brasília	43	28
Other lawsuits	1,300	682
	6,066	4,736

(i) 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 VCSA 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 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 VCSA 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 VCSA 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. In September 2014 the court issued a final and unappealable decision on the appeal, which declared the secrecy of the documents protected by tax and corporate secrecy laws. Since then, there has been no significant decision on the suit. Loss is considered possible and the VCSA did not recognize any provision. At December 31, 2014, the amount under litigation was R$ 3,013.

(ii) Administrative investigations carried out by the “SDE”

(a) The Administrative Council for Economic Defense ("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 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 Votorantim Cimentos, 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 to Votorantim Cimentos: (i) the payment of a fine in the amount of R$ 1.6 billion; (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 VCSA 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 VCSA 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 would be no anti-competitive practices, and as such it should not be subject to any sanctions or penalties.

The VCSA classified the likelihood of loss for this matter in a legal environment as possible. At December 31, 2014, the amount under litigation was R$ 666.

(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 proceedings relate to allegations by certain ready-mix concrete producers that the large cement companies may have 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 proceedings 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.

(iii) Indemnity lawsuits

An indemnity lawsuit has been filed against the subsidiary VMZ, claiming, among other matters, adverse judgment for property damages and pain and suffering. The lower court judgment considered the lawsuit as groundless and the judgment of the appeal is awaited. The restated amount involved at December 31, 2014 was R$ 65.

Indemnity lawsuits have been filed against the subsidiary VMZ, alleging property damage and pain and suffering. VMZ filed its defense and it is awaiting judgment. The restated amount involved at December 31, 2014 was R$ 60.

A lawsuit has been filed against the subsidiary VMZ, which is in the phase of expert examination of the claim. The claim discusses differences relating to the provision of services. The restated amount involved at December 31, 2014 was R$ 14.

An indemnity lawsuit has been filed against the subsidiary VMSA claiming compensation for alleged rescission of agreement. The court records are in the fact-finding phase. The restated amount involved at December 31, 2014 was R$ 269.

An indemnity lawsuit has been filed against the subsidiary VMSA alleging rescission of agreement. This lawsuit is in the initial phase. The restated amount involved at December 31, 2014 was R$ 56.

An indemnity lawsuit has been filed against the subsidiary VMSA, which is currently in the initial phase, alleging rescission of agreement. In view of the procedural phase and the elements raised so far, it is not possible to estimate the amount under litigation (December 2104).

There is an indemnity lawsuit filed against the subsidiary CBA arising from contractual relationship. After receiving the complaint, the CBA filed its defense, totally refuting the claim. The court records are in the expert witness phase. The lawsuit at December 31, 2014 totaled R$29.

(iv) Arbitration – Petrolina Aggregates Operation

This refers to an arbitration proceeding filed with the CIESP/FIESP Conciliation, Mediation and Arbitration Chamber, initiated in January 2014, which discussed the sale of shares of the companies São Francisco Zeta and Petrolina Zeta to Pedreira Pedra Negra, and the sellers' obligation to engage in a new business in Palmas (TO), which afterward would be sold to Pedra Negra. The Claimants request (i) the rescission of the agreement entered into by the parties, even if partially; and (ii) that Pedra Negra be sentenced to pay compensation for damages and pain and suffering. Pedra Negra, on the other hand, requests: (i) that the sellers be sentenced to buy back the shares held by shareholders P-z and SF-z and pay the amounts agreed with the Defendant in the Agreement for the Acquisition of São Francisco

Zeta and Petrolina Zeta Shares, or alternatively (ii) the termination of the agreements by exclusive fault of the sellers, and that the sellers be sentenced to return the amounts disbursed by Pedra Negra under such agreements, duly adjusted for inflation; and (iii) that the sellers be sentenced to pay compensation for damages related to the nonperformance of the agreements entered into by the parties. Loss is considered possible and the Petrolina did not recognize any provision. At December 31, 2014, the amount under litigation was R$ 285.

(v) 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 VCB 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 changed 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 determined 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 opinion. In June 2014, clarifications were provided by the expert. On June 24, 2014, the VCSA challenge was presented. In December 2014 VCB received a decision declaring the end of the fact-finding phase and requesting the parties to declare if they would be interested in holding a conciliation hearing. Management considers the likelihood of loss of part of the property damages estimated at R$ 166 as possible.

(vi) Litigation with a northeast 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$124, alleging that VCNNE did not comply with the minimum transportation volume established in the cement transportation agreement entered into by the parties. VCNNE was notified of this claim in March 2011 and presented its reply, challenging the jurisdiction and stating that there was no written agreement regarding the minimum volume claimed, and that the losses borne by the transportation company were due to poor management and did not have any relation to VCNNE. The transportation company filed its reply. On January 22, 2013, the court published its decision to accept the Company's plea and transfer the case to the civil court in the city of Recife. In November 2013, the Court accepted the transportation company's appeal to confirm that the Court of São Luís-MA was competent to judge the cause. VCNNE appealed the decision. In April 2014 the appeal was accepted and a Motion to Clarify against this decision was filed by the transportation company, which was challenged by VCNNE. On June 17, 2014 a decision was issued, rejecting the Motion to Clarify. The evidentiary and sentencing hearing was held in September 2014. The arbitration court issued a decision in November 2014 accepting the motion for clarification filed to remedy the indicated omission, and refusing the request for the production of expert accounting proof. In December 2014 an interlocutory appeal was filed against the ruling that refused the request for the production of expert accounting proof. Based on the opinion of its outside legal advisors, VCNNE believes that the likelihood of loss as regards property damages in the amount of R$ 86 is possible and, for this reason, did not record provision in relation to this awsuit.

(vii) 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 December 31, 2014, was R$ 43. 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.

(viii) 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 is 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. In March 2013 the judge ordered that the actions were judged together, requiring that the case be sent to the third Treasury and Public Registers Court. Management considers loss as possible. The lawsuit does not involve the payment of money, but may have operating impacts if the granting is suspended.

(e.4) Comments on contingent environmental liabilities with likelihood of loss considered possible

The contingent liabilities relating to environmental lawsuits in progress with a likelihood of loss considered to be possible, for which there is no provision recorded, are commented on below.

(i) The environmental litigation of the Company and its subsidiaries basically relates to public civil actions, class actions and indemnity lawsuits, whose objectives are: the interruption of the environmental licensing of new projects, the recovery of areas of permanent preservation, and the decontamination of land, among other matters. In the event of an unfavorable outcome, the cost of the preparation of environmental studies and the cost of the recovery of the Company's and its subsidiaries' land are estimated. The aforementioned costs are recorded as expenses in the statement of income as they are incurred. The possible demands relate basically to indemnity lawsuits. The Company filed its defense, fully contesting the plaintiff's allegations. All environmental lawsuits with material amounts and classified as possible are in the fact-finding phase.

(f) Commitments

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

(ii) VID and its subsidiaries have concessions of hydroelectric plants that generate power, either independently or through consortia, for which the future disbursement estimated by management is approximately R$ 2.9 billion.

All amounts in millions of reais unless otherwise stated

29. Use of public assets

The Company owns or 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:

					2014			2013		
Plants/Companies	**Investor**	**Concession start date**	**Concession end date**	**Payment start date**	**Ownership interest**	**Intangible assets (Note 21)**	**Liabilities**	**Ownership interest**	**Intangible assets (Note 21)**	**Liabilities**
Salto Pilão	Companhia Brasileira de Alumínio	nov-01	dec-36	jan-10	60%	224	437	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	17	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	6	100%	1	6
Ourinhos	Companhia Brasileira de Alumínio	jul-00	aug-35	sep-05	100%	1	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 Zinco S.A.	may-01	jun-36	jul-06	100%	21	59	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%	138	435	100%	141	423
						419	1,018		436	995
Current							(64)			(60)
Non-current						419	954		436	935

All amounts in millions of reais unless otherwise stated

30. Equity

(a) Share capital

At December 31, 2014, the Company's fully subscribed and paid-up capital, in the amount of R$ 20,363 (2013 – R$ 20,167), comprised 17.814.608 (2013 – 17,532,872) registered common shares.

At an Extraordinary General Meeting held on December 31, 2014, the Company's capital, through ownership interest in Votorantim Novos Negócios Ltda and other non-current assets at carrying amount, was increased by R$ 196, with the issue of 127,028,930 new 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.

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

	2014	2013
Profit for the year - attributable to the owners of the Company	1,594	433
Legal reserve	(80)	(22)
Tax incentive reserve		(1)
Dividend calculation basis	1,514	410
Mandatory minimum dividends	(379)	(102)
Additional dividends	(402)	(176)
	(781)	(278)
Percentage on profit for the year	52%	68%

During the year 2014, VID paid R$ 504 to its parent (VPAR), R$ 102 relating to mandatory dividends regarding the fiscal year 2013 approved at the Ordinary General Meeting “AGO” (dated April 30, 2014), and R$ 402 to interim dividends for prior years approved at the Extraordinary General Meeting “AGE” (dated January 17, 2014 and November 26, 2014).

(c) Legal reserve and profit retention reserve

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 effect will be transferred to the statement of income for the year as a gain or loss upon the sale or write-off of the investment.

This account also includes: foreign exchange gains/losses on debts and derivatives designated to mitigate risks related to foreign exchange, commodities prices and interest rate (hedge accounting), actuarial gains and losses on pension plans, and the amount 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 90,000 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, 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 semi-annual amortization of interest. These debentures, fully subscribed by Votorantim Finanças, are mandatorily convertible into shares on the expiration date, and the semi-annual 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. 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$ 68 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. On December 20, 2014, VID made the second payment of interest, amounting to R$ 54, of which R$ 10 relates to the effect of withholding income tax.

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

During 2014, the subsidiary VCSA reclassified R$ 43 from non-controlling interests to revenue reserve, related 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

In the third quarter of 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.

All amounts in millions of reais unless otherwise stated

31. Net revenue

(a) Reconciliation of revenue

The reconciliation between gross and net revenues for the years ended December 31 was as follows:

	2014	2013
Gross revenue		
Sales of products - domestic market	18,731	18,046
Sales of products - foreign market	11,003	10,549
Supply of electric energy (i)	2,508	1,162
Service revenue	1,186	1,364
	33,428	31,121
Taxes on sales and services and other deductions	(5,369)	(4,877)
Net revenue	28,059	26,244

(i) In 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:

(i) Revenue by destination

	2014	2013
Brazil	17,195	16,032
United States	2,514	2,191
Peru	1,684	1,444
Colombia	913	779
Canada	787	802
Argentina	754	706
Turkey	614	583
Spain	389	370
Switzerland	318	791
Morocco	298	299
Uruguay	287	276
Luxembourg	275	286
Tunisia	244	221
Japan	202	150
The Netherlands	200	14
India	167	127
Singapore	143	261
Belgium	119	80
China	114	90
Chile	100	119
South Korea	84	36
Other countries	658	587
	28,059	26,244

All amounts in millions of reais unless otherwise stated

(ii) Revenue by currency

	2014	2013
Real	17,025	15,852
US Dollar	6,805	6,335
Colombian Peso	795	686
Canadian Dollar	783	797
Argentine Peso	698	644
New Lira	559	531
Euro	405	414
Dirham	298	290
Uruguayan Peso	296	273
Dinar	243	228
Other currencies	152	194
	28,059	26,244

32. Other operating income (expenses), net

	2014	2013
Financial instruments - firm commitment (Note 1 (ii))	1,294	
Revenue from co-processing	24	15
Recovery of taxes	21	43
Gain on sale of scrap	11	17
Gain on sale of property, plant and equipment	1	18
Gain (loss) on sale of investments	(1)	37
Provision for obsolete and slow-moving inventories	(7)	2
Impairment - goodwill (Note 21)	(51)	(383)
Expenses on research	(20)	(98)
Provision for impairment - advances to suppliers	(25)	(5)
Provisions for lawsuits	(35)	(11)
Expenses on environmental obligations	(41)	(41)
Other taxes	(51)	(98)
Mark-to-market of embedded derivatives - Fibria call option (Note 16)	(126)	(30)
Impairment of property, plant, equipment and intangible assets (Note 19)	(545)	(403)
Fair value of biological assets	32	(34)
Provision for impairment - inventories (Note 12)		(137)
Other expenses, net	(152)	40
	329	(1,068)

All amounts in millions of reais unless otherwise stated

33. Finance results, net

	2014	2013
Finance costs		
Interest on borrowing	(1,584)	(1,341)
Capitalization of borrowing costs – CPC 20	33	73
Premium paid on repurchase of bonds (Note 22 (i))	(527)	(78)
Monetary restatement on provision	(225)	
Income tax on remittances of interest abroad	(156)	(88)
Derivative financial instruments (i)	(107)	(17)
Discounts granted	(129)	(57)
Interest and monetary restatement "UBP"	(85)	(101)
Interest on taxes payable	(51)	(115)
Interest on related-party transactions	(30)	(27)
Other finance costs	(165)	(258)
	(3,026)	(2,009)
Finance income		
Income from financial investments	374	313
Interest on financial assets	131	328
Monetary restatement on assets	85	99
Discounts obtained	66	22
Interest on related-party transactions	46	43
Monetary restatement on judicial deposits	32	4
Other finance income	48	102
	782	911
Foreign exchange and monetary gains (losses), net	(85)	(514)
Finance results, net	(2,329)	(1,612)

(i) Refers mainly to currency hedge transaction relating to the repurchase of bonds (tender offer – Note 22(i)).

34. Expenses by nature

The cost of sales, selling and administrative expenses for the years December 31 are as follows:

	2014	2013
Raw materials, inputs and consumables used	14,933	14,193
Employee benefit expenses	3,770	3,604
Depreciation, amortization and depletion	2,291	2,226
Transportation expenses	1,353	1,233
Outsourced services	1,217	1,334
Other expenses	748	457
Total cost of sales, selling and administrative expenses	24,312	23,047
Reconciliation		
Cost of products sold and services rendered	20,202	19,127
Selling expenses	1,846	1,676
General and administrative expenses	2,264	2,244
Total cost of sales, selling and administrative expenses	24,312	23,047

All amounts in millions of reais unless otherwise stated

35. Employee benefit expenses

	2014	2013
Salaries and bonuses	2,337	2,202
Payroll charges	979	981
Social benefits	454	421
	3,770	3,604

36. Pension plan and post-employment health care benefits

The Company's subsidiaries have a defined contribution plan for employees. Certain subsidiaries, however, have a defined benefit plan.

The table below shows where the balances and activities related to post-employment benefit are allocated in the consolidated financial statements.

	2014	2013
Obligations recorded in the balance sheet with:		
Pension plan benefits	172	253
Supplementary pension plan benefits	27	36
Post-employment healthcare benefits	104	85
Liabilities recorded in the balance sheet	303	374
Expenses recognized in the statement of income with:		
Pension plan benefits	27	24
Supplementary pension plan benefits		1
Post-employment healthcare benefits	8	7
	35	32
Remeasurement with:		
Pension plan benefits - gross amount	(31)	(6)
Deferred income tax and social contribution	13	30
Pension plan benefits - net amount	(18)	24

(a) Defined contribution pension plan

The Company and its Brazilian subsidiaries sponsor private pension plans available to all employees administered by Fundação Senador José Ermírio de Moraes ("FUNSEJEM"), a private, not for profit, pension fund. Under the terms of the regulations of the fund, the contributions of the employees to FUNSEJEM are matched by the sponsors in accordance with the level of remuneration of the employee. For employees whose remuneration is lower than the threshold established by the regulations, the Company matches the contributions that represent up to 1.5% of their monthly remuneration. For employees whose remuneration exceeds the threshold, the Company matches the contributions of employees that represent up to 6% of their monthly remuneration. Voluntary contributions can also be made to FUNSEJEM. Once the plan contributions are made, no additional contributions are required.

(b) Defined benefit pension plan

The Company has subsidiaries with defined pension plans in North America, South America and Europe, which follow similar regulatory standards. The defined benefit pension plans also offer health care and life insurance, among other benefits. The cost of the retirement benefits and the other benefits of the plan granted to employees are determined by the projected benefit method on a pro rata basis considering the length of service and the best expectations of management regarding the return on plan assets, salary adjustments, costs and mortality trends, and the age of retirement of employees.

All amounts in millions of reais unless otherwise stated

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

	2014	2013
Present value of funded obligations	839	880
Fair value of plan assets	(701)	(613)
Deficit of funded plans	138	267
Present value of non-funded obligations	160	102
Total deficit of defined benefit pension plans	298	369
Impact of the minimum funding requirement/assets ceiling	5	5
Assets and liabilities in the balance sheet	303	374

The changes in the defined benefit obligation and the fair value of the plan assets during the year were as follows:

	Present value of funded and unfunded obligations	Fair value of plan assets	Total	Impact of the minimum requirement of the funds/asset ceiling	Total 2014	Total 2013
At January 1, 2014	982	(613)	369	5	374	360
Current service cost	6		6		6	7
Finance cost (income)	57	(30)	27		27	25
Past service cost and curtailments						(1)
	63	(30)	33		33	31
Remeasurements:						
Return on assets, excluding the amount included as finance income		(42)	(42)		(42)	(32)
Gains arising from changes in demographic assumptions	(52)		(52)		(52)	63
Losses arising from changes in financial assumptions	62		62		62	
Losses arising from experience	3		3		3	(10)
Changes in the asset ceiling, excluding the amount included as finance cost				(1)	(1)	3
	13	(42)	(29)	(1)	(30)	24
Foreign exchange gains (losses)	(5)	(4)	(9)		(9)	33
Contributions:						
Employer	19	(51)	(32)		(32)	(32)
Payments of the plans:						
Payment of benefits	(72)	39	(33)		(33)	(37)
Assumed/(acquired) in a business combination						(5)
At December 31, 2014	1,000	(701)	299	4	303	374

The defined benefit obligation and the plan assets, by country, are as follows:

											Percentage
						2014					2013
	Brazil	Europe	North America	South America	Colombia	Total	Brazil	Europe	North America	Colombia	Total
Present value of the obligation	59	45	631	2	262	999	42	40	546	354	982
Fair value of plan assets	(64)	(3)	(521)		(113)	(701)	(46)	(3)	(443)	(121)	(613)
	(5)	42	110	2	149	298	(4)	37	103	233	369
Impact of the minimum requirement of the funds/asset ceiling	5					5	4	1			5
		42	110	2	149	303		38	103	233	374

The actuarial assumptions used were the following:

						2014					2013
	Brazil	Europe	North America	South America	Colombia	Total	Brazil	Europe	North America	Colombia	Total
Discount rate	11.2%	8.5%	4.0%	10.0%	7.0%	8.1%	11.0%	8.0%	5.0%	5.4%	7.3%
Inflation rate	5.2%	2.4%	2.0%	7.6%	3.0%	4.0%	5.0%	7.0%	2.0%	3.0%	4.3%
Future salary increases	6.3%	5.9%	2.5%	3.0%	0.0%	3.5%	6.0%	5.0%	3.0%		4.7%
Increases in future pension plans	5.2%				3.0%	4.1%	5.0%			3.0%	4.0%

All amounts in millions of reais unless otherwise stated

The assumptions relating to mortality experience are established based on the opinion of actuaries, in accordance with published statistics and the experience in each territory. The mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) Brasil AT-2000 Basic segregated for gender and disability table RRB-1994, modified and aggravated by 15%, segregated by gender; (ii) Europe: CSO80 with a projection period of ten to fifteen years; (iii) North America: RP- 2000 segregated by gender with a projection period of eight years and (IV) Colombia: Based on table RV8, regulated by resolution 115-2010, without an expiration period.

The sensitivity of the defined benefit obligation to the changes in the main weighted assumptions is:

		Impact on the defined benefit obligation	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	0.50%	5.62% decrease	6.33% increase
Salary increase rate	0.50%	10.19% increase	12.80% decrease
Pension increase rate	0.25%	4.59% increase	5.05% decrease
		Increase by 1 year in the assumption	Decrease by 1 year in the assumption
Life expectancy		2.3% increase	2.3% decrease

The sensitivity analyses above are based on a change in the assumption while all other assumptions are kept constant. In practice, it is not probable that this will occur, and the changes in some of the assumptions can be correlated. In the calculation of the sensitivity of the defined benefit obligation in relation to the significant actuarial assumptions, the same method was applied (the present value of the defined benefit obligation calculated based on the projected unit credit method on the reporting date), as in the calculation of the pension plan obligation recognized in the balance sheet.

The methods and types of assumptions used in the preparation of the sensitivity analysis did not change as compared to the prior period.

(c) Post-employment benefits (pension and health care plans)

The Company operates post-employment health care plans through its subsidiary in North America, VCNA, and in Europe, VCEAA. The accounting method, assumptions and frequency of evaluations are similar to those used for the defined benefit pension plans. Most of these plans are not funded.

The obligations relating to these plans are included in the movement of the defined benefit obligations previously presented.

37. Tax benefits

The subsidiary VCSA and its subsidiaries have tax incentives, the most significant of which are related to:

(a) FDI - Ceará Industrial Development Fund - Sobral and Pecém - CE

The Ceará Industrial Development Fund (State Law 10,367 of December 7, 1979 and State Decree 29,183 of February 8, 2008), or the FDI Program, is a program created by the State of Ceará to foster the development of industrial activities in the State by means of tax and financial benefits. The FDI Program aims at the development, expansion, modernization, diversification or recovery of companies through tax and financial incentives. Under this program, the company and its subsidiaries are entitled to the following tax benefits until September 2016 and July 2020, respectively: (i) deferral of ICMS on import of fixed assets and raw materials; and (ii) financing of 75% and 64% of the ICMS on sales of manufactured products, with the payment of 25% of this initial amount after 36 months.

(b) PSDI – Sergipe Industrial Development Program - Laranjeiras - SE

The Sergipe Industrial Development Program (State Law 3,140 of December 23, 1991), or PSDI, was created to foster the social and economic development of the State of Sergipe through tax and financial benefits. In connection with this program, the company and its subsidiaries are entitled to the following tax benefits until June 2016: (i) deferral of ICMS on import of raw materials to be used exclusively in their manufacturing process; and (ii) payment of only 8% of the incremental ICMS tax on additional sales of manufactured products.

(c) Pro-Indústria – Tocantins Industrial Development Program - Xambioá - TO

The Tocantins Industrial Development Program (State Law 1,385 of July 9, 2003), or Pro-Indústria, is a program created by the State of Tocantins to foster the development of industrial activities in the State by means of tax and financial benefits. In connection with this program, the Company requested and obtained on April 16, 2008 the application of a special regime under which the Company benefits from the following tax incentives until February 2023:

- tax burden of 2.0% related to ICMS on sales of manufactured products,
  exemption from tax substitution of ICMS on goods or services to be used in the production, transformation or manipulation process,
- exemption from ICMS on import of raw materials (including semi-finished products or finished products for packaging) and fixed assets without similar assets in the State market to be used exclusively in their manufacturing process, and
- exemption from ICMS on interstate purchase of fixed assets.

(d) PRODIC – Industrial, Commercial and Mineral Development Program of the State of Rondônia - Porto Velho - RO

The Industrial, Commercial and Mineral Development Program of the State of Rondônia (State Law 61, of July 21, 1992 and State Law 1,558, of December 26, 2005), or PRODIC, was created to foster the development, expansion and modernization of the State of Rondônia through tax and financial benefits. Under this program, the Company is entitled to the following tax incentives until May 2018: (i) presumed credit of 85% of the ICMS; (ii) deferral of ICMS on imports of raw materials without similar materials in the domestic market; and (iii) reduction of 50.0% in the tax base of the ICMS on purchases of electricity, interstate transportation and communication services.

(e) PRODEIC - Mato Grosso Industrial and Commercial Development Program – Nobres and Cuiabá, MT

The Mato Grosso Industrial and Commercial Development Program (State Law 7,958, of September 25, 2003 and State Decree 1,432, of September 29, 2003), or PRODEIC, is a program created by the State of Mato Grosso to design a plan for the development of industrial and commercial activities in the state by means of tax reliefs and financial incentives. PRODEIC aims at the expansion, modernization, and diversification of the economic activities by stimulating investments, technological upgrading of production facilities, and the increase of the state's competitiveness, with emphasis on job creation and income generation, and the reduction of social and regional inequality. Under this program, the company and its subsidiaries are entitled to the following tax benefits until August 2021 and May 2023, respectively: (i) deferral of ICMS on imports of fixed assets and raw materials; (ii) deferral of ICMS related to the tax rate difference levied on interstate acquisitions of fixed assets; and (iii) decrease of the tax base/deemed credit of 85.88% and 90% of ICMS on sales of manufactured products.

All amounts in millions of reais unless otherwise stated

(f) Paraná Competitivo Program - Rio Branco do Sul - PR

- The Paraná Competitivo Program (State Decree 630, of February 24, 2011) was created to foster the industrial development of the State of Paraná by means of tax and financial benefits. In connection with this program, the Company requested and obtained on December 5, 2011 the application of a special regime under which the Company benefits from the following tax incentives:

- payment of incremental ICMS on sales of manufactured products in two installments: 10% in the subsequent month, after the occurrence of the taxable event and 90% after eight years, without monetary restatement,
- deferral of ICMS on electricity purchases for eight years or within a defined limit,
- suspension of payment of ICMS on import of fixed assets,
- suspension of payment of ICMS on interstate purchase of fixed assets,
- suspension of ICMS on import of raw materials, intermediate materials and packaging materials until the shipment of the industrialized products,
- possibility of transfer and receipt of accumulated ICMS credits of taxpayers enrolled in the State of Paraná.

38. 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 December 31, 2014 was as follows:

Assets	Type of coverage	Coverage amount
Facilities, equipment and inventories	Property damage	46,367
	Loss of profits	9,807

39. 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.

All amounts in millions of reais unless otherwise stated

(i) Balance sheet – Business segments

										2014
	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
Assets										
Current assets										
Cash and cash equivalents, financial investments and derivative financial instruments	2,594	1,618	342	231	1,172	27	683	848		7,515
Trade receivables	1,171	237	175	323	278	46	401	270	(435)	2,466
Inventories	1,302	549	173	686	165		598			3,473
Taxes recoverable	276	58	203	245	42	7	142	113		1,086
Dividends receivable	31	20	6					211	(223)	45
Financial instruments - firm commitment for sale of power surplus		172						233		405
Other assets	233	43	17	39	52	1	73	771	(762)	467
	5,607	2,697	916	1,524	1,709	81	1,897	2,446	(1,420)	15,457
Assets classified as held for sale	1,286								(437)	849
Non-current assets										
Long-term receivables										
Cash and cash equivalents, financial investments and derivative financial instruments	106		14	16		19		61		216
Taxes recoverable	247	517	490	229		2	36	3		1,524
Related parties	177	209	669	102			10	2,367	(1,052)	2,482
Deferred income tax and social contribution	442	176	237	419	63	4	32	736	96	2,205
Judicial deposits	196	86	12	48		22	68	1		433
Financial instruments - firm commitment for sale of power surplus		569						320		889
Other assets	148	29	12	18	6	5	5	74		297
	1,316	1,586	1,434	832	69	52	151	3,562	(956)	8,046
Investments	1,677	1,026	109	786	141		117	25,856	(23,442)	6,270
Property, plant and equipment and biological assets	10,647	4,666	1,115	4,103	1,084	688	3,337	191	340	26,171
Intangible assets	5,267	610	181	5,556	452	36	274	142		12,518
	18,907	7,888	2,839	11,277	1,746	776	3,879	29,751	(24,058)	53,005
Total assets	25,800	10,585	3,755	12,801	3,455	857	5,776	32,197	(25,915)	69,311

All amounts in millions of reais unless otherwise stated

	Cement	Aluminum	Nickel	Zinc	Mining Peru	Metals - other	Steel	Holding companies and other	Eliminations and reclassifications	Total Consolidated
										2014
Liabilities and equity										
Current liabilities										
Borrowing	772	171	16	231	26	53	217	44		1,530
Trade payables	1,337	290	129	946	281	2	413	279	(435)	3,242
Payables - trading	116									116
Salaries and payroll charges	317	97	64	65	84	1	93	70		791
Income tax and social contribution	12	12		5	18		61			108
Taxes payable	225	23	4	24	16	2	70	21		385
Dividends payable	122	13	68	3	3	23	1	379	(223)	389
Advances from customers	26	778	99	4			103	2	(762)	250
Payables and other liabilities	346	87	39	76	44	9	51	278		930
	3,273	1,471	419	1,354	472	90	1,009	1,073	(1,420)	7,741
Liabilities related to assets held for sale	895								(434)	461
Non-current liabilities										
Borrowing	13,652	2,463	847	1,559	941	177	847	1,987		22,473
Related parties	71	65	73	127	48		480	1,083	(1,052)	895
Deferred income tax and social contribution	511			876			26	100		1,513
Provision	775	287	143	301	269	10	97	40		1,922
Payables and other liabilities	399	492	33	147		53	259	746	441	2,570
	15,408	3,307	1,096	3,010	1,258	240	1,709	3,956	(611)	29,373
Total equity attributable to owners of the Company	5,781	5,807	2,240	6,382	1,633	527	3,058	27,168	(24,349)	28,247
Non-controlling interests	443			2,055	92				899	3,489
Total equity	6,224	5,807	2,240	8,437	1,725	527	3,058	27,168	(23,450)	31,736
Total liabilities and equity	25,800	10,585	3,755	12,801	3,455	857	5,776	32,197	(25,915)	69,311

All amounts in millions of reais unless otherwise stated

(ii) Statement of income – business segments

										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	13,046	3,625	965	4,358	1,782	297	3,959	2,488 (*)	(2,461)	28,059
Cost of products sold and services rendered	(8,551)	(2,792)	(850)	(3,546)	(1,137)	(146)	(3,150)	(2,491) (*)	2,461	(20,202)
Gross profit	4,495	833	115	812	645	151	809	(3)		7,857
Operating income (expenses)										
Selling	(1,178)	(81)	(19)	(162)	(65)	(8)	(328)	(5)		(1,846)
General and administrative	(889)	(231)	(120)	(339)	(77)	(34)	(301)	(273)		(2,264)
Other operating income (expenses), net	235	191	(100)	(283)	(108)	(49)	60	465	(82)	329
	(1,832)	(121)	(239)	(784)	(250)	(91)	(569)	187	(82)	(3,781)
Operating profit before equity investments and finance results	2,663	712	(124)	28	395	60	240	184	(82)	4,076
Result from equity investments										
Equity in the results of investees	188	29	(5)	103		21	29	1,131	(1,238)	258
Finance results, net										
Finance costs	(1,679)	(479)	(44)	(114)	(46)	(37)	(178)	(480)	31	(3,026)
Finance income	321	172	39	20	7	28	68	158	(31)	782
Foreign exchange gains (losses), net	(88)	(295)	(96)	(262)			(16)	672		(85)
	(1,446)	(602)	(101)	(356)	(39)	(9)	(126)	350		(2,329)
Profit before income tax, social contribution and profit sharing	1,405	139	(230)	(225)	356	72	143	1,665	(1,320)	2,005
Income tax and social contribution										
Current	(235)	(41)	(1)	(18)	(124)	(26)	(57)	10		(492)
Deferred	9	73	268	165	11	(4)	(2)	(368)		152
Profit (loss) for the year from continuing operations	1,179	171	37	(78)	243	42	84	1,307	(1,320)	1,665
Discontinued operations										
Profit for the year from discontinued operations	16									16
Profit (loss) for the year	1,195	171	37	(78)	243	42	84	1,307	(1,320)	1,681
Profit attributable to the owners of the Company	1,137	171	37	18	246	42	84	1,307	(1,448)	1,594
Profit (loss) attributable to non-controlling interests	58			(96)	(3)				128	87
Profit (loss) for the year	1,195	171	37	(78)	243	42	84	1,307	(1,320)	1,681

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

All amounts in millions of reais unless otherwise stated

										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	12,431	3,420	1,337	3,701	1,556	330	3,774	1,170 (*)	(1,475)	26,244
Cost of products sold and services rendered	(8,195)	(2,889)	(1,299)	(3,073)	(991)	(182)	(2,921)	(1,052) (*)	1,475	(19,127)
Gross profit	4,236	531	38	628	565	148	853	118		7,117
Operating income (expenses)										
Selling	(990)	(86)	(26)	(183)	(56)	(3)	(327)	(5)		(1,676)
General and administrative	(797)	(189)	(151)	(375)	(85)	(28)	(362)	(257)		(2,244)
Other operating income (expenses), net	317	(16)	(390)	(563)	(153)	(5)	(142)	(90)	(26)	(1,068)
	(1,470)	(291)	(567)	(1,121)	(294)	(36)	(831)	(352)	(26)	(4,988)
Operating profit before equity investments and finance results	2,766	240	(529)	(493)	271	112	22	(234)	(26)	2,129
Result from equity investments										
Equity in the results of investees	142	(25)	(66)	23		(284)	25	256	(145)	(74)
Finance results, net										
Finance costs	(1,057)	(447)	(13)	(182)	(39)	(27)	(109)	(212)	77	(2,009)
Finance income	376	343	26	40	6	13	31	153	(77)	911
Foreign exchange gains (losses), net	(101)	(395)	(67)	(178)			(26)	253		(514)
	(782)	(499)	(54)	(320)	(33)	(14)	(104)	194		(1,612)
Profit before income tax, social contribution and profit sharing	2,126	(284)	(649)	(790)	238	(186)	(57)	216	(171)	443
Income tax and social contribution										
Current	(555)	50	(3)	(254)	(103)	(35)	(52)	(11)		(963)
Deferred	(34)	147	245	345	9	80	30	(15)		807
Profit (loss) for the year from continuing operations	1,537	(87)	(407)	(699)	144	(141)	(79)	190	(171)	287
Discontinued operations										
Loss for the year from discontinued operations	(49)									(49)
Profit (loss) for the year	1,488	(87)	(407)	(699)	144	(141)	(79)	190	(171)	238
Profit (loss) attributable to the owners of the Company	1,446	(87)	(407)	(406)	156	(141)	(79)	190	(239)	433
Profit (loss) attributable to non-controlling interests não controladores	42			(293)	(12)				68	(195)
Profit (loss) for the year	1,488	(87)	(407)	(699)	144	(141)	(79)	190	(171)	238

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

All amounts in millions of reais unless otherwise stated

(iii) Adjusted EBITDA – business segments

										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	13,046	3,625	965	4,358	1,782	297	3,959	2,488	(2,461)	28,059
Cost of products sold and services rendered	(8,551)	(2,792)	(850)	(3,546)	(1,137)	(146)	(3,150)	(2,491)	2,461	(20,202)
Gross profit	4,495	833	115	812	645	151	809	(3)		7,857
Operating income (expenses)										
Selling	(1,178)	(81)	(19)	(162)	(65)	(8)	(328)	(5)		(1,846)
General and administrative	(889)	(231)	(120)	(339)	(77)	(34)	(301)	(273)		(2,264)
Other operating income (expenses), net	235	191	(100)	(283)	(108)	(49)	60	465	(82)	329
	(1,832)	(121)	(239)	(784)	(250)	(91)	(569)	187	(82)	(3,781)
Operating profit (loss) before equity investments and finance results	2,663	712	(124)	28	395	60	240	184	(82)	4,076
Additions:										
Depreciation, amortization and depletion - continuing operations	805	308	83	563	227	41	254	10		2,291
EBITDA	3,468	1,020	(41)	591	622	101	494	194	(82)	6,367
Addition:										
Dividends received	51	5								56
Exceptional items										
FIBRIA call option								126		126
Impairment of goodwill	14									14
Impairment - property, plant, equipment and intangible assets	22	358	81	84						545
Fair value of biological assets							(32)			(32)
Recognition of sale of energy										
Gain on sale of investment				(48)			(34)		82	
Other	1	28								29
Adjusted EBITDA	3,556	1,411	40	627	622	101	428	320		7,105

All amounts in millions of reais unless otherwise stated

										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	12,431	3,420	1,337	3,701	1,556	330	3,774	1,170	(1,475)	26,244
Cost of products sold and services rendered	(8,195)	(2,889)	(1,299)	(3,073)	(991)	(182)	(2,921)	(1,052)	1,475	(19,127)
Gross profit	4,236	531	38	628	565	148	853	118		7,117
Operating income (expenses)										
Selling	(990)	(86)	(26)	(183)	(56)	(3)	(327)	(5)		(1,676)
General and administrative	(797)	(189)	(151)	(375)	(85)	(28)	(362)	(257)		(2,244)
Other operating income (expenses), net	317	(16)	(390)	(563)	(153)	(5)	(142)	(90)	(26)	(1,068)
	(1,470)	(291)	(567)	(1,121)	(294)	(36)	(831)	(352)	(26)	(4,988)
Operating profit (loss) before equity investments and finance results	2,766	240	(529)	(493)	271	112	22	(234)	(26)	2,129
Additions:										
Depreciation, amortization and depletion - continuing operations	773	322	72	490	279	47	234	9		2,226
EBITDA from discontinued operations	(1)									(1)
EBITDA	3,538	562	(457)	(3)	550	159	256	(225)	(26)	4,354
Addition:										
Dividends received	62	10								72
Exceptional items										
EBITDA from discontinued operations	1									1
FIBRIA call option								30		30
Impairment of goodwill	2			381						383
Provision for impairment - inventories							137			137
Provision for impairment - property, plant and equipment	31	(33)	405							403
Gain on sale of investment C+PA	(35)									(35)
Fair value of biological assets			2				32			34
Other	(2)	(58)						43	26	9
Adjusted EBITDA	3,597	481	(50)	378	550	159	425	(152)		5,388

All amounts in millions of reais unless otherwise stated

(iv) Adjusted EBITDA

The table below reconciles the annualized adjusted EBITDA to Note 6.1 for the calculation of the gearing ratio.

	2014	2013
Profit for the year	1,681	238
Plus (less):		
Equity in the results of investees	(258)	74
Finance income (costs), net - continuing operations	2,329	1,612
Finance income (costs), net - discontinued operations	(34)	25
Income tax and social contribution - continuing operations	340	156
Income tax and social contribution - discontinued operations	6	(1)
Depreciation, amortization and depletion - continuing operations	2,291	2,226
EBITDA before the results of subsidiaries and joint ventures	6,355	4,330
Plus (less):		
Dividends received	56	71
Extraordinary items		
EBITDA - discontinued operations	12	25
Fibria call option	126	30
Impairment of goodwill	14	383
Impairment - inventory		137
impairment - PP&E	545	403
Gain on sale of investment C+PA	1	(37)
Fair value of biological assets	(32)	34
Other	28	12
Adjusted EBITDA	7,105	5,388