VOTORANTIM CIMENTOS S.A.

(incorporated in the Federative Republic of Brazil)

€650,000,000

3.250% Notes due 2021

Votorantim Cimentos S.A., or the issuer, is offering €650.0 million in aggregate principal amount of its 3.250% notes due 2021. The notes will mature on April 25, 2021. Interest on the notes will be payable annually in arrears on April 25 of each year, beginning on April 25, 2015.

The issuer may redeem the notes, in whole or in part, at any time, by paying the greater of (i) 100% of the principal amount of the notes plus accrued interest and additional amounts, if any, to the date of redemption and (ii) the applicable "make-whole" amount. The notes may, at the option of the issuer, be redeemed, in whole but not in part, at 100% of the principal amount of the notes plus accrued interest and additional amounts, if any, to the date of redemption on any date upon the occurrence of specified events relating to withholding tax, as set forth in this offering memorandum. The notes will rank equally in right of payment with all other present and future senior unsecured obligations of the issuer (other than obligations preferred by statute or by operation of law). The notes will be effectively junior to the secured indebtedness of the issuer to the extent of the value of the assets securing such indebtedness and structurally junior to the liabilities of the issuer's subsidiaries.

There is currently no public market for the notes. This offering memorandum comprises "Listing Particulars" for the purpose of the application to the Irish Stock Exchange for the listing of the notes. Application has been made to have these Listing Particulars approved by the Irish Stock Exchange and to have the notes listed on the Official List of the Irish Stock Exchange and traded on the Global Exchange Market of that exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 19 for certain information that you should consider before investing in the notes.

Price: 98.672% plus accrued interest, if any, from April 25, 2014.

Delivery of the notes in book-entry form was made on April 25, 2014 through a common depositary for Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, Luxembourg, or Clearstream.

The notes have not been registered under the Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Joint Bookrunners

Citigroup HSBC Santander BB Securities Banco Votorantim Bradesco BBI

The date of this offering memorandum is September 15, 2014.

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You should only rely on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate at any date other than the date on the front of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the notes.

Unless otherwise indicated or the context otherwise requires:

- all references to "VCSA" are to the issuer, Votorantim Cimentos S.A., a corporation organized and existing as a *sociedade por ações* under the laws of Brazil;
- all references to "Votorantim Cimentos," "our company," "we," "our," "ours" and "us," or similar terms are to VCSA and its subsidiaries;
- all references to "VID" are to Votorantim Industrial S.A., a corporation organized and existing as a *sociedade por ações* under the laws of Brazil;
- all references to "Votorantim Industrial" are to VID and its subsidiaries;
- all references to "VPar" are to Votorantim Participações S.A., a corporation organized and existing as a *sociedade por ações* under the laws of Brazil;
- all references to "Brazil" are to the Federative Republic of Brazil;
- all references to the "Brazilian Central Bank" are to the Central Bank of Brazil (*Banco Central do Brasil*);
- all references to "U.S. dollars," "dollars" or "U.S.$" are to U.S. dollars;
- all references to the "*real,*" "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil; and
- all references to "Euro," "Euros" or "€" are to the European Euro, the official currency of certain countries of the European Union.

We have taken all reasonable care to confirm that the information contained in this offering memorandum is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import and that the opinions and intentions expressed in this offering memorandum are honestly held, that there are no other facts the omission of which, to the best of our knowledge, would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading. Accordingly, we take responsibility for the information contained in this offering memorandum.

We have taken all reasonable care to ensure that the information sourced from third party contained in this offering memorandum has been accurately reproduced and, to the best of our knowledge and as far as we are able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries

or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. Citigroup Global Markets Limited, HSBC Bank plc, Banco Santander, S.A., BB Securities Ltd., Banco Votorantim S.A., Nassau Branch and Banco Bradesco BBI S.A. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of the notes. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. The notes are subject to restrictions on transferability and resale, and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "Plan of Distribution" and "Transfer Restrictions."

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum may only be used for the purpose for which it has been published. None of the initial purchasers or any of their agents are making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the initial purchasers or any of their agents assumes responsibility for the accuracy or completeness of the information contained in this offering memorandum.

We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, our notes offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of the notes offered hereby.

Application has been made to have the notes listed on the Official List, and to trading on the Global Exchange Market, of the Irish Stock Exchange. See "Listing and General Information." We will comply with any undertakings given by us from time to time to the Irish Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Irish Stock Exchange may require in connection with the listing of the notes.

NOTICE TO INVESTORS WITHIN BRAZIL

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR THE CVM. THE NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NOTES ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE DISTRIBUTED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (2) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents. This offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the "Prospectus Directive") (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the notes. Accordingly any person making or intending to make an offer of the notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the issuer nor any initial purchaser has authorized, nor do they authorize, the making of any offer of notes in any other circumstances.

This offering memorandum is not a "prospectus" for the purposes of the Prospectus Directive and has not been approved as such by a competent authority in any Relevant Member State.

See "Risk Factors" for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

ENFORCEABILITY OF CIVIL LIABILITIES

The issuer is incorporated under the laws of Brazil. All of the members of its board of directors and most of its executive officers named in this offering memorandum reside in Brazil. None of its directors or executive officers are U.S. residents. A substantial portion of the assets of the issuer and those of these other persons are located in Brazil. As a result, it may not be possible for you to effect service of process upon the issuer or these other persons within the United States or other jurisdictions outside Brazil or to enforce against the issuer or these other persons judgments obtained in the United States or other jurisdictions outside Brazil.

In the terms and conditions of the notes, the issuer will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, the issuer will irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, The City of New York. See "Description of the Notes."

The issuer understands that, subject to specific requirements described below, a final conclusive judgment for payment of a determined sum of money rendered by any court in the United States in respect of the notes would be recognized in the courts of Brazil (to the extent that Brazilian courts may have jurisdiction) and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been previously ratified by the Superior Court of Justice of Brazil (*Superior Tribunal de Justiça*), or STJ, such ratification being available only if the judgment:

- fulfills all formalities required for its enforceability under the laws of the jurisdiction where the judgment was rendered;
- is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil;
- is final and therefore not subject to appeal;
- is for payment of a specified sum of money;
- is authenticated by the Brazilian consulate with jurisdiction over the location of the court which issued the judgment;
- is translated into Portuguese by a certified translator; and
- is not against Brazilian public policy, good morals or national sovereignty.

We have also been advised that:

- civil actions may be brought before Brazilian courts based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action); and
- the ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant in Brazil is governed and limited by provisions of Brazilian law.

In addition, a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil must provide a bond to guarantee the payment of the defendant's legal fees and court expenses in connection with court procedures for the collection of payments under the notes except in the case of claims for collection on a *título executivo extrajudicial* (an instrument which may be enforced in Brazilian courts without a review on the merits) and in the case of enforcement of foreign judgments that have been duly confirmed by the STJ in Brazil.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to the *"real," "reais"* or "R$" are to the Brazilian *real,* the official currency of Brazil. All references to "U.S. dollars," "dollars" or "U.S.$" are to U.S. dollars. All references to "Euro" or "€" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

On April 11, 2014, the exchange rate for *reais* into U.S. dollars and Euros was R$2.206 to U.S.$1.00 and R$3.066 to €1.00, respectively, in each case, based on the selling rate as reported by the Brazilian Central Bank. As of December 31, 2013, 2012 and 2011, the selling rate was R$2.343 per U.S.$1.00 and R$3.227 per €1.00, R$2.044 per U.S.$1.00 and R$2.695 per €1.00 and R$1.876 per U.S.$1.00 and R$2.434 per €1.00, respectively, in each case, as reported by the Brazilian Central Bank. The *real*/U.S. dollar and *real*/Euro exchange rates fluctuate widely, and their respective selling rate as of April 11, 2014, may not be indicative of future exchange rates. See "Exchange Rates" for information regarding exchange rates for the Brazilian currency since January 1, 2009.

Solely for the convenience of the reader, we have translated some amounts included in this offering memorandum, including in "Summary," "Summary Consolidated Financial and Other Information," "Capitalization" and "Selected Consolidated Financial and Other Information" from *reais* into U.S. dollars using the selling rate as reported by the Brazilian Central Bank as of December 31, 2013 of R$2.3426 to U.S.$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations also should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Financial Statements

We maintain our books and records in *reais*, the presentation currency for our financial statements and also the functional currency of our operations in Brazil. We have prepared our annual audited consolidated financial statements included in this offering memorandum in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Unless otherwise noted, our financial information presented herein as of and for the years ended December 31, 2013, 2012 and 2011 is stated in *reais*, our reporting currency.

This offering memorandum includes our audited consolidated financial statements (1) as of and for the years ended December 31, 2013 and 2012, together with the notes thereto, or our 2013 audited consolidated financial statements, and (2) as of and for the years ended December 31, 2012 and 2011, together with the notes thereto, or our 2012 audited consolidated financial statements. We refer to our 2013 audited consolidated financial statements and our 2012 audited consolidated financial statements, collectively, as our audited consolidated financial statements.

As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. As required by IFRS 11, we have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012, included in our 2013 audited consolidated financial statements. We believe that the effects of the retroactive application of IFRS 11 to our historical consolidated financial statements are not material to our balance sheet, results of operations or cash flows as of and for the years ended December 31, 2012 and 2011, and therefore, our 2012 audited consolidated financial statements included elsewhere in this offering memorandum were prepared using the accounting for joint ventures that was applicable before the effectiveness of IFRS 11 and have not been restated to retroactively apply IFRS 11.

The joint ventures that we previously consolidated and that we currently account for using the equity method are: Sumter Cement Co LLC; Trinity Materials LLC; Suwannee American Cement LLC, or Suwannee; Superior Building Materials LLC, or Superior; Cementos Especiales de Las Islas S.A., Hormigones y Aridos La Barca S.A. and Cantera do Penedo S.A.

Unless otherwise indicated, all references herein to "our financial statements" and "our consolidated financial statements" are to our audited consolidated financial statements included elsewhere in this offering memorandum.

Assets and Liabilities Held for Sale and Discontinued Operations

China operations

We do not intend to continue our operations in China, which we acquired in December 2012 as part of our 2012 Cimpor asset exchange (as defined below), and we have implemented a plan to dispose of this business. As a result, these assets and liabilities are presented as separate line items in our consolidated balance sheets as of December 31, 2013 and 2012 and its related results of operations are classified as discontinued operations in our consolidated statement of income for the year ended December 31, 2013. Although these operations have been classified as held for sale for more than one year, we continue to present these operations separately in this category as the principal factor contributing to the delay of the expected sale is of a regulatory nature. Our management continues to explore options for the sale of these operations and expects this transaction to be consummated during 2014.

Segment Information and Presentation of Segment Financial Data

We are organized by geographical areas and have three operating segments based on the location of our main assets, as follows: (1) Brazil (including our operations in South America); (2) North America; and (3) commencing on December 21, 2012 when we consummated the 2012 Cimpor asset exchange (as defined below), Europe, Africa and Asia.

On June 25, 2012, we entered into an exchange agreement with Camargo Corrêa Cimentos Luxembourg S.à.r.l., or Camargo Corrêa Luxembourg, and InterCement Austria Holding GmbH, or InterCement Austria, in which we agreed to exchange our 21.21% equity interest in Cimpor – Cimentos de Portugal SGPS, S.A., or Cimpor, in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's net debt. We refer to this transaction as the "2012 Cimpor asset exchange." Because the 2012 Cimpor asset exchange was consummated on December 21, 2012, our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2011 include segment asset information for our three operating segments but segment results of operations for only two segments: (1) Brazil (including our operations in South America) and (2) North America. Our audited consolidated financial statements as of and for the year ended December 31, 2013 includes information about the results of our three operating segments described above.

Our segment information is prepared on the same basis as the information that our senior management uses to allocate resources among our segments and evaluate their performance. The key financial performance measure of our operating segments are EBITDA before results of investees and Adjusted EBITDA, which are reported on a monthly basis to our chief operating decision maker, who in our case, is our Chief Executive Officer. For additional information on our operating segments and a reconciliation of the operating results of our operating segments to our consolidated results, see note 34 to our audited consolidated financial statements.

Special Note Regarding Non-GAAP Financial Measures

In this offering memorandum, we present EBITDA before results of investees, Adjusted EBITDA and return on capital employed, or Adjusted ROCE, which are non-GAAP financial measures. We define EBITDA before results of investees as net income *plus/minus* net financial results *plus/minus* income tax and social contribution *plus* depreciation and amortization and depletion *plus/minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *plus/minus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received *plus/minus* EBITDA from discontinued operations. The non-cash items considered as exceptional by our management generally relate to gains/losses on acquisitions and disposals or exchange of assets. In 2011, we recorded an impairment loss on equity of investees of R$586.5 million in connection with the exchange of assets related to our acquisition of a 17.28% equity interest in Cimpor, and in 2012, we recorded a non-cash gain of R$266.8 million in connection with the disposal of our 21.21% equity interest in Cimpor. We did not recognize any significant non-cash items in 2013.

We present EBITDA before results of investees and Adjusted EBITDA because we believe they provide investors with a supplemental measure of the financial performance of our operations that facilitates period-to-period comparisons on a consistent basis. Our management also uses EBITDA before results of investees and Adjusted EBITDA, among other measures, for internal planning and performance measurement purposes. EBITDA before results of investees and Adjusted EBITDA should not be construed as an alternative to profit, or operating profit, as an indicator of operating performance, as an alternative to cash flow provided by operating activities or as a measure of liquidity (in each case, as determined in accordance with IFRS). EBITDA before results of investees and Adjusted EBITDA, as we calculated them, may not be comparable to similarly titled measures reported by other companies, including our competitors in the cement industry. For a calculation of EBITDA before results of investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."

We present Adjusted ROCE due to the asset-intensive nature of our business and our related need to efficiently employ our capital. Adjusted ROCE is a non-GAAP measure that helps to focus our management on maximizing the use and return of our existing assets and pursuing strategic growth and investment opportunities that are projected to yield sufficient returns. We calculate Adjusted ROCE by dividing the sum of our operating profit from continuing operations before equity in results of associated companies and joint ventures and net financial results *minus/plus* certain non-cash transactions that are considered by our management as exceptional included in operating profit and dividends received *plus* property, plant and equipment *plus* total current assets *less* total current liabilities, in each case, from continuing operations. For a calculation of Adjusted ROCE and a reconciliation of Adjusted ROCE to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."

Market Data and Other Information

We have obtained the market and competitive position data, including market forecasts, used throughout this offering memorandum from internal surveys, market research, publicly available information and industry publications. We include data from reports prepared by ourselves; the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE; the Brazilian National Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM; the Office of the Brazilian National Housing Secretary (*Secretaria Nacional de Habitação*) of the Brazilian Ministry of Cities (*Ministério das Cidades*), or the Brazilian Housing Secretary; the Brazilian Ministry of Planning (*Ministério de Planejamento*); the Brazilian Central Bank; the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES; and the Getulio Vargas Foundation (*Fundação Getúlio Vargas*), or FGV.

We have used the following sources to obtain market share and other related data:

- the Brazilian National Cement Industry Union (*Sindicato Nacional da Indústria do Cimento*), or SNIC;
- Brazilian Labor Union of Cement Products (*Sindicato Nacional da Indústria de Produtos de Cimento*), or SINAPROCIM;
- the Global Cement Report Tenth Edition (March 2013), published by the International Cement Review, or the Global Cement Report;
- the Portland Cement Association, or PCA;
- the Turkish Cement Manufacturer's Association (*Türkiye Çimento Müstahsilleri Birlği*) (Turkey), or TCMA;
- the Moroccan Ministry of Housing, Urbanism and Urban Policy (*Ministère de l'Habitat, de l'Urbanisme e de la Politique de la Ville*) (Morocco), or MHUPV;
- the Cement Manufacturer's Association (India), or CMA;
- the United States Geological Survey, or USGS;

- the Spanish Cement Manufacturer's Association (*Agrupación de Fabricantes de Cemento de España*), or Oficemen, (Spain);
- Consulting Group LCA; and
- Ipsos Loyalty (Brazil).

Any reports and internal surveys that we have prepared are based on our estimates and our analysis of publicly available information, including information from those companies we believe are our principal competitors in the markets where we operate. Industry publications generally state that the information presented therein has been obtained from sources believed to be reliable. While we believe that internal surveys and reports, industry publications or forecasts and market research referred to in this offering memorandum are generally reliable, neither we nor the international underwriters have independently verified this information. Estimates and forecasts included in this industry data involve uncertainties and risks and are subject to change based on various factors, including those discussed under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" in this offering memorandum.

Operational Data and Other Information

Unless otherwise noted, our operational data presented in this offering memorandum include the operational data of our consolidated subsidiaries and does not include the operational data of the companies or joint ventures that we accounted for using the equity method during the relevant periods.

References to our total annual installed production capacity in this offering memorandum include 100% of the annual installed production capacities of the companies that we consolidated during the relevant period, and as of December 31, 2013. We have separately included the annual installed production capacities of those companies that we do not consolidate but the results of which are included pursuant to the equity method in the line item "Equity in results of associated companies and joint ventures" in this offering memorandum solely for the investor's reference. However, we have not included the production capacities of these companies in our total annual installed production capacity.

References to "our mortar" products include all types of mortar we produce, including dry and adhesive mortars. All references in this offering memorandum to "tons" are to "metric tons." References to "dmt" are to dry metric ton. References to "kg" are to "kilograms," equivalent to 1,000 grams, and references to "kt" shall mean "kiloton," equivalent to 1,000 tons. The term "MW" and "GW" refers to megawatt and gigawatt, respectively, and the term "GWh" refers to gigawatt hours.

References to "greenfield" projects are to projects that are newly constructed production facilities at a new location or a site with little to no infrastructure available to support the project. References to "brownfield" projects are to projects that begin from an existing production capacity at an existing location with available infrastructure and with expansion or modernization opportunities. References to "top-of-mind" are to brands that first arise in a consumer's mind when thinking of a particular industry.

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this offering memorandum that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative of these terms or other similar expressions. The statements we make regarding the following subject matters are forward-looking by their nature:

- our direction and future operations;
- the implementation of our principal operating strategies;
- our acquisitions, joint ventures, strategic alliances or divestiture plans, and our ability to successfully integrate the operations of businesses or assets that we acquire;
- the implementation of our financing strategy and capital expenditure plans;
- general economic, political and business conditions, both in Brazil and in our principal markets abroad;
- industry trends and the general level of demand for, and change in the market prices of, our products and services;
- the performance of the Brazilian and global economies, including the impact of a longer than anticipated continuation of the ongoing global economic downturn or further deterioration in global economic conditions;
- construction activity levels, particularly in the regions and markets in which we operate;
- private investment and public spending in construction projects;
- existing and future governmental regulations, and our compliance therewith, including tax, labor, antitrust, pension and environmental laws and regulations in Brazil and in other markets in which we operate;
- shortages of electricity and government responses to them;
- the competitive nature of the industry in which we operate;
- our level of capitalization, including the level of our indebtedness and overall leverage;
- the cost and availability of financing;
- inflation and fluctuations in currency exchange rates, including the *real*, the Euro and the U.S. dollar;
- legal and administrative proceedings to which we are or become party;
- the volatility of the prices of the raw materials we sell or purchase to use in our business;
- the exploration and related depletion of our mines and mineral reserves;
- other statements included in this offering memorandum that are not historical; and
- other factors or trends affecting our financial condition or results of operations, including those factors identified or discussed under "Risk Factors."

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Any forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks provided under "Risk Factors" in this offering memorandum.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this offering memorandum to conform these statements to actual results or to changes in our expectations.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. This summary may not contain all the information that may be important to you, and we urge you to read this entire offering memorandum carefully, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and our consolidated financial statements and notes to those statements, included elsewhere in this offering memorandum, before deciding to invest in the notes.

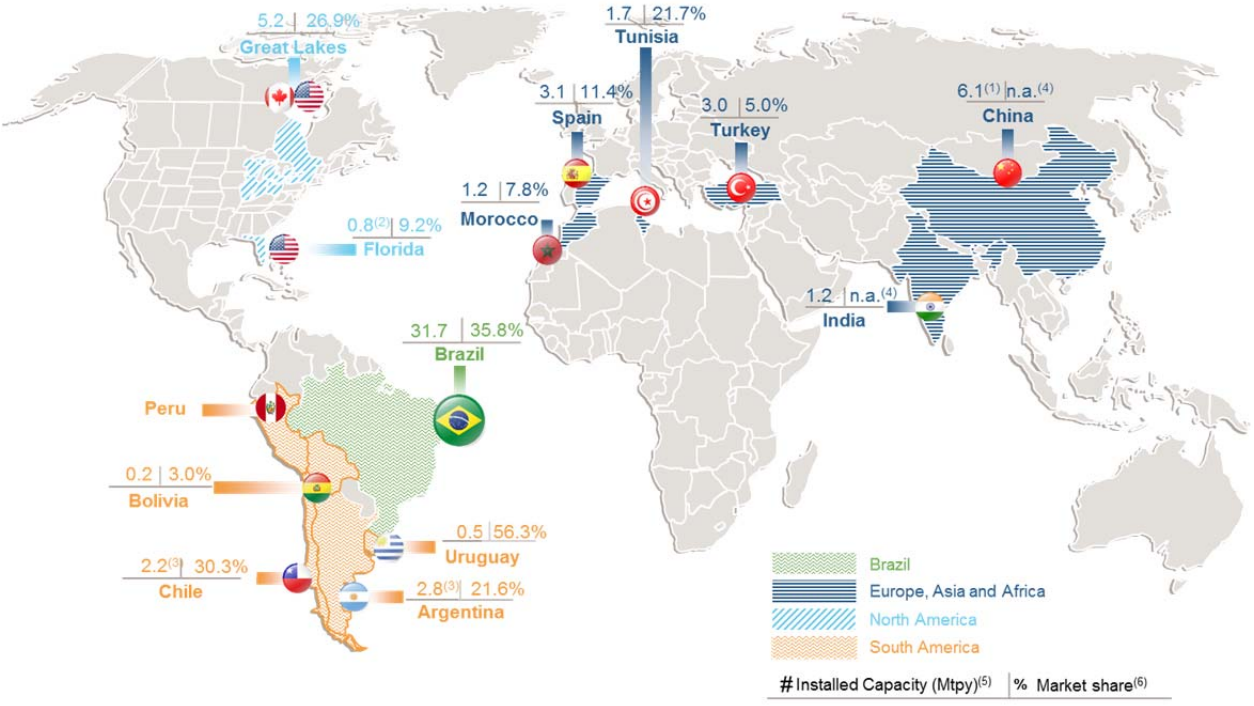
Overview

We are a global vertically-integrated heavy building materials company, with operations in North and South America, Europe, Africa and Asia. We believe we are the largest and most profitable heavy building materials company in Brazil, the fourth-largest cement market in the world according to the Global Cement Report. We produce and sell a complete portfolio of building materials—which includes cement, aggregates, ready-mix concrete, mortar and other building materials—and we serve a very diversified and fragmented client base. We are the eighth-largest global cement producer in terms of annual installed cement production capacity, according to the Global Cement Report, with 53.9 million tons as of December 31, 2013. In 2013, we had revenues of R$12,142.3 million, net income of R$1,388.8 million, Adjusted EBITDA of R$3,516.7 million, net margin (calculated as net income divided by revenue) of 11.4%, Adjusted EBITDA margin of 29.0% and Adjusted ROCE of 21.7%. We believe our Adjusted ROCE is one of the highest among publicly traded global cement producers, and our revenues grew at a compound annual growth rate, or CAGR, of 18.1% from 2011 through 2013.

We believe we are uniquely positioned to maintain high returns on capital and generate significant value for our shareholders. We have operations in various important high-growth markets and we are present in regions with significant opportunities for value creation with a total of 34 cement plants, 22 grinding mills, 316 ready-mix plants, 79 aggregates facilities, three clinker plants, one lime unit and nine mortar plants. In addition, we have a total of 61 limestone quarries with an expected average reserve life in excess of 60 years, assuming we were to operate at our maximum production capacity as of December 31, 2013.

Our Markets

The map below sets forth our installed cement production capacity by country in which we operate and our respective market share:



(1) Our assets related to our business in China are classified as "held for sale" in our audited consolidated financial statements.
(2) Includes 100% of the annual installed capacity of Suwannee, which was not consolidated as of December 31, 2013.
(3) Includes 100% of the annual installed capacity of Bío Bío and Avellaneda, which were not consolidated as of December 31, 2013.
(4) Not available.
(5) Annual installed cement production capacity is presented as of December 31, 2013 and includes our consolidated companies, our joint-venture in Florida and investees in Chile and Argentina. The annual installed cement production capacities represent full capacities.
(6) Market share data is based on data from the SNIC (Brazil), USGS, The Canada Cement Association in Ontario (North America), Oficemen (Spain), TCMA (Turkey), CMA (India), China Economic Information Network (China), the Argentine Portland Cement Manufacturers' Association (*Asociación de Fabricantes de Cemento Portland*) (Argentina), MHUPV (Morocco), CNPC (Tunisia), the Bolivian Cement and Concrete Institute (IBCH - *Instituto Boliviano del Cemento y el Hormigón*) (Bolivia), the Chilean Cement and Concrete Institute (ICH - *Instituto del Cemento y del Hormigón de Chile*) (Chile) and is presented as of the most recent dates for which information is available, which is December 31, 2013 for Brazil, North America, Morocco and Tunisia, November 30, 2013 for Uruguay, Argentina, Peru, Chile and Spain, as of October 31, 2013 for Turkey and as of May 31, 2013 for Bolivia.

Brazil. In Brazil, we own 16 cement plants, 11 grinding mills, 119 ready-mix concrete plants, 25 aggregates facilities, eight mortar plants and one lime unit, as well as 27 limestone quarries. Our total annual installed cement production capacity was 31.7 million tons as of December 31, 2013, and, according to information available from the SNIC, we had a market share of 35.8%, 35.2% and 36.4% in 2013, 2012 and 2011, respectively, in terms of Portland cement volume sold in Brazil, positioning us as the market leader in the country. We deliver our products to approximately 30,000 clients per month through our broad distribution network that includes 47 distribution centers strategically located close to the principal markets in Brazil, and that enable us to distribute our products throughout the country. In addition to our 31.7 million tons of total annual installed cement production capacity in Brazil, we also have equity interests in Mizu and Sirama, Brazilian cement companies with three cement plants, two grinding mills and one cement mixing plant, and a combined total annual installed cement production capacity of 5.2 million tons.

We believe that increasing personal income levels, the housing deficit and the implementation of significant infrastructure projects by the Brazilian federal government will drive opportunities for growth in the construction sector and, consequently, substantial additional demand for cement, ready-mix concrete, aggregates, mortar and other building materials. Annual cement consumption per capita in Brazil grew at an annual average rate of 8.2% between 2007 and 2012, according to the SNIC, which is equivalent to 2.3 times the gross domestic product, or GDP, real growth over the same period, according to the IBGE. The Brazilian federal government has announced plans to substantially increase public and private infrastructure spending, particularly through its Growth Acceleration Program (*Programa de Aceleração de Crescimento*), or PAC, with an estimated investment of R$1,016 billion by 2014, of which approximately 23.9% has yet to be disbursed for highways, ports and airports, among other projects as of February 2014. The Brazilian federal government also expects to invest approximately R$390 billion in home construction in Brazil from 2012 to 2015 to address the estimated housing deficit of 5.2 million homes, according to IPEA's Brazilian Household Sample Survey 2012 (*Pesquisa Nacional de Amostra por Domicílios* – 2012).

North America. Our North American business includes five cement plants, two grinding mills, 141 ready-mix concrete plants, 37 aggregates facilities and four limestone quarries, with a total annual installed cement production capacity of 5.2 million tons in the Great Lakes region. We also have operations in the States of Florida and Michigan through 50/50 joint ventures with a total annual installed cement production capacity of 0.8 million tons, through which we are involved in the operation of one cement plant and one ready-mix and building materials facility. Cement in these regions (unlike the Brazilian market) is usually sold in bulk to ready-mix concrete companies. In 2013, we sold approximately 61% of our cement in the Great Lakes region in bulk. In addition, we sell cement to manufacturers of pre-cast concrete, as well as to construction companies. We believe we are well positioned to benefit from the expected economic and construction sector recovery in these regions. PCA expects cement consumption in North America to increase by 8.2% in 2014 and by 9.8% in 2015 as a result of the expected economic recovery in the United States, particularly in the homebuilding industry.

South America (excluding Brazil). Our South American business, excluding our Brazilian operations, includes controlling and minority stakes in leading heavy building materials companies. We own:

- a 67.0% controlling equity interest in Itacamba Cementos S.A., or Itacamba, in Bolivia, which owns one grinding mill with an annual installed cement production capacity of 0.2 million tons;

- a 51.0% controlling equity interest in Artigas, a Uruguayan cement company with a current annual installed cement production capacity of 0.5 million tons;

- a 49.0% equity interest in Avellaneda, an Argentinean cement company with a current annual installed cement production capacity of 2.8 million tons; and

- a 16.7% equity interest in Bío Bío, a Chilean cement company with a current annual installed cement production capacity of 2.2 million tons.

Through our controlling and minority interests, we are involved in the operation of six cement plants, two grinding mills, one clinker plant, 45 ready-mix concrete plants, 18 aggregates facilities, two mortar plants and four lime units in South America (excluding Brazil). In addition, we own a limestone quarry in Peru as a result of the 2012 Cimpor asset exchange described below. We believe our operations in South America provide us with a platform for potential consolidation and expansion of our presence in the region's attractive markets.

Europe, Africa and Asia. On June 25, 2012, we entered into an exchange agreement with Camargo Corrêa Luxembourg and InterCement Austria, in which we agreed to exchange our 21.21% equity interest in Cimpor in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's net debt (which we refer to as the 2012 Cimpor asset exchange). On December 21, 2012, we concluded this transaction, resulting in an increase in our total global annual installed cement production capacity of 16.3 million tons. As a result of certain post-closing adjustments, we paid €57.0 million to InterCement Austria on January 21, 2013.

As a result of the 2012 Cimpor asset exchange, we have 13 cement plants, two clinker production facilities, eight grinding mills, 52 ready-mix concrete plants, 16 aggregates plants, one mortar plant and 29 limestone quarries in Europe, Africa and Asia, with total annual installed cement capacity of 16.3 million tons. Since we acquired these operations, we have applied our management model and cement know-how and have improved the profitability of the Cimpor assets through synergies, cost-efficiency improvements and streamlining of headcount among these operations. The Adjusted EBITDA from continuing operations and Adjusted EBITDA margin from continuing operations of our Europe, Africa and Asia segment in 2013 was R$372.6 million and 23.1%.

We do not intend to continue our operations in China, and we have implemented a plan to dispose of this business. Our management expects this sale to be consummated during 2014.

Expansion of Capacity in Brazil

During the past five years, we have developed, upgraded and expanded our cement plants in Brazil, increasing our installed cement production capacity from 21.4 million tons in 2007 to 31.7 million tons as of December 31, 2013. We have also focused on upgrading our aggregates and ready-mix concrete capabilities. We expect to continue to invest in expansion projects to increase our capacity to meet expected additional demand for our products. Through our projected investments in expansion, we expect to increase our current Brazilian annual installed cement production capacity in order to meet expected demand growth.

Votorantim Industrial

We are part of Votorantim Industrial, a privately held conglomerate in Latin America that is a strong player in each of its main business segments: cement; non-ferrous metals, such as zinc, aluminum, nickel and copper; and pulp (through a company that Votorantim Industrial jointly controls), as well as significant steel and power generation operations. Votorantim Industrial had consolidated net revenues and Adjusted EBITDA in 2013 of R$26,272 million (U.S.$11,215 million) and R$5,392 million (U.S.$2,302 million), respectively. As of the date of this offering memorandum, VID directly owns 100.0% of our capital stock. VID is a wholly owned subsidiary of VPar, which is controlled by the Ermirio de Moraes family. See "Principal Shareholders."

Competitive Strengths

We believe the following competitive strengths consistently differentiate us from our competitors and contribute to our continued success:

Leading market position in Brazil based on top-of-mind brands and unmatched operational network

We are the cement market leader in Brazil, with 16 cement plants and 11 grinding mills, making us the only cement supplier producing in all five Brazilian regions, according to the SNIC. In 2013, we had a market share of 35.8% in terms of Portland cement sales volume in Brazil, according to the SNIC, and we have maintained this leadership position for several decades. We believe our market position is also supported by brand recognition and customer loyalty based on the high quality of our products and our extensive distribution network. Our participation in the retail and bagged cement markets with over 25 different products and five brands creates substantial brand awareness. According to market research from Ipsos Loyalty (Brazil), during 2013, approximately 71% of our retail customers in Brazil strongly recommend our brands. We have 47 distribution centers, strategically positioned to offer superior service to approximately 30,000 clients per month in approximately 3,350 cities in Brazil. Given the stability, scale and national reach of our production facilities, we benefit from efficient distribution logistics, which enables significant cost savings and optimal time to market.

We believe that we are the only company in Brazil able to supply a full portfolio of heavy building materials to our customers, selling materials ranging from aggregates and cement to ready-mix concrete and mortars We also supply specialized cement products to meet our clients' needs, including for large infrastructure projects, such as the Belo Monte hydroelectric plant, an infrastructure project in the State of Pará with a total publicly announced project cost of approximately R$30 billion, and the Santo Antônio and Jirau hydroelectric plants, infrastructure projects with total publicly announced project costs of R$17.5 billion and R$17.4 billion, respectively, in the State of Rondônia.

Global platform and strategic positions in high-growth markets

We operate in some of the most promising cement markets, which are characterized by strong demand drivers. We have a diversified international asset base in several important markets, which provides us with a unique footprint spanning South America, North America, Turkey, Morocco, Tunisia, Spain and India. We believe most of our markets have favorable demographic profiles and we expect our markets to experience economic growth or recover to previous growth and demand levels, which we believe will lead to increased per capita cement consumption.

Industry-leading technical expertise enabling low-cost production in the markets in which we operate

In our 80-year history in the cement sector we have developed unique know-how and industry-leading technical expertise that we apply throughout our operations. Our consistent operating cost reduction measures, ability to respond in a timely manner to market changes and high operating standards have driven our ability to increase our profitability even in highly challenging market conditions. These efforts have continually allowed us to improve our key performance indicators, such as kiln efficiency, to reduce our clinker ratio and to increase our use of alternative fuels. This, in addition to our in-house clinker production, provides us with better ability to control operating costs. During 2013, we produced virtually all of the clinker we grind in our mills to produce cement.

We have invested in and secured mining rights for access to our limestone quarries. In addition, we have secure and efficient access to other raw materials, such as gypsum, slag, fly ash and pozzolan. Our long-standing track record and our sustained access to raw materials provide us with a competitive advantage. In Brazil, we mine limestone from quarries that have, on average, a reserve life in excess of 60 years, assuming we were to operate at our maximum production capacity of 31.7 million tons as of December 31, 2013. In addition, we believe that the average distance from our Brazilian cement plants to our quarries is one of the lowest in the Brazilian cement industry and minimizes our raw materials logistics costs, increasing our efficiency and profitability.

As of December 31, 2013, we met approximately 23.7% of our energy consumption needs in Brazil through hydroelectric power plants that we owned, which allows us to significantly reduce our energy costs. We also purchase electricity under long-term contracts from our affiliate Votener – Votorantim Comercializadora de Energia

Ltda., or Votener, which manages electricity generation for VID's industrial operations. Votener supplied approximately 51.8% of the electric energy needs of our Brazilian operations in 2013. In addition, all of our cement plants use a modern dry production process which reduces energy consumption. We meet the remainder of our energy needs in Brazil through long-term, competitively priced, large-scale supply contracts. We believe that we are pioneers in the use of alternative and environmentally friendly fuels in Brazil, such as tire-derived fuel, or TDF, and other industrial waste materials.

Demonstrated ability to manage high growth with financial discipline and a track record of robust EBITDA generation

We believe we are uniquely positioned to maintain high returns and generate significant value for our shareholders. We have focused on value creation and high returns by expanding organically in Brazil, acquiring companies outside Brazil and entering into strategic partnerships or joint ventures. In 2013, we recorded net income of R$1,388.8 million (U.S.$592.8 million), Adjusted EBITDA of R$3,516.7 million (U.S.$1,501.2 million), net margin of 11.4%, Adjusted EBITDA margin of 29.0% and an Adjusted ROCE of 21.7%, which we believe is among the highest in the global cement industry, based on our analysis of publicly available information from those companies that we believe are the principal global cement producers. We made capital expenditures of R$4,536.9 million (U.S.$2,213.3 million) from January 1, 2011, to December 31, 2013, mainly in connection with our organic expansion, and we paid aggregate dividends and interest on stockholders' equity of R$3,933.7 million (U.S.$1,893.3 million) and maintained a strong capital structure during the period. We believe this shows our potential for continued strong cash flow generation.

Well-defined, proven and replicable management model supporting operational excellence, stability and high returns

We believe that we have an operating model that allows us to achieve higher than average margins in Brazil and North America, and we believe our profitability levels are above the industry average. Moreover, we have consistently delivered Adjusted ROCE that exceeds the average of the publicly traded companies in our industry. We believe our replicable management model has helped us to create positive results and will allow us to improve performance of companies or assets that we may invest in or acquire, including our operations in North America and the companies and related assets we acquired in connection with the 2012 Cimpor asset exchange.

The key elements of our management model are: (1) delivering superior returns by actively managing our cost structure to adapt to changing market conditions; (2) increasing efficiencies in the use of raw materials and other large-scale supply contracts in order to benefit from our economies of scale; and (3) employing qualified and experienced professionals. Our management is guided by value creation, based on cash value added. In order to completely align our guidance with our management, part of our management's compensation is based on this performance metric.

Experienced senior management team with strong sponsorship of Votorantim Industrial

Our senior management team has many years of experience with a strong focus on financial performance, operating efficiencies and shareholder returns. In addition, our senior management is committed to sustainability and attaining solid financial results in a socially and environmentally responsible way. Our senior management team has successfully transformed our company into a global vertically-integrated heavy building materials company with a focus on further diversifying our product offerings and geographic presence. Over the past 80 years we have made strategic acquisitions and divestments, and implemented brownfield and greenfield projects that increased our annual installed capacity, while also focusing on cost reductions and improved financial performance.

We also have a committed controlling shareholder, Votorantim Industrial, which has a profound knowledge of the cement industry resulting from its leading industrial position over its 80-year history. We believe that Votorantim Industrial's sponsorship gives us a competitive advantage, due to its continuing support and long-term vision for global growth. In addition, Votorantim Industrial's proven track record in implementing strong corporate governance practices has contributed to our sustainable growth.

Business Strategy

We are focused on expanding organically in Brazil and coupling this growth with international expansion primarily through acquisitions. We seek to continue to grow with financial discipline and maintenance of an adequate capital structure, positioning ourselves as a leading company in terms of profitability.

Continue to grow organically in Brazil

We intend to continue our organic growth in Brazil by maintaining and improving our cost efficiency relative to our competitors, further increasing our product offerings and geographic reach and reducing delivery times for our customers. We will continue to create brand awareness, deliver high-quality products and maintain our high penetration rate in the retail segment, which will allow us to continue to earn a premium for our products. In addition, we intend to increase our participation in the technical market (a segment composed mainly of mid- to large-scale construction companies), which, according to Consulting Group LCA, is a growing segment that demands an ample portfolio of quality products and services similar to what we provide.

We believe that we have not yet fully achieved the benefits of our recently increased installed capacity in terms of our sales volume and our operating results due to the ramp-up period required for a new cement plant to reach its full capacity. During 2013, we invested R$671.3 million in our new plants, which we expect to produce at their full capacity within one year from their operating commencement date.

Further expand our international presence through acquisitions and investments

We intend to continue to further expand our operations internationally through a vertically integrated platform and footprint in high-growth markets. When considering acquisition or investment opportunities in North America, we will select companies or assets with potential to improve their operating and financial performances and generate synergies with our existing clusters. In South America, we will continue to invest in premium assets, generally in cement and often in partnership with strong domestic established businesses. We will continue to identify entry platforms that have well-located quality operations and good regional market positions and which have the potential to develop further into integrated building materials businesses as construction markets become more sophisticated over time. We intend to maintain the same growth discipline that has proven successful throughout our corporate history.

Continue to enhance profitability and improve the financial performance of our existing assets

In Brazil, we have invested, and intend to continue to invest, to improve our profitability and cost efficiencies by utilizing advanced production technologies. We expect to continue using alternative fuels to further reduce our energy costs by investing in energy co-processing. We believe that we will further maintain our track record of achieving cost efficiency through disciplined cost management policies and by leveraging our know-how and industry-leading technical expertise.

In North America, we will focus our efforts on maximizing the benefits from the continued market recovery, and we expect to further improve the utilization rates of our plants as higher sales volume reduce our fixed costs per ton sold. In South America, we will continue to work closely with our partners to share our sector expertise and replicate our successful management model.

With respect to the Cimpor assets that we acquired through the 2012 Cimpor asset exchange, we applied our management model and cement know-how to bring these new assets to operating and profitability standards similar to the most efficient companies and plants in our portfolio. The Adjusted EBITDA from continuing operations and Adjusted EBITDA margin from continuing operations of the Europe, Africa and Asia segment in 2013 was R$372.6 million and 23.1%, respectively. Our turn-around operational plans to improve the profitability of these companies involve, among other things, enhancing our operating efficiency to levels comparable to those in our most efficient cement plants. We believe our investments will be successful given our lean organizational structure and our vast commercial expertise in many different markets.

Further leverage our market positions and distribution networks to expand our value-added product and services offerings

In providing our customers with the best products and services, we plan to focus on further diversifying our product base by increasing the production and sale of aggregates, ready-mix concrete, mortar and other building materials. We will continue to manage our product offerings as a vertically integrated business, which allows us to capture a greater portion of the cement value chain and to offer our customers integrated solutions to meet their needs. We will also continue to benefit from our vast commercial expertise in a wide range of products and markets. We are positioned to capture an increase in demand in ready-mix concrete, aggregates and mortar in Brazil, and in ready-mix concrete and aggregates in North America and South America (excluding Brazil). We also believe there is a substantial demand in Brazil for ready-mix concrete-based products over other materials, particularly in infrastructure such as ports, airports, dams, sanitation projects and the government-subsidized housing segments, which will result in higher cement bulk sales.

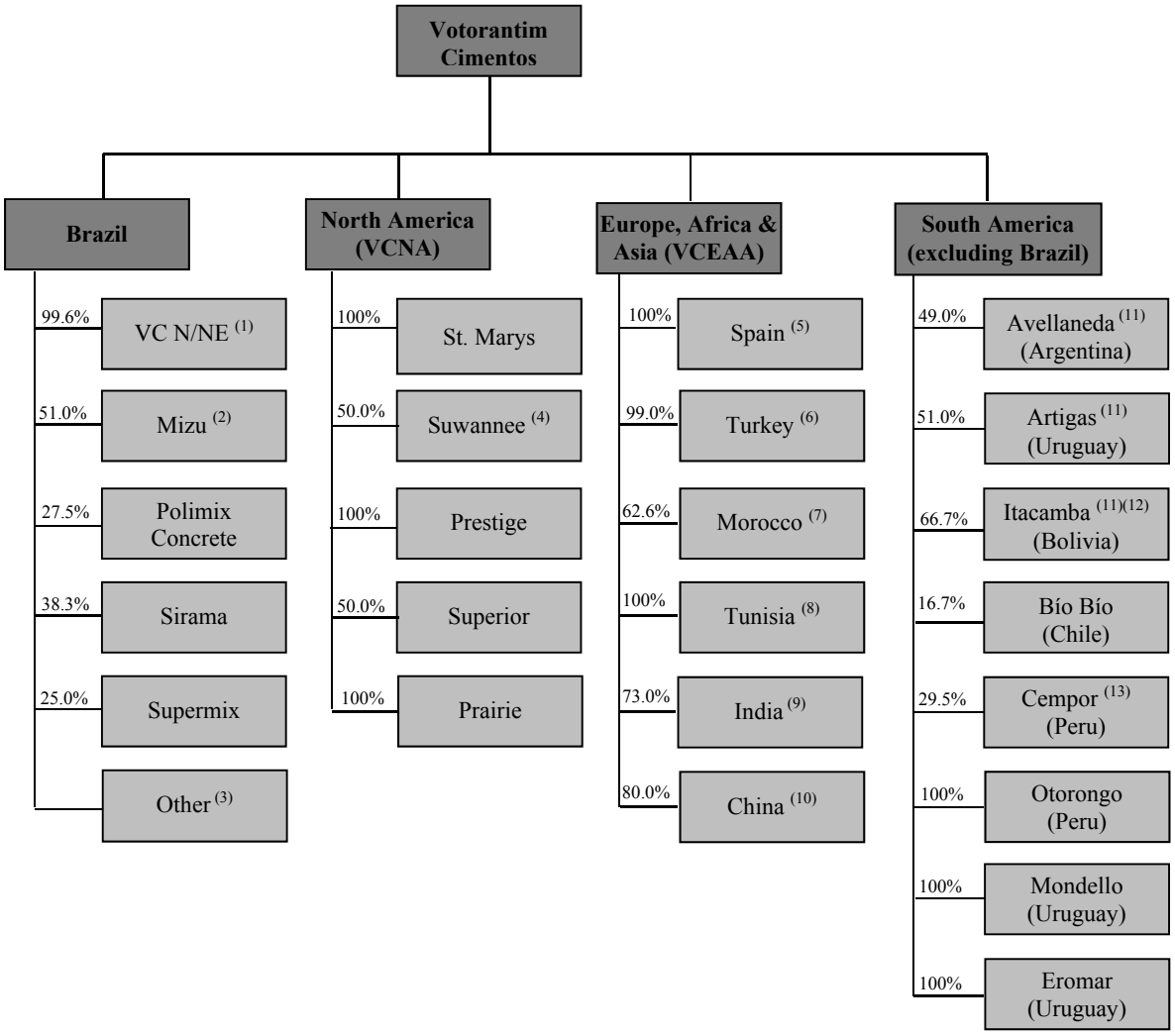
Continue to focus on sustainability and social responsibility

We are committed to sustainable development. Sustainability means ensuring business continuity and long-term growth, while focusing on environmental and social responsibility and results that are consistent with value creation. Three principles determine our actions in all markets in which we operate: constant economic growth, protection of the environment and respect for our communities. By following these principles, we will continue to develop as a world-class company and operate our business in accordance with the values of sustainability.

We are a founding partner in the Cement Sustainability Initiative, or the CSI, and a strong supporter of the responsible use of energy and climate protection. We believe that we are pioneers in the use of alternative fuels in Brazil, and we believe that we are one of the lowest carbon dioxide, or CO_2, emitting cement companies in the world, based on our estimates. We intend to continue to explore the use of environmentally friendly techniques in order to lower our CO_2 emissions. The Votorantim Institute (*Instituto Votorantim*) supports our company and other companies within Votorantim Industrial in developing and implementing a social action strategy that contributes to the development of the communities in which we operate.

Our Corporate Structure

The following chart sets forth our simplified corporate structure as of the date of this offering memorandum:



(1) On January 20, 2014, Votorantim Cimentos N/NE S.A., or VC N/NE, repurchased 806,620 of its own shares, including 663,591 common and 143,029 preferred shares from Banco Votorantim S.A. and its subsidiaries, increasing our equity interest in VC N/NE from 97.38% as of December 31, 2013 to 99.6% as of the date of this offering memorandum. See "—Recent Developments."

(2) Although we own 51.0% of the outstanding capital stock of Mizu, we do not exercise control over this company as a result of our limited ability to direct decisions over relevant activities (i.e., the activities that significantly affect our returns), and therefore, we account for our interest using the equity method.

(3) We also have equity interests in Polimix Cimento Ltda., or Polimix Cement, (51.0%) and Verona Participações Ltda., or Verona, (25.0%) two cement companies. Although we own 51.0% of the outstanding capital stock of Polimix Cement, we do not exercise control over this company as a result of our limited ability to direct decisions over relevant activities (i.e., the activities that significantly affect our returns), and therefore, we account for our interest using the equity method.

(4) Refers to Suwannee, which we hold through our 100% equity interest in Suwannee Holdings LLC.

(5) We hold our cement assets in Spain through (i) Cementos Cosmos, S.A., (ii) Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A., and (ii) Cimpor Canarias S.L.

(6) We hold our cement assets in Turkey through Cimpor Yibitas Çimento Sanayive Ticaret S.A.

(7) We hold our cement assets in Morocco through Cementos Asment E.A.A.

(8) We hold our cement assets in Tunisia through Societe des Ciments de Jbel Oust – CJO.

(9) We hold our cement assets in India through Shree Digvijay Cement Company Limited.

(10) Our assets related to our business in China are classified as "held for sale" in our audited consolidated financial statements. See "Presentation of Financial and Other Information—Financial Statements—Assets and Liabilities Held for Sale and Discontinued Operations—China operations."

(11) Equity interest owned directly by VCEAA.

(12) Includes a 16.7% interest owned directly by VCEAA.
(13) Includes a 29.5 interest owned directly by VCSA and a 29.5% interest owned through Bío Bío.

Recent Developments

VC N/NE Repurchase of Shares

On January 20, 2014, VC N/NE repurchased shares of VC N/NE held by Banco Votorantim S.A. and its subsidiaries. VC N/NE acquired 806,620 of its shares, including 663,591 common shares and 143,029 preferred shares. The repurchase price per share was R$214, for an aggregate purchase price of R$172.6 million. As a result of this transaction, we increased our equity interest in VC N/NE from 97.38% as of December 31, 2013 to 99.6% as of the date of this offering memorandum.

Administrative Proceeding by CADE

On January 22, 2014, the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), or CADE, commenced a hearing regarding the administrative proceeding initiated in 2006 by the Secretary of Economic Law of the Brazilian Ministry of Justice (*Secretaria de Direito Econômico*), or the SDE, with four of the five commissioners voting to: (1) impose sanctions on trade associations, certain individuals and six of the largest cement companies in Brazil, including our company; (2) recommend fines in the aggregate amount of R$3.1 billion to be paid by the defendants, of which we would be required to pay R$1,565.0 million; (3) condemn four of the five defendant companies, including our company, to sell a portion of their cement assets in Brazil, representing approximately 24% of the total installed capacity of the cement market in Brazil, which in the case of our company would be equivalent to 11 million tons (representing approximately 35%, as of December 31, 2013) of our installed capacity in Brazil; (4) recommend that the defendant companies, including our company, be required to dispose of their minority equity interests in other cement and ready-mix companies in Brazil; (5) recommend that four of the five defendant companies, including our company, have restricted access to public financing and tax benefits until the defendants sell those assets referred to in clause (3); (6) prohibit the defendant companies, including our company, from entering into any transaction that would result in market concentration (such as mergers, acquisitions or joint ventures) during a period of five years and, in the case of our company, during a period of 10 years; and (7) impose other non-monetary sanctions. According to the proposal of the commissioner who drafted CADE's decision, the cement assets for sale by each of the defendant companies, including our company, should be grouped and sold as a package to individual buyers, so as to allow new significant players to enter the Brazilian cement market.

The January 22, 2014 CADE hearing was suspended following the request for additional review by the commissioner who has yet to cast his vote. There is no formal deadline for this commissioner to complete his analysis of this matter or for CADE to issue its final decision. Until this CADE hearing has officially concluded and a final decision has been issued by CADE, any commissioner may revise and change his vote. We are awaiting CADE's final decision, and in the event that the sanctions announced at the January 22, 2014 hearing are ratified or another adverse decision were to be announced by CADE, we intend to challenge CADE's decision before the Brazilian courts, as we believe that CADE's decision is without merits, and therefore, we should not be subject to any administrative and/or criminal sanctions or penalties in connection with this matter. Any adverse decision and/or fine could have a material adverse effect on our financial condition and results of operations. See "Risk Factors— Risks relating to our business and industry— *We are subject to certain investigations in Brazil in connection with alleged antitrust violations, as well as other pending litigation that may materially adversely affect our financial performance and financial condition,*" and "Business—Legal Proceedings—Material Antitrust Matters—Administrative Proceedings by SDE."

2019 and 2021 Notes Tender Offers and Consent Solicitation

On March 10, 2014, VID commenced a cash tender offer for any and all of its 6.625% Senior Notes due 2019, or the 2019 Notes. As of the commencement of the 2019 Notes tender offer, U.S.$911.2 million in aggregate principal amount of the 2019 Notes was outstanding (including U.S.$74.0 million of 2019 Notes held by VID or its affiliates). VCSA, VPar and Companhia Brasileira de Alumínio, or CBA, are guarantors under the 2019 Notes. The 2019 Notes tender offer expired on March 21, 2014. U.S.$585.9 million in aggregate principal amount of the 2019 Notes were tendered in the 2019 Notes tender offer, all of which were accepted and purchased by VID.

Concurrently with the 2019 Notes Tender Offer, VID solicited consents to proposed amendments to eliminate substantially all of the restrictive covenants as well as various events of default and related provisions contained in the indenture governing the 2019 Notes, or the 2019 Notes Indenture. The requisite consents were obtained and a supplemental indenture to the 2019 Notes Indenture including the proposed amendments to the 2019 Notes became effective as of March 28, 2014.

On March 10, 2014, CBA commenced a cash tender offer for its 6.75% Senior Notes due 2021, or the 2021 Notes, for up to an amount equal to (1) U.S.$1.0 billion less (2) the aggregate principal amount of 2019 Notes accepted for purchase in the 2019 Notes tender offer. VCSA and VPar are guarantors under the 2021 Notes. As of the commencement of the 2021 Notes tender offer, U.S.$713.5 million in aggregate principal amount of the 2021 Notes was outstanding (including U.S.$94.0 million of 2021 Notes held by CBA or its affiliates). The 2021 Notes tender offer expired on April 4, 2014. U.S.$295.3 million in aggregate principal amount of the 2021 Notes were tendered in the 2021 Notes tender offer, all of which were accepted and purchased by CBA.

2017 Euro Notes Tender Offer and Consent Solicitation

On April 9, 2014, we commenced a cash tender offer, or the 2017 Euro Notes Tender Offer, for any and all of our 5.25% Senior Notes due 2017, or our 2017 Euro Notes, of which there was €750.0 million in aggregate principal amount outstanding. The consideration to be paid per €1,000 of 2017 Euro Notes validly tendered and accepted for purchase in the 2017 Euro Notes Tender Offer is €1,106.25 plus accrued and unpaid interest to the date of repurchase. The 2017 Euro Notes Tender Offer expired at 8:00 am Central European Time on April 16, 2014, or the Tender Offer Expiration Date. As of the Tender Offer Expiration Date, €446,495,000 in aggregate principal amount of the 2017 Euro Notes, or 59.53% of the outstanding 2017 Euro Notes, had been validly tendered pursuant to the 2017 Euro Notes Tender Offer. We intend to fund the purchase of 2017 Euro Notes tendered pursuant to the 2017 Euro Notes Tender Offer with a portion of the net proceeds from this offering.

Concurrently with the 2017 Euro Notes Tender Offer, we also solicited consents to proposed amendments to eliminate substantially all of the restrictive covenants as well as various events of default and related provisions contained in the indenture governing the 2017 Euro Notes, or the 2017 Notes Indenture. Adoption of the proposed amendments to the 2017 Euro Notes required the consents of holders of a majority in aggregate principal amount of the outstanding 2017 Euro Notes (excluding any 2017 Euro Notes held by us or our affiliates). As of the Tender Offer Expiration Date, the requisite consents had been obtained.

The 2017 Euro Notes Tender Offer and the related consent solicitation were made on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement dated April 9, 2014, which is not being incorporated by reference in this offering memorandum.

Amendment to VCNA Credit Agreement

VCNA is currently negotiating an amendment and extension to its existing credit agreement, dated as of October 28, 2010, entered into by VCNA and certain of its subsidiaries, as borrowers, and a syndicate of lenders, or the VCNA Credit Agreement. In connection with this amendment, VCNA intends to (1) repay all outstanding borrowings under the term loan tranche of the VCNA Credit Agreement with cash on hand and/or the proceeds from the upsized revolving tranche of the VCNA Credit Agreement and (2) increase the commitments under the revolving credit tranche from U.S.$125.0 million to U.S.$300.0 million. It is expected that the term loan tranche will be terminated and the pricing of the revolving tranche will remain the same, but the maturity date will be extended through April 2019. This amendment is currently expected to close in April 2014. As of December 31, 2013, the total principal amount outstanding under the term loans was R$440.8 million (U.S.$188.7 million). See "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness and Financing Strategy—Long-Term Indebtedness—VCNA Credit Agreement."

Corporate Information

We were incorporated initially as a limited liability company (*sociedade limitada*) under the laws of Brazil on January 9, 1997, with unlimited duration and on June 1, 2009 became a corporation (*sociedade por ações*). Our principal executive offices are located at Rua Gomes de Carvalho, 1996, 12º andar, 04547-006, São Paulo, SP, Brazil. We are currently registered as Company No. 35300370554 by the Board of Trade of the State of São Paulo

(*Junta Comercial do Estado de São Paulo* – JUCESP). Our telephone number is +55 (11) 4572-4000. Our website address is www.vcimentos.com.br. None of the information contained therein or connected thereto shall be deemed to be incorporated into this offering memorandum.

Throughout this offering memorandum, we refer to various trademarks, service marks and trade names that we use in our business, including—Votoran, Itaú Cimentos, Poty, Tocantins, Aratu, Votomassa, Matrix, Engemix, Prairie, Prestige, Cosmos, Kamal, Jbel Oust and Temara, which are our major brand names. We also have several other registered trademarks, service marks and pending applications relating to our products. Other trademarks and service marks appearing in this offering memorandum are the property of their respective holders.

THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the notes, please refer to the section of this offering memorandum entitled "Description of the Notes."

Issuer	Votorantim Cimentos S.A.
Notes offered	€650,000,000 in aggregate principal amount of 3.250% notes due 2021.
Issue price	98.672%, plus accrued interest, if any, from April 25, 2014
Maturity date	April 25, 2021.
Interest	The notes will bear interest from April 25, 2014 at the annual rate of 3.250%, payable annually in arrears on April 25 of each year, commencing on April 25, 2015.
Ranking	The notes will be unsecured, unsubordinated obligations of the issuer.
Optional redemption	The issuer may, at its option, redeem the notes in whole or in part, at any time by paying the greater of (i) 100% of the principal amount of the notes plus accrued interest and additional amounts, if any, to the date of redemption and (ii) the applicable "make-whole" amount, as described under "Description of the Notes—Redemption, repurchase and early payment."
Redemption for tax reasons	The notes may, at the option of the issuer, be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, to the date of redemption at any time upon the occurrence of specified events relating to withholding tax. See "Description of the Notes—Tax repurchase."
Additional amounts	Payments of interest on the notes will be made after withholding and deduction for any Brazilian taxes as set forth under "Taxation." The issuer will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Brazilian taxes been required, subject to certain exceptions set forth under "Description of the Notes—Payment of Additional Amounts."
Covenants	The indenture contains certain restrictive covenants relating to us and certain of our subsidiaries, including covenants relating to, among other things: • creation of liens; • provision of financial information; and • mergers, consolidation and certain sales of assets. These covenants are subject to important exceptions and qualifications which are described under the heading "Description of the Notes—Covenants."

Change of control offer	Upon the occurrence of a change of control that results in a ratings decline, you will have the right, as a holder of the notes, subject to certain exceptions, to require the issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest on the repurchase date. See "Description of the Notes—Repurchases at the Option of the Noteholders upon Change of Control."
Events of default	The notes and the indenture will set forth certain events of default, consisting of among others: • failure to pay the principal when due or failure to pay interest in respect of the notes within 30 days of the due date for an interest payment; • indebtedness of the issuer or certain of its subsidiaries exceeding U.S.$100.0 million is not paid when due or is accelerated; and • specified events of bankruptcy, liquidation or insolvency of the issuer or certain of its subsidiaries. For a description of the events of default, see "Description of the Notes—Events of Default."
Substitution of the issuer	The issuer may, without the consent of the holders of the notes, be replaced and substituted by any wholly-owned subsidiary of the issuer or a wholly-owned subsidiary of VPar as principal debtor in respect of the notes. See "Description of the Notes—Substitution of the Issuer."
Defeasance	The issuer may, at its option, defease its obligations with respect to the notes or the covenants set forth in the Indenture, by depositing with the trustee cash and Cash Equivalents in an aggregate amount sufficient to pay principal, interest and any other amounts due in respect of the notes. "Cash Equivalents" includes certain U.S. dollar-denominated government and high-grade securities, as well as deposits in banks with a minimum rating. See "Description of the Notes—Defeasance."
Further issuances	The issuer may from time to time without notice to or consent of the holders of notes create and issue additional notes of the same series as the notes initially issued in this offering.
Use of proceeds	We expect the net proceeds from the sale of the notes to be approximately €638.0 million after deducting the fees and estimated expenses of this offering. A portion of the net proceeds from the sale of the notes will be used to fund the 2017 Notes Tender Offer and the remainder for general corporate purposes, as described further in "Use of Proceeds."

Form and denomination	Each global note will be in fully registered form without interest coupons attached, only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The notes will be issued in book-entry form through a common depositary for Euroclear and Clearstream. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes—Form, denomination and registration."
Listing	Application has been made to have the notes admitted to listing on the Official List, and to trading on the Global Exchange Market, of the Irish Stock Exchange. The issuer cannot assure you, however, that this application will be accepted, or if accepted, that the notes will remain so listed.
Selling restrictions	The notes have not been registered under the Securities Act and may be transferred only as described under "Transfer Restrictions."
Trustee	Deutsche Bank Trust Company Americas.
Paying agent	Deutsche Bank AG, London Branch.
Principal paying agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Registrar and Irish listing agent	Deutsche Bank Luxembourg S.A.
Governing law	The notes and the indenture will be governed by, and construed in accordance with, New York law.
Risk factors	You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors" for a discussion of risks and uncertainties relating to us, our businesses and an investment in the notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth our summary consolidated financial and other information as of and for the years ended December 31, 2013, 2012 and 2011. The financial information as of and for the years ended December 31, 2013 and 2012 has been derived from our 2013 audited consolidated financial statements, included elsewhere in this offering memorandum. The financial information as of and for the year ended December 31, 2011 has been derived from our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. You should read the following summary consolidated financial and other information in conjunction with "Presentation of Financial and Other Information," "Selected Consolidated Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this offering memorandum.

	For the Year Ended December 31,			
(amounts expressed in millions, except for per share amounts and number of shares)	**2013 (in U.S.$)(1)**	**2013**	**2012(2) (in *reais*)**	**2011(3)**
Statement of income data:				
Continuing operations				
Revenues	5,183.3	12,142.3	9,395.4	8,698.4
Cost of sales and services	(3,458.9)	(8,102.8)	(6,078.0)	(5,684.4)
Gross profit	**1,724.4**	**4,039.4**	**3,317.4**	**3,013.9**
Selling expenses	(381.5)	(893.7)	(610.0)	(595.4)
General and administrative expenses	(337.4)	(790.4)	(665.6)	(530.0)
Gain on the disposal of our 21.21% equity interest in Cimpor	–	–	266.8	–
Other operating income (expenses), net	139.2	326.1	284.8	(295.9)
Operating profit before equity results and net financial results	**1,144.7**	**2,681.5**	**2,593.4**	**1,592.6**
Results of investees	54.6	127.9	(160.5)	311.8
Net financial results	(335.4)	(785.8)	(934.5)	(772.4)
Profit before income tax	**863.8**	**2,023.6**	**1,498.4**	**1,131.9**
Income tax and social contribution	(250.1)	(585.9)	142.1	(277.1)
Net income from continuing operations	**613.7**	**1,437.7**	**1,640.5**	**854.8**
Discontinued operations				
Loss from discontinued operations	(20.9)	(48.9)	–	-
Net income for the year	**592.8**	**1,388.8**	**1,640.5**	**854.8**
Net income attributable to controlling interests	566.8	1,327.8	1,616.8	835.4
Net income attributable to non-controlling interests	26.0	61.0	23.7	19.3
Net income for the year	**592.8**	**1,388.8**	**1,640.5**	**854.8**

(1) Solely for the convenience of the reader, *real* amounts for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above for the year ended December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents gains and losses of joint-ventures proportionally consolidated.

(amounts expressed in millions)	As of December 31, 2013 (in U.S.$)(1)	2013	2012(2) (in *reais*)	2011(3)
Balance sheet data:				
Cash and cash equivalents	284.1	665.6	936.3	225.1
Financial investments	544.0	1,274.3	2,032.4	1,450.5
Total current assets	2,122.3	4,971.6	5,527.1	3,791.6
Assets related to business classified as held for sale (4)	336.4	788.0	701.2	–
Investments in associates and joint ventures	636.5	1,491.1	2,050.6	3,241.4
Property, plant and equipment	4,432.9	10,384.5	9,421.9	6,954.3
Intangible assets	2,228.1	5,219.6	4,715.7	3,466.4
Total assets	10,522.7	24,650.4	23,934.9	18,629.2
Current debt (5)	308.1	721.7	606.9	413.6
Total current liabilities	1,153.1	2,701.3	3,221.9	2,158.3
Liabilities related to business classified as held for sale (4)	166.6	390.3	274.1	–
Non-current debt (6)	5,455.3	12,779.6	12,177.2	7,643.2
Total non-current liabilities	6,807.0	15,946.0	15,528.7	11,052.5
Capital stock	1,166.0	2,731.4	2,746.0	2,746.0
Profit reserves	430.9	1,009.4	789.8	1,963.9
Non-controlling interest	193.2	452.5	252.3	192.0
Total stockholders' equity	2,396.0	5,612.8	4,910.3	5,418.4
Total liabilities and stockholders' equity	10,522.7	24,650.4	23,934.9	18,629.2

(1) Solely for the convenience of the reader, *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets and liabilities of joint-ventures proportionally consolidated.

(4) Includes the assets and liabilities related to our operations in China.

(5) Includes current portion of long-term debt.

(6) Excludes current portion of long-term debt.

(amounts expressed in millions, except for ratios)	As of and for the Year Ended December 31, 2013 (in U.S.$) (1)	2013	2012(2) (in *reais*)	2011(3)
Other financial data:				
Working capital (4)	609.7	1,428.2	1,236.6	1,014.2
Capital expenditures (5)	561.9	1,316.2	1,497.7	1,723.1
Depreciation, amortization and depletion	330.0	773.1	544.3	441.1
Net cash flow provided by operating activities	1,236.0	2,895.5	1,423.2	806.7
Net cash flow used in investing activities	(584.3)	(1,368.8)	(1,236.8)	(1,553.9)
Net cash flow provided by (used in) financing activities	(817.3)	(1,914.7)	510.5	932.7
EBITDA before results of investees (6)	1,474.4	3,454.0	3,137.7	2,033.6
Adjusted EBITDA (6)	1,501.2	3,516.7	3,071.9	2,776.8
Adjusted EBITDA margin (7)	29.0%	29.0%	32.7%	31.9%
Net debt (8) /Adjusted EBITDA (9)	3.28	3.28	3.20	2.30
Adjusted ROCE (10)	21.7%	21.7%	21.6%	27.2%
Operating segment and product information:				
Revenues by operating segment:				
Brazil operations (11)	3,640.2	8,527.6	7,705.1	7,250.4
North America operations	854.9	2,002.8	1,690.3	1,448.0
Europe, Africa and Asia operations	688.1	1,612.0	–	–
Revenues by product:				
Cement	3,555.8	8,329.7	6,211.2	5,890.9
Ready-mix concrete	973.5	2,280.5	2,099.1	1,880.7
Aggregates	322.2	754.8	378.9	371.9
Other building materials	331.8	777.3	706.2	554.8
Adjusted EBITDA by operating segment (12):				
Brazil operations (11)	1,190.1	2,787.9	2,775.1	2,574.8
North America operations	152.1	356.2	296.9	201.9
Europe, Africa and Asia operations	159.1	372.6	–	–

(1) Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets, liabilities, gains and losses of joint-ventures proportionally consolidated.

(4) Working capital is defined as trade receivables *plus* inventories *less* trade payables.

(5) Represents cash disbursements for purchase of property, plant and equipment as presented in our statement of cash flows.

(6) We define EBITDA before results of investees as net income *plus*/*minus* net financial results *plus*/*minus* income tax and social contribution *plus* depreciation, amortization and depletion *plus*/*minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received *minus/plus* EBITDA from discontinued operations. The non-cash items considered as exceptional by our management generally relate to gains/losses on acquisitions, disposals or exchange of assets. For a calculation of EBITDA before results of investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."

(7) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

(8) Net debt is the sum of total short- and long-term debt *minus* cash and cash equivalents, financial investments and derivatives.

(9) Net debt/Adjusted EBITDA ratio is the ratio of our net debt as of the end of the applicable period divided by our Adjusted EBITDA most recently concluded period of four consecutive fiscal quarters.

(10) We calculate Adjusted ROCE by dividing the sum of our operating profit from continuing operations before equity in results of associated companies and joint ventures and net financial results *minus/plus* certain non-cash transactions that are considered by our management as exceptional included in operating profit and dividends received, by the sum of property, plant and equipment plus total current assets less total current liabilities, in each case, from continuing operations.

(11) Includes South America.

(12) We calculate EBITDA before results of investees for each of our operating segments as net income *plus*/*minus* net financial results *plus*/*minus* income tax and social contribution *plus* depreciation, amortization and depletion *plus*/*minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received *minus/plus* from discontinued operations. For a calculation of EBITDA before results of investees and

Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."

RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this offering memorandum before making an investment in the notes. The risks described below are not the only ones facing the issuer or investments in Brazil in general. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing the issuer or investments in Brazil described below and elsewhere in this offering memorandum.

For purposes of this section, the indication that a risk, uncertainty or problem may or will have a "material adverse effect on us" or that we may experience a "material adverse effect" means that the risk, uncertainty or problem could have a material adverse effect on our business, financial condition, results of operations, or our ability to make payments under the notes and/or the market price of the notes, except as otherwise indicated or as the context may otherwise require. You should view similar expressions in this section as having a similar meaning.

Risks relating to our business and industry

General economic conditions in Brazil and in other countries where we operate may materially adversely affect our business, financial condition and results of operations.

General economic conditions in Brazil and the countries where we operate may have a material adverse impact on our business, financial condition and results of operations.

We are highly dependent on the results of our operations in Brazil. In 2013, sales of our Brazilian operations segment (including our operations in South America) represented 70.2% of our consolidated net revenue. Real Brazilian GDP growth during 2013 was 2.3%, according to the IBGE. This recent economic slowdown, coupled with the ongoing effects of the global economic crisis may result in greater economic and financial volatility and continued stagnation in terms of GDP growth, all of which could negatively impact the demand for and pricing of our products and, consequently, our business and results of operations. Actions taken by the Brazilian federal government and the Brazilian Central Bank may not prevent further slowdown of the Brazilian economy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Revenue and Results of Operations—Macroeconomic Conditions of the Countries and Regions Where We Operate—Brazil."

In addition, we depend on the results of our operating subsidiaries in North America, our 50/50 joint ventures in the States of Florida and Michigan, our controlling interests in Bolivia and Uruguay and our results from equity participations in Argentina and Chile. The broad impact of the global economic crisis, including the lingering effects of the European debt crisis, has caused economic slowdown in certain of these countries, which, in some cases, has been compounded by volatile domestic economic and financial conditions. See "—Risks relating to Brazil, North America and other emerging markets in which we operate—Economic conditions in the markets where we operate may adversely affect our business, financial condition and results of operations." There is still a significant risk that the measures taken by governments and central banks in certain of these countries to combat the effects of the global economic crisis may not prevent further economic declines in several of these countries. The downturn in the construction industry, which is highly correlated to economic conditions, has been particularly severe in certain countries that experienced greater expansion in the housing market during years of high levels of availability of credit (such as Spain). Any further contraction in the availability of credit could materially adversely affect the demand for our products in Brazil, North America and other markets in which we operate, as well as the cost and availability of our needed raw materials, thereby causing a material adverse effect on us.

We are dependent on the development of the Brazilian construction industry and are exposed to the risk of adverse market movements.

Cement consumption is highly correlated to construction levels. Given the extent of our Brazilian operations, our business is dependent to a high degree on the development of the Brazilian construction industry, which is closely linked to the general economic situation and the priorities and financial resources of Brazilian federal governmental authorities.

Throughout Brazil, the construction industry is cyclical and dependent upon the residential and commercial construction markets. Specifically, the demand for our cement and other products depends, in large part, on residential construction in Brazil, an important component of which includes housing construction and home improvement for the low-income segment. During the eleven-month period ended November 30, 2013, approximately 50.9% of total cement sales in Brazil were made to the retail market, according to the SNIC. A decline in Brazilian economic conditions may decrease the availability of favorable financing to individuals seeking to build or improve their homes and may also generally reduce household disposable income, which could cause a significant reduction in residential construction and, accordingly, demand for our products. Government policies related to housing and housing credit, such as the My House, My Life (*Minha Casa Minha Vida*), or MCMV Program, also impact cement demand.

Government policies relating to investments in infrastructure projects (e.g., highways, ports and railroads) and public sector construction also have a significant effect on demand for our products. In Brazil, we expect significant government-funded investments in infrastructure over the next years, due to the PAC and the 2016 Olympic Games, among others. If these investments are not made due to macroeconomic factors or otherwise, are delayed or generate a demand for products that is below our expectations, we may not be able to successfully achieve the results expected in our strategic plan.

Negative trends in the construction industry or in key regional markets where we operate could have a material adverse effect on our financial condition and results of operations.

The construction industry has a cyclical nature, and variations in supply and demand, including reductions from a decrease in activities, or an increase of capacities, might lead to overcapacity and therefore to a reduced utilization of our cement plants.

We are affected by the cyclical nature of the construction industry, which is characterized by periods of growth and decline caused by variations in supply and demand. Delays in the capacity adjustment process following a significant decrease in demand, or conversely a greater than expected increase of competitors' investments in additional capacity, might lead to overcapacity and a reduction in our utilization of our cement plants. This may cause reduced sales volumes and/or a decrease in prices, which could have a negative impact on our overall financial condition and results of operation.

If we do not succeed in reducing overcapacity (for example by plant closures) at reasonable costs, thereby lowering our cost base and helping to minimize the excess supply that contributes to a potential decrease in prices, or if strategically we continue to operate plants because we expect a recovery in demand, we may face a further decline in cash flow. Even if we successfully reduce our capacity, such reduction may lead to significant costs in particular for closures of plants or other restructuring measures. In addition, the pricing and production policies of competitors could, in some markets, frustrate our commercial efforts.

We are also subject to the risk that we could build up excess capacity, for example as a result of our incorrect evaluation of market developments, which cannot then be fully utilized. Any failure to adequately use our production capacity could lead to extraordinary depreciation on production equipment and significant impairment charges on goodwill and have negative consequences due to the relatively high level of fixed costs.

The realization of one or more of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

We are subject to substantial competition in our markets, which could decrease our market share and profitability in the regions in which we operate.

The cement, aggregates, ready-mix concrete, mortar and other building materials markets in Brazil, North America and the other markets in which we operate are highly competitive. We face consolidated markets with substantial competition from domestic and international competitors. In addition, we may face competition from imports of foreign competitors. See "Business—Our Operations in Brazil—Competition."

Our competitive position is impacted by price, logistics and production costs. In Brazil our major competitors are InterCement Brasil S.A. and Cimento Nassau (João Santos), and globally we compete with local and international players, including Lafarge S.A., CEMEX S.A.B. de C.V., HeidelbergCement AG and Holcim Ltd. Some of our global competitors have greater financial and marketing resources, larger customer bases and a greater breadth of product offerings than we do. In addition, some of these competitors may be able to obtain financing on terms more favorable than we are. If we are unable to remain competitive, or our competitors are more aggressive in competing with us, this may have a material adverse effect on us in Brazil and the other markets in which we operate.

We are subject to certain investigations in Brazil in connection with alleged antitrust violations, as well as other pending litigation that may materially adversely affect our financial performance and financial condition.

We, together with other cement producers, are subject to ongoing investigations by Brazilian antitrust authorities, particularly given the overall size and significance of our cement operations and our Brazilian market leadership. For example, in 2003 the SDE initiated an administrative proceeding against the largest concrete producing Brazilian cement companies, including us. This proceeding relates to allegations by certain ready-mix concrete producers that the large cement companies may have breached Brazilian antitrust law by allegedly not selling certain types of cement to ready-mix concrete companies. Moreover, in 2006, the SDE initiated another administrative proceeding against the largest Brazilian cement companies, including us. This proceeding relates to allegations of anti-competitive practices that include price fixing and the formation of a cartel. See "Business—Legal Proceedings."

These investigations could result in criminal penalties for certain individuals, as well as administrative fines for us that could range from 1.0% to up to 30.0% of our annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated, or, if the new Brazilian antitrust law is applied, range from 0.1% to up to 20.0% of the annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated and deriving from the cement and concrete business activities of VID and its subsidiaries, and also the following non-monetary penalties (pursuant to Brazilian law): (1) publication of the summary decision in a widely-circulated newspaper, which may have a negative reputational impact on the company; (2) ineligibility to obtain financing from governmental financial institutions or participate in competitive government bidding processes conducted by federal, state or municipal governmental entities or with governmental agencies; (3) inclusion in the Brazilian Consumer Protection List for wrongdoing; (4) recommendations to the competent public agencies to require that compulsory licenses for intellectual property rights owned by the culpable party are granted in applicable cases; (5) recommendations to the competent public agencies to deny the benefit of paying any overdue federal taxes in installments; (6) recommendations to the competent public agencies for the total or partial cancellation of tax incentives or public subsidies; and (7) mandatory spin-off, transfer of corporate control, sale of assets or partial cessation of our activities, and any other measure deemed necessary by CADE to eliminate the detrimental effects to competition caused by the alleged anticompetitive conduct.

On January 22, 2014, CADE commenced a hearing regarding the administrative proceeding initiated in 2006 by the SDE, with four of the five commissioners voting to: (1) impose sanctions on trade associations, certain individuals and six of the largest cement companies in Brazil, including our company; (2) recommend fines in the aggregate amount of R$3.1 billion to be paid by the defendants, of which we would be required to pay R$1,565.0 million; (3) condemn four of the five defendant companies, including our company, to sell a portion of their cement assets in Brazil, representing approximately 24% of the total installed capacity of the cement market in Brazil, which in the case of our company would be equivalent to 11 million tons (representing approximately 35%, as of December 31, 2013) of our installed capacity in Brazil; (4) recommend that the defendant companies, including our company, be required to dispose of their minority equity interests in other cement and ready-mix companies in

Brazil; (5) recommend that four of the five defendant companies, including our company, have restricted access to public financing and tax benefits until the defendants sell those assets referred to in clause (3); (6) prohibit the defendant companies from entering into any transaction that would result in market concentration (such as mergers, acquisitions or joint ventures) during a period of five years and, in the case of our company, during a period of 10 years; and (7) impose other non-monetary sanctions. According to the proposal of the commissioner who drafted CADE's decision, the cement assets for sale by each of the defendant companies, including our company, should be grouped and sold as a package to individual buyers, so as to allow new significant players to enter the Brazilian cement market.

The January 22, 2014 CADE hearing was suspended following the request for additional review by the commissioner who has yet to cast his vote. There is no formal deadline for this commissioner to complete his analysis of this matter or for CADE to issue its final decision. Until this CADE hearing has officially concluded and a final decision has been issued by CADE, any commissioner may revise and change his vote. We are awaiting CADE's final decision, and in the event that the sanctions announced at the January 22, 2014 hearing are ratified or another adverse decision were to be announced by CADE, we intend to challenge CADE's decision before the Brazilian courts. Any adverse decision and/or fine could have a material adverse effect on our financial condition and results of operations.

As a related matter, in 2012, the Office of the Public Prosecutor of Rio Grande do Norte filed a civil class action against us, in addition to eight other defendants, including several of Brazil's largest cement manufacturers, alleging breach of Brazilian antitrust law as a result of alleged cartel formation and demanding, among other things, that: (1) defendants pay an indemnity, on joint basis, in the amount of R$5,600 million in favor of the class action plaintiffs for moral and collective damages; (2) defendants pay 10.0% of the total amount paid for cement or concrete acquired by the consumers of the brands negotiated by the defendants, between the years 2002 and 2006, as compensation for damages to individual consumers; and (3) defendants suffer the following penalties under Articles 23, Item I and 24 of the Law No. 8.884/94: (i) in addition to the fine referred to in item (1) above, a fine ranging from 1.0% to 30.0% of the annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated, which may never be in an amount less than the monetary advantage gained; and (ii) ineligibility, for a period of at least five years, to obtain financing from governmental financial institutions or to participate in competitive government bidding processes conducted by federal, state or municipal governmental entities or with governmental agencies. Because the total amount of the claims for moral and collective damages in this civil class action amounts to R$5,600 million and the claims allege joint liability, we have estimated that, based on our market share, our share of the liability would be approximately R$2,400 million. However, there can be no assurance that this apportionment would prevail and that we will not be held liable for a different portion, which may be larger, or for the entire amount of these claims. Furthermore, there can be no assurance that we will not be required to pay other amounts as compensation for damages caused to consumers in accordance with item (2) above. This action is based on the same fact allegations of the SDE administrative proceedings especially the 2006 proceeding. For a description of our administrative and judicial proceedings, see "Business—Regulatory Matters—Antitrust regulations" and "Business—Legal Proceedings."

We are also involved in a substantial number of tax, civil and labor legal, governmental and administrative proceedings, some of which involve significant monetary claims. As of December 31, 2013, we had an estimated R$7,071.3 million (U.S.$3,061.3 million) in litigation contingencies for which the risk of loss was deemed probable and possible, and we had established provisions of R$1,189.2 million (U.S.$507.6 million) for those deemed probable. As of the same date, we had also made judicial deposits in the amount of R$481.0 million (U.S.$205.3 million) related to our litigation contingencies for probable claims and R$259.9 million (U.S.$110.9 million) for our possible and remote claims. If unfavorable decisions are rendered in one or more of these lawsuits or proceedings, we could be required to pay substantial amounts, which could materially adversely affect us. For some of these lawsuits and proceedings, we have not established any provision, or we have established a provision for a portion of the amount in controversy, based on the judgment of our counsel involved in these disputes. An unfavorable outcome in our pending legal, governmental and administrative proceedings may have a material adverse effect on us. See "Business—Legal Proceedings."

We depend on adequate supplies of raw materials and electrical energy for our operations.

Our business requires raw materials, including clinker, gypsum, slag, fly ash and other materials for the production of clinker and cement. For example, we plan to negotiate the purchase of a substantial amount of fly ash

from one of our Brazilian suppliers and we purchase a substantial portion of the sacks we use for our bagged cement from another Brazilian supplier. Raw material supply conditions generally involve multiple risks, including the possibility of higher raw material costs and reduced control over delivery schedules, any or all of which may materially adversely affect us. We may not be able to obtain adequate supplies of raw materials in a timely and cost-effective manner, which may have a material adverse effect on us.

We use substantial amounts of petcoke in our cement production processes and are dependent on a limited number of suppliers who set the price of petcoke in U.S. dollars, which may adversely affect our operating results. For example, a 30.0% decrease in average petcoke prices from 2011 to 2012 was the primary driver of a 0.5% decrease in our variable costs, while increases in average petcoke prices of 15.1% from 2010 to 2011 increased such costs. In 2013, a 3.0% increase in the average petcoke prices contributed to a 1.8% increase in our variable costs. We do not engage in hedging transactions in connection with the price of petcoke. In addition, any shortage or interruption in the supply of petcoke could also disrupt our operations.

We consume substantial quantities of electrical energy in our cement production processes and currently rely on third-party suppliers for a significant portion of our total energy needs. In 2013, 2012 and 2011, electricity costs represented 8.5%, 7.9% and 8.6%, respectively, of our total costs and expenses. As of December 31, 2013, we had sourced approximately 24.5% of our power purchase agreements from third parties through short-term, one-year contracts that permit tariffs to be adjusted on a semi-annual basis. Our results of operations may be materially adversely affected by higher costs of electricity or unavailability or shortages of electricity, or an interruption in energy supplies. Electricity shortages have occurred from time to time in Brazil and certain other countries in which we operate and could occur again in the future, and there can be no assurance that power generation capacity will grow sufficiently to meet our demand. Shortages may materially adversely impact the cost and supply of electricity for our operations.

We may be unable to complete or integrate our past or prospective acquisitions and strategic alliances successfully.

We have acquired operating subsidiaries and equity interests in other companies and cement plants in the past, and may in the future acquire additional businesses or enter into new strategic alliances and/or joint ventures as part of our strategy to expand our presence outside Brazil and diversify our product base. We are unable to predict whether or when we may pursue any additional acquisitions or alliances, or the likelihood of a material transaction or acquisition being completed on terms favorable to us. Our ability to continue to expand successfully through acquisitions and strategic alliances depends on many factors, including the general availability of suitable targets, as well as our ability to identify such targets, negotiate favorable terms, obtain financing and close transactions. Even if we are able to complete acquisitions or strategic alliances, these transactions may involve significant risks, including the following:

- failure of the acquired businesses to achieve projected results;
- inability to successfully integrate the operations, systems, services and products of any acquired company, or to achieve expected synergies and/or economies of scale;
- unanticipated liabilities or contingencies;
- failure to effectively plan or manage any acquisition or strategic alliance;
- antitrust considerations and other regulatory requirements;
- diversion of attention of our management; and
- inability to retain or hire key personnel for the acquired businesses.

If we are unable to integrate or manage acquired businesses or strategic alliances successfully, we may not realize anticipated cost savings, revenue growth and levels of integration, which may have a material adverse effect on us.

Our level of indebtedness could materially adversely affect our ability to react to changes in our business, and could make us more vulnerable to downturns in our business.

As of December 31, 2013, we had outstanding consolidated indebtedness of R$13,501.3 million (U.S.$5,763.4 million), of which 5.3% was short-term indebtedness and 94.7% was long-term indebtedness. The level of our indebtedness and our repayment profile could have important consequences, certain of which could have a material adverse effect on us. Specifically, our level of indebtedness could:

- limit our flexibility to plan for, or react to, competition and/or changes in our business or our industry;
- require us to dedicate a substantial portion of our cash flow to service our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain financing on terms favorable to us or increase our funding costs;
- place us at a competitive disadvantage relative to some of our competitors that are less leveraged than us;
- increase our vulnerability to downturns in our business; and
- impact our credit rating and the condition under which additional financing is available to us.

Our ability to service our level of indebtedness may have a material adverse effect on our liquidity, financial condition and results of operations.

Our business strategies require substantial investments, which we may be unable to fund competitively.

Our business strategies to continue to expand our cement production capacity and distribution network and to acquire additional assets will require substantial investments, including capital expenditures in greenfield and brownfield projects, which we may finance through additional debt and/or equity financing. However, adequate financing may not be available or, if available, may not be available on satisfactory terms, including as a result of adverse macroeconomic conditions. We may be unable to obtain sufficient additional capital in the future to fund our capital requirements and our business strategy at acceptable costs. If we are unable to access additional capital on terms that are acceptable to us, we may not be able to fully implement our business strategy, which may limit the future growth and development of our business. If our need for capital were to arise due to operating losses, these losses may make it more difficult for us to raise additional capital to fund our expansion projects.

Our implementation of our growth strategies depends on certain factors that are beyond our control, including changes in the conditions of the markets in which we operate, actions taken by our competitors and laws and regulations in force in Brazil and the other jurisdictions in which we operate. Our failure to successfully implement any part of our strategy may have a material adverse effect on us.

Delays in the construction of new cement facilities and the expansion of our existing facilities may materially adversely affect us.

The construction or expansion of a cement production facility involves various risks, including engineering, construction, governmental, environmental, regulatory and other significant challenges that may delay or prevent the successful operation of a project or significantly increase its cost. For example, the delay in the start-up of a greenfield project can be the result of engineering challenges related to mining limestone in difficult topographies. In addition, we may be unable to identify attractive locations for construction of new facilities. Our ability to successfully complete any construction or expansion project on schedule also may be subject to financing and other risks. Therefore, we may incur additional costs if we are unable to complete any construction or expansion project on time or within budget or if our new or expanded facilities do not operate at their designed capacity or cost more to construct, expand or operate than we anticipated. We cannot assure you that any of these additional costs will not have a material adverse effect on us.

Compliance with environmental, health and safety regulations could result in significant additional costs, and non-compliance with environmental legislation may result in punishment for environmental damages, as well as criminal and administrative sanctions, which could materially adversely affect us.

Our operations often involve the use, handling, disposal and discharge of hazardous materials into the environment and the use of natural resources. Most of our operations are subject to extensive environmental, health and safety regulations.

The enactment of stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new risks or costs on us or result in the need for additional investments in pollution control equipment, which could result in a material decline in our profitability. Efforts to address climate change through national, state and regional laws and regulations, as well as through international agreements, to reduce the emissions of greenhouse gases, or GHGs, can create risks and uncertainties for our business. This is because the cement manufacturing process requires the combustion of large amounts of fuel and creates CO_2 as a by-product of the calcination process. Such risks could include costs to purchase allowances or credits to meet GHG emission caps, costs required to provide equipment to reduce emissions to comply with these limits, or decreased profits arising from higher production costs resulting directly or indirectly from the imposition of legislative or regulatory controls. We also may be required to modify or retrofit our facilities at substantial cost in order to comply with waste disposal and emissions regulations.

As a result of possible changes to environmental regulations, the amount and timing of our future environmental compliance expenditures may vary substantially from those we currently anticipate. Certain environmental laws impose liability on us for any and all consequences arising out of exposure to hazardous substances or other environmental damage. In addition, we may be required to invest significant additional resources in occupational health and safety measures in order to reduce severe injuries or fatalities.

We cannot assure you that the costs we incur to comply with existing and future environmental, health and safety laws, and liabilities that we may incur from past or future releases of, or exposure to, hazardous substances, or severe accidents, will not materially and adversely affect our results of operations or financial condition.

Under Brazilian law, the construction, installation, expansion and operation of any establishment or activity that uses environmental resources or is deemed actually or potentially polluting, as well as those capable of causing any kind of environmental degradation, depend on a prior licensing process. Failure to secure licenses or authorizations from the necessary environmental agencies for the construction, modification, implementation, expansion and operation of potentially pollutant activities and/or enterprises may subject us to criminal and administrative sanctions that may result in fines ranging from R$500 to R$10,000,000. In addition to the fines, we may also be subject to penalties such as suspension of activities, deactivation and demolition, among others. This means that if we develop any potentially pollutant activity without authorization from the necessary environmental agency, we may be subject to such penalties, among others (such as shutdowns and embargoes). These penalties are also applicable if we fail to comply with the conditions of our environmental licenses. Thus we seek to obtain all environmental licenses required for the regular exercise of our activities.

In North America, we are subject to federal, state and local environmental laws and regulations in the United States and federal and provincial laws and regulations in Canada concerning, among other matters, air emissions, waste disposal and water discharge. In the United States, the Environmental Protection Agency, or EPA, has finalized new environmental standards for Portland cement, the National Emission Standards for Hazardous Air Pollutants, which introduced stricter controls for substances emitted in cement production such as mercury, total hydrocarbons, hydrochloric acid and particulate matter. These standards come into effect in 2015. See "Business—Regulatory Matters—Environmental Regulations—Environmental Laws and Regulations in North America."

In addition, failure to comply with environmental laws and regulations as well as health and safety regulations may make us liable for the repair of any damage that has been or may be caused, and may damage our reputation or require us and our managers to pay criminal, civil, labor and social security or administrative penalties. These penalties could include fines, restriction of rights, community service, and restitution. Moreover, administrative penalties can range from the imposition of fines and warnings to the partial or total suspension of activities, which can include the loss of tax incentives, the obligation to restore the affected areas, the cancellation or suspension of lines of credit from governmental credit institutions and a prohibition from entering into government contracts. The

imposition of any such penalty or obligation of redress for a violation of environmental legislation may adversely affect us.

We are party to certain environmental judicial and administrative proceedings. Any losses that may arise from these proceedings may materially and adversely affect our results of operations or financial condition. See "Business—Legal Proceedings."

Mineral exploration activities depend on authorizations, concessions and licenses from public authorities, which are subject to expiration, limitation on renewal, changes in the relevant laws and regulations, and to various other risks and uncertainties that may affect the heavy building materials industry and our activities.

We require authorizations, concessions and licenses from governmental and other regulatory bodies (including environmental and mining agencies) to conduct our mining operations, processing, transportation, storage and production facilities. We have obtained, or are in the process of obtaining, all material authorizations, concessions and licenses required to conduct our mining and mining-related operations. However, we may need to renew such authorizations, concessions and licenses or require additional authorizations, concessions and licenses in the future.

These authorizations, concessions and licenses are subject to our compliance with conditions imposed and regulations promulgated by the relevant governmental authorities. While we anticipate that all required authorizations, concessions and licenses or their renewals will be given as and when sought, there is no assurance that these authorizations, concessions, licenses or renewals will be granted as a matter of course, and there can be no assurance that new conditions will not be imposed in connection with such renewals.

Our mining concessions and exploration licenses require us to make certain payments to the Brazilian federal government and certain state governments, including royalties known as Financial Compensation for the Exploitation of Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, and applicable duties related to the exploration, production, exploitation and use of mineral resources. Royalties, taxes and fees related to our exploration licenses and mining concessions may change or increase substantially as a result of unfavorable judicial decisions in litigation with the governmental entities collecting such royalties, taxes and fees due to change of law, or simply because these duties (which are different at each phase of the mineral right development) tend to accrue higher amounts at the mining concession stage than at the exploration license stage (e.g., royalties are charged only at mining concession stage). If the mining royalties, taxes and fees to which we are subject increase substantially, our business objectives may be impeded by the costs of holding our exploration licenses and mining concessions. Accordingly, we must continually assess the mineral potential of each mining concession to determine if the costs of maintaining the exploration licenses and mining concessions are justified by the results of operations to date. If such cost is not justified and we stop paying the applicable royalties, taxes and fees, abandoning the mine or suspending the mining activities without the formal consent of the DNPM, for a period in excess of six months, we may lose our mining concessions. Alternatively, we may elect to assign some of our exploration licenses or mining concessions. There can be no assurance that the required mining concessions will be obtained and maintained on terms favorable to us, or at all, for our current and future intended mining or exploration targets.

If we fail to demonstrate the existence of technical and economically viable mineral deposits in an area covered by our exploration licenses, we may be required to return it to the federal government. This retrocession requirement can lead to a substantial loss of part of the mineral deposit originally identified in our prospection, exploration or feasibility studies.

In addition, these concessions, authorizations and licenses may not be granted, or may be revoked due to changes in laws and regulations governing mineral rights. Accordingly, the loss of mining royalties and/or inability to renew our concessions, authorizations and licenses may materially adversely affect us.

If we were to violate any of the foregoing laws and regulations or the conditions of our concessions, authorizations and licenses, we may be subjected to substantial fines or criminal sanctions, revocations of operating permits or licenses and possible closings of certain of our facilities.

Brazil may replace its current Mining Code with a new regulatory framework, which could substantially change the ways in which authorizations, licenses and concessions are granted, modify the terms and conditions for such authorizations, licenses and concessions, increase CFEM rates, establish a new agency to replace the DNPM, and create minimum investment targets, each of which may increase our expenses and potentially materially adversely affect our mining authorizations, concessions and licenses.

Our mining operations are regulated primarily by the Decree-Law No. 227, of February 28, 1967, or the Brazilian Mining Code, the Brazilian Mining Code Regulations enacted by Decree No. 62,934 of July 2, 1968, and certain rulings issued by the DNPM (collectively, the "Brazilian Mining Framework").

In 2009, the Brazilian Ministry of Mines and Energy (*Ministério de Minas e Energia*), or MME, announced that a new mining regulatory framework would soon be issued to replace the existing Brazilian Mining Framework. Certain legislative proposals have been submitted to the Brazilian National Congress, which would, in addition to increasing the CFEM rate, calculate the CFEM rate based on gross revenues instead of net revenues. It is not likely that the previously proposed laws will be approved in their entirety or at all, since the executive branch is currently drafting a new proposed law. However, this new proposed law is expected to be based on the previously proposed laws and new mining regulatory directives that MME also prepared in 2009.

In order for the existing Brazilian Mining Code to be replaced, the new law would have to be approved by the Brazilian Congress and signed by the Brazilian President. In addition, it is likely that the new law will include a transition period for existing mining concessions and exploration licenses to shift to the new legal framework. Accordingly, neither the content of any new law nor the terms of any transitional provision can be determined at this stage.

Pursuant to press reports, materials made available by the government and the previously proposed laws, it is expected that the new mining regulatory framework will create a new agency to replace the DNPM, a new formula for applying the CFEM and a potential increase in CFEM rates, a bidding system for granting exploration licenses and mining concessions depending on the mineral type and the strategic and economical relevance of the mine, and new terms and conditions for exploration licenses and mining concessions, including the potential creation of minimum investment targets for each stage of exploration.

A new mining regulatory framework may result in limitations in the duration of our existing mining concessions, an increase in our expenses, particularly mining royalties, taxes and fees, and a re-tender of our mining concessions if they are deemed to have strategic and economic importance. In addition, we currently have a mining concession request pending approval by the DNPM, and we have not been able to determine whether the issuance of these concessions will be approved under the existing Mining Framework, the new mining regulatory framework under consideration, or if it will be approved at all, given that the DNPM has still not reviewed our request. A failure to approve any of our mining concessions may reduce our anticipated capacity to produce the limestone we need to make cement, requiring us to purchase additional raw materials from third-party suppliers and pay for their transport to our plants. This scenario would substantially increase our operating costs and potentially lead us to raise our cement prices.

Accordingly, any of these changes or a failure to approve our mining concession application may materially adversely impact our business, financial condition and results of operations.

Our mining operations are subject to risks and hazards inherent to the mining industry.

The exploration for and the development of mineral deposits involves significant risks that even a combination of risk management, careful evaluation, experience and knowledge cannot eliminate. Our exploration, extraction and production activities may be hampered by industrial accidents, equipment failure, unusual or unexpected geological and geotechnical conditions, environmental hazards, labor disputes, changes in the regulatory environment, weather conditions and other natural phenomena.

Our production activities may be impaired by accidents associated with the operating of our crushing and mining equipment, which could result in prolonged short-term downtime or longer-term shutdowns of our production facilities. These hazards could result in material damage to mineral properties, human exposure to

pollution, personal injury or death, environmental and natural resource damage, delays in shipment, monetary losses and possible legal liability if we are unable to satisfy our contractual obligations under various supply contracts.

We currently extract the majority of our mineral resources in our mines. Hazards associated with mining include accidents involving the operation of drilling, blasting, rock transportation, crushing, and flooding of the pit. Additionally, our operations require the removal of groundwater during mining operations. Future efforts to remove groundwater may not be adequate and may not meet future operational demands or expectations.

The occurrence of these hazards and/or any prolonged short-term downtime or longer-term shutdown at any of our mining and production facilities could materially and adversely affect our ability to produce and consequently impair our ability to satisfy our contractual obligations under various supply contracts.

Failure to resolve any unexpected problems as described above at a commercially reasonable cost could have a material adverse effect on our business, financial condition and results of operations.

We may be materially adversely affected if our transportation, storage and distribution operations are interrupted or are more costly than anticipated.

Our operations are dependent upon the uninterrupted operation of transportation, storage and distribution of our products. Infrastructure in Brazil and certain other countries in which we operate may be significantly less developed compared to other regions. Transportation, storage or distribution of our cement and other products could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- catastrophic events;
- strikes or other labor difficulties; and
- other disruptions in means of transportation.

In addition, we rely on third-party services providers for the transportation of our products to our customers. Our ability to service our customers at reasonable costs depends, in many cases, upon our ability to negotiate reasonable terms with carriers, including trucking companies. To the extent that third-party carriers were to increase their rates, we may be forced to pay these higher rates before we are able to pass such increases onto our customers, if at all.

Any significant interruption at these facilities, an inability to transport our products to or from these facilities or to or from our customers or an increase in transportation costs for any reason would materially adversely affect us.

Our insurance coverage may be insufficient to cover losses to which we may be subject.

Our businesses are generally subject to multiple risks and hazards, which could result in damage to, or destruction of, our properties, plants and equipment. The occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits in our policies may result in significant unexpected additional costs to us and materially adversely affect us.

We may be subject to labor disputes from time to time that may materially adversely affect us.

Most of our employees are represented by unions or equivalent bodies and are covered by collective bargaining or similar agreements which are subject to periodic renegotiation. We are subject to possible work slowdowns in certain of our facilities. For example, in 2011, our Rio Branco cement plant experienced a threat of a labor strike that resulted in our negotiation of a new collective bargaining agreement for this plant. In addition, we may not successfully conclude future labor negotiations on satisfactory terms, which may result in a material increase in the cost of labor or may result in work stoppages or labor disturbances that disrupt our operations. These cost increases, work stoppages or labor disturbances could materially and adversely affect us.

We are subject to periodic and regular investigations by labor officials and government bodies, including the Ministry of Labor and the Labor Public Prosecutor's Office, regarding our compliance with our labor-related legal

obligations, including occupational health and safety. These investigations can result in fines and lawsuits that could materially and adversely affect us.

The introduction of substitutes for cement in the markets in which we operate and the development of new construction techniques could have a material adverse effect on us.

Materials such as plastic, aluminum, ceramics, glass, wood and steel can be used in construction to substitute cement. In addition, other construction techniques, such as the use of dry wall, could decrease the demand for cement, ready-mix concrete and mortars. In addition, new construction techniques and modern materials may be introduced in the future. The use of substitutes for cement could cause a significant reduction in the demand and prices for our cement products and have a material adverse effect on us.

Our estimates of the volume and grade of our limestone deposits could be overstated, and we may not be able to replenish our reserves.

Our limestone reserves described in this offering memorandum constitute our estimates based on evaluation methods generally used in our industry and on assumptions as to our production, as well as market prices for limestone. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured precisely, and the accuracy of any reserve estimate is a function of the quality of available data, as well as engineering and geological interpretation and judgment. As a result, we cannot assure investors that our limestone reserves will be recovered or that they will be recovered at the rates we anticipate. We may be required to revise our reserve and mine life estimates based on our actual production and other factors. For example, fluctuations in the market prices of limestone, reduced recovery rates, higher output or increased operating and capital costs due to inflation, exchange rates or other factors may make it expensive to mine certain of our reserves and may result in a restatement of our reserves. If our limestone reserves are lower than our estimates, this may have a material adverse effect on us, particularly if as a result we are required to purchase limestone from third-party suppliers or to develop mines at greater distance from our facilities.

We do not control the business strategy of the investments in which we are not the controlling shareholder and are limited by the rights given to minority shareholders in such jurisdictions.

We have operations in Brazil, Argentina, Chile and North America through non-controlling interests or joint ventures which we do not fully control. The other shareholders in these operations might have different business interests than us. There may be decisions taken that are unfavorable to our business interests or decisions in our business interest that are only taken after a significant delay. Therefore, the interests of these controlling shareholders may not always be aligned with our interests. Furthermore, if any of the companies in which we hold a minority interest were to violate local environmental, antitrust, taxation or any other regulation, causes material environmental damage or become a party to a material contingency, it may negatively impact our reputation with our customers, which could have a material adverse effect on our operations and financial results. In addition, there may be legal restrictions in these jurisdictions that severely impact our ability to implement our operating and financial strategies in the companies in which we have a non-controlling interest. This could have a material adverse effect on our business, financial condition and results of operations.

The construction industry is affected by weather conditions.

Lower demand for building materials occurs in periods of cold weather and heavy rain. Results for a single financial quarter might therefore not present a reliable basis for the expectations of a full fiscal year. Furthermore, according to the Intergovernmental Panel on Climate Change, climate change may contribute to changes and variability in precipitation and in the intensity and frequency of extreme weather events. Such adverse weather conditions can materially and adversely affect our business, financial condition and results of operations if they occur with unusual intensity, during abnormal periods, or last longer than usual in our major markets, including Brazil, especially during peak construction periods.

We are dependent on management, qualified personnel and employees having special technical knowledge.

Qualified and motivated personnel are a key factor in the development of our business, in particular our further technological development and geographic expansion. Competition for talent has increased in recent years, and in certain cases in the past, we faced challenges in obtaining or retaining the desired personnel. Personnel shortages or the loss of key employees could negatively influence our further business development, including by preventing us from replicating our management structure in companies we acquire. In addition, we are subject to risks related to our dependence on individual persons in key positions, particularly at the level of the senior management as well as in the areas of development, distribution, service, production, finance and marketing and sales. The loss of management personnel or employees in key positions would lead to a loss of know-how, or under certain circumstances to the passing on of know-how to our competitors. If one of these risks were to occur, this could materially adversely affect us.

Risks relating to Brazil, North America and other emerging markets in which we operate

The Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian economic and political conditions have a direct impact on our business.

The Brazilian economy has been characterized by frequent, and occasionally material, intervention by the Brazilian federal government, which has often modified monetary, credit and other policies intended to influence Brazil's economy. The Brazilian government's actions to control inflation and effect other policy changes have involved wage and price controls, changes in existing, or the implementation of new taxes, and fluctuations of base interest rates. Actions taken by the Brazilian federal government concerning the economy may have important effects on Brazilian companies, including us, and on market conditions and prices of Brazilian securities. In addition, actions taken by Brazilian state and local governments with respect to labor and other laws affecting our operations may have an effect on us. Our financial condition and results of operations may also be materially and adversely affected by any of the following and the Brazilian federal government's actions in response to them:

- depreciations and other exchange rate movements;
- monetary policies;
- inflation rates;
- economic and social instability;
- energy shortages, or other changes in energy prices;
- interest rates;
- exchange controls and restrictions on remittances abroad;
- liquidity of the domestic capital and lending markets;
- tax policy, including international tax treaties; and
- other political, diplomatic, social and economic policies or developments in or affecting Brazil.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the market value of securities issued by Brazilian companies. Historically, the political scenario in Brazil has influenced the performance of the Brazilian economy; in particular, political crises have adversely affected investors' confidence and public sentiment, which has adversely affected economic development in Brazil.

Brazilian presidential elections are scheduled to take place in October 2014. The president of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses such as our company. We can offer no

assurances that the policies that may be implemented by the Brazilian federal or state governments will not materially adversely affect our business, results of operations and financial condition.

These and other future developments in the Brazilian economy and governmental policies may materially adversely affect us.

Economic and market conditions, including the perception of risks, in other countries, especially in the United States, in developing countries and in other countries in which we operate, may materially and adversely affect the Brazilian economy and, therefore, the market value of the notes.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in the United States and developing countries, especially other Latin American countries. Although economic conditions vary by country, the reaction of investors to developments in one country may cause fluctuations in the capital markets in other countries. Developments or adverse economic conditions in other countries, including developing countries, have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and reduced foreign investment in Brazil, as well as limited access to international capital markets, all of which may materially and adversely affect our ability to borrow at acceptable interest rates or to raise equity capital when and if we need to do so.

Brazilian securities have experienced increase volatility from time to time, and share prices on the BM&FBOVESPA, for example, have historically been sensitive to fluctuations in United States interest rates as well as movements of major United States stock indexes. Furthermore, investors' perception of greater risk due to crises or adverse economic conditions in other countries, including Latin American and other developing countries, may also result in reductions in the market price of the notes.

Inflation, and the Brazilian federal government's measures to combat inflation, may contribute significantly to economic uncertainty in Brazil, our operating results and the notes.

Brazil has historically experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. Inflation rates were 7.8% in 2007 and 9.8% in 2008, compared to deflation of 1.7% in 2009, and then inflation of 11.3% in 2010, 5.1% in 2011, 7.8% in 2012 and 5.5% in 2013, as measured by the General Market Price Index (*Índice Geral de Preços—Mercado*), or IGP-M, compiled by the FGV. The Brazilian federal government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, restricting thereby the availability of credit and reducing economic growth. Inflation, actions that may be implemented to combat inflation and public speculation about any possible additional actions also may contribute materially to economic uncertainty in Brazil and accordingly weaken investor confidence in Brazil, thus adversely impacting our ability to access the international capital markets.

Brazil may experience high levels of inflation in the future, which may impact domestic demand for our products. Inflationary pressures may also curtail our ability to access international financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may materially and adversely affect the overall performance of the Brazilian economy, which in turn may materially and adversely affect us.

Because an important portion of our total debt is denominated in U.S. dollars and Euros, fluctuations in the value of the real against the value of the U.S. dollar and/or the Euro may adversely affect our net financial results and our results of operations.

The Brazilian currency has depreciated periodically in relation to the U.S. dollar and other foreign currencies during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, according to the Brazilian Central Bank, the *real* depreciated by 31.9% against the U.S. dollar in 2008, appreciated by 25.5% and 4.3% in 2009 and 2010, respectively, and depreciated by 12.6% in 2011, 8.9% in 2012

and 14.6% in 2013. In the same way, the *real* appreciated by 11.1% against the Euro in 2010 and depreciated by 9.3% in 2011, 10.7% in 2012 and 19.7% in 2013. There can be no assurance that the *real* will not depreciate further against the U.S. dollar and/or the Euro, and that we would not be materially adversely affected as a result of these fluctuations.

Because an important portion of our total debt is denominated in U.S. dollars and Euros, fluctuations in the value of the *real* against the U.S. dollar and/or the Euro may adversely affect our net financial results and our results of operations. As of December 31, 2013, our debt denominated in U.S. dollars and Euros represented 32.5% and 18.6%, respectively, of our total debt. A devaluation or depreciation in the value of the *real* compared to the U.S. dollar and/or the Euro may result in foreign exchange losses that we must record in our net financial results. For example, in 2011, we recorded foreign exchange losses, net of R$253.6 million as a major consequence of the 12.6% and 9.3% devaluation of the *real* against the U.S. dollar and the Euro, respectively, throughout 2011. In 2012, we recorded foreign exchange losses, net of R$366.1 million as a result of the 8.9% and 10.7% devaluation of the *real* against the U.S. dollar and the Euro, respectively, throughout 2012. In 2013, we recorded foreign exchange losses, net of R$89.7 million as a result of the 14.6% and 19.7% devaluation of the *real* against the U.S. dollar and Euro, respectively, throughout 2013.

Changes in Brazilian tax laws or conflicts in the interpretation of these laws may have a material adverse impact on us by increasing the taxes that we are required to pay.

The Brazilian federal government has frequently implemented multiple changes to tax regimes that may affect us and our clients, including as a result of the execution or amendment of tax treaties. These changes include changes in prevailing tax rates and enactment of taxes, which may be temporary, the proceeds of which are earmarked for designated governmental purposes.

Some of these changes may result in increases in our tax burden, which could materially adversely affect our profitability and increase the prices of our services, restrict our ability to do business in our existing and target markets and cause our financial results to suffer. There can be no assurance that we will be able to maintain our projected cash flow and profitability following any increases in Brazilian taxes that may apply to us and our operations.

Moreover, some tax laws may be subject to controversial interpretation by tax authorities, including but not limited to the regulation applicable to corporate restructurings. In the event an interpretation different than the one on which we based our transactions prevails, we may be adversely affected.

We may also be materially adversely affected if any of the tax benefits granted to us are revoked or if we are unsuccessful in renewing or extending such tax benefits.

In order to promote industrial development, certain Brazilian states grant tax and financial benefits to attract investment. We benefit from certain tax benefits granted by the States of Ceará, Rondônia, Paraná, Sergipe, Tocantins, Mato Grosso, Pará, as well as the Distrito Federal, among others. These benefits include the deferral of a value-added tax (*Imposto sobre Circulação de Bens e Serviços*), or ICMS, imposed on our importation of fixed assets and raw materials, the deferral of ICMS imposed on our importation of intermediate and packing materials, ICMS tax credits, and the reduction of applicable taxes.

Tax benefits related to ICMS may be declared unconstitutional if they were granted without authorization from the Brazilian National Council of Fiscal Policy (*Conselho Nacional de Política Fazendária*). Claims have already been filed before the Brazilian Federal Supreme Court challenging the constitutionality of certain tax benefits granted to us, such as the Industrial Development Fund of Ceará and the Industrial Development Program of Sergipe (State Law No. 3,140 of December 23, 1991), or PSDI. In addition, Brazilian state tax authorities may revoke tax benefits if we do not comply with the conditions established in the law that granted us the tax benefit. If any tax benefits were to be declared unconstitutional or were revoked, we may be requested to pay to the applicable Brazilian state the aggregate amount of any ICMS that we did not pay over the prior five-year period, plus interest and penalties. In addition, tax benefits have a fixed term, and we may not be successful in renewing or extending our tax benefits. The foregoing may have a material adverse effect on us.

In addition to the benefits mentioned above, we also benefit from certain tax benefits related to reduced federal income tax and additional freight for the renewing of the merchant marine (*Adicional ao Frete para Renovação da Marinha Mercante*), or AFRMM, and municipal service taxes (*Imposto Sobre Serviços*), or ISS. If we fail to comply with legal requirements or if any tax benefits were to be declared unconstitutional, we may lose these tax benefits and we may be required to pay an amount equivalent to our benefits plus interest and penalties which could result in a material adverse effect on us.

Fluctuations in interest rates could increase the cost of servicing our debt and negatively affect our overall financial performance.

Certain of our indebtedness bears interest based on variable interest rates, including the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, and the London Interbank Offered Rate, or LIBOR. The CDI rate has fluctuated significantly in the past due to the impact of changes in Brazilian economic growth, inflation, Brazilian federal government policies and other factors. For example, the CDI rate increased from 13.6% as of December 31, 2008, decreased to 8.6% as of December 31, 2009, increased to 10.6% as of December 31, 2010, increased to 10.9% as of December 31, 2011, decreased to 6.9% as of December 31, 2012 and increased to 8.0% as of December 31, 2013. LIBOR rates have also fluctuated in response to changes in economic growth, monetary policy and governmental regulation. A significant increase in underlying interest rates, particularly the CDI and LIBOR, could have a material adverse effect on our financial expenses and materially adversely affect our overall financial performance. On the other hand, a significant reduction in the CDI rate or LIBOR could materially adversely impact the financial revenues that we derive from our investing activities, given that certain of our financial investments bear interest based on these interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Revenue and Results of Operations—Macroeconomic Conditions of the Countries and Regions Where We Operate—Brazil."

In addition, the Brazilian Central Bank periodically establishes the special overnight clearance and custodial rate for the Brazilian Central Bank's Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*), or the SELIC rate, which is the base interest rate for the Brazilian banking system and an important policy instrument for the achievement of Brazilian inflation targets. In recent years, the SELIC rate has fluctuated and the Brazilian Central Bank has frequently adjusted the SELIC rate in response to economic uncertainties. On December 31, 2008, 2009, 2010, 2011, 2012 and 2013, the SELIC rate was 13.75%, 8.75%, 10.75%, 11.00%, 7.25% and 10.00%, respectively. During 2014, the Brazilian Monetary Policy Committee increased the SELIC rate several times from 10.00% as of December 31, 2013 to 10.50% on January 16, 2014, to 10.75% on February 27, 2014 and to its current rate of to 11.00% on April 3, 2014. Any reductions in the SELIC rate could adversely affect us by decreasing the income we earn on our interest-earning assets.

Economic conditions in the markets where we operate may adversely affect our business, financial condition and results of operations.

Argentina, Uruguay, Bolivia and Chile are exposed to the risk of a decrease in overall economic activity. The current and any new financial downturn, lower exports to the United States and Europe, lower remittances and lower commodity prices could represent an important risk for these regions in the short-term. In addition, these countries are characterized by occasional interventions by their respective governments, which has often modified monetary, credit and other policies intended to influence their respective economies. This may translate into greater economic and financial volatility and lower growth rates, which could have a material adverse effect on consumption and/or prices for our products, thereby adversely affecting our business and results of operations.

Many Western European countries, including Spain, have faced difficult economic environments due to the financial crisis and its impact on their economies, including the construction sectors. If this situation were to deteriorate further, our financial condition and results of operations could be adversely affected. In the construction sector, the residential adjustment could last longer than anticipated, while non-residential construction could experience a sharper decline than expected. Furthermore, the austerity measures implemented by some European countries could result in further declines in construction activity and demand for our products. In addition, concerns regarding the European debt crisis, market perceptions concerning the instability of the Euro and the risk of further contagion could have a negative impact on other countries in which we operate, which could adversely affect demand for our products and, as a consequence, adversely affect our business and results of operations. For example, the important trade links with Western Europe pose a significant vulnerability in Turkey, Morocco and

Tunisia. Large financing needs in these countries and moderate economic growth may also adversely affect construction investments in these countries, which could materially and adversely affect our financial condition and results of operations.

The Asia-Pacific region will likely be affected if the economic landscape further deteriorates. Decelerated economic growth in India may negatively impact the development of the construction industry in this country, which could negatively impact demand for our products. An additional increase in country risk and/or decreased confidence among global investors would also limit capital flows and investments in the Asian region, particularly India.

The economic volatility in these countries and other countries where we operate may have an impact on prices and demand for our products, which could adversely affect our business and results of operations.

Our presence and plans for expansion in emerging markets exposes us to economic and political risks which we do not face in more mature markets.

Emerging markets face economic and political risks and risks associated with legal systems being less certain than those in more mature economies. As of December 31, 2013, approximately 84.6% of our global installed cement production capacity is located in emerging markets. Emerging markets are even more exposed to volatility in GDP, inflation, exchange rates and interest rates than developed markets, which may negatively affect the level of construction activity and our results of operations in the emerging markets in which we operate or will operate.

Other potential risks presented by emerging markets include:

- disruption of our operations due to terrorism, civil disturbances, and other actual and threatened conflicts;
- nationalization and expropriation of private assets;
- price controls;
- unexpected changes in regulatory environments, including environmental, health and safety, local planning, zoning and labor laws, rules and regulations;
- varying tax regimes, including with respect to the imposition of withholding taxes on remittances and other payments by subsidiaries and joint ventures;
- fluctuations in currency exchange rates and restrictions on the repatriation of capital; and
- difficulties in attracting and retaining qualified management and employees.

We are subject to various laws and regulations throughout the many jurisdictions in which we operate and are exposed to changes in those laws and regulations, and to the outcome of any investigations conducted by governmental, international and other regulatory authorities, which may result in the imposition of fines and/or sanctions for non-compliance.

We are subject to various statutes, regulations and laws applicable to businesses generally in the countries and markets in which we operate. These include statutes, regulations and laws affecting land usage, zoning, employment practices, competition, financial reporting, taxation, anti-bribery, anti-corruption, governance and other matters. We cannot guarantee that our operating units will at all times be successful in complying with all demands of regulatory agencies in a manner which will not materially adversely affect its business, financial condition or results of operations.

Risks relating to the Notes

Payments under the notes are subject to our obtaining certain governmental authorizations.

The issuance of the notes is subject to certain registrations with the Brazilian Central Bank, namely (1) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*), or ROF, on the Information System of the Brazilian Central Bank, which will be obtained prior to any such issuance and (2) registration of the schedule of payments in connection with any such issuance, which shall occur after the entry of the related proceeds into Brazil. In addition, further authorization from the Brazilian Central Bank will be required to enable us to remit payments abroad in foreign currency under the notes other than scheduled payments of principal, interest, costs and expenses contemplated by the relevant ROF, such as the offer to purchase in the event of a change of control. There can be no assurance that we would be able to obtain further Central Bank authorization on a timely basis or at all.

You may face foreign exchange risks by investing in the notes.

The notes will be denominated in, and interest will be paid in, Euros. If you measure your investment returns by reference to a currency other than the Euro, an investment in the notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the Euro relative to the currency by reference to which you measure the return on your investment because of economic, political and other factors over which we have no control. Depreciation of that currency against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the notes below the interest rate of the notes and could result in a loss to you when the return on the notes is translated into the currency by which you measure the return on your investment. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the notes.

Judgments of Brazilian courts enforcing the obligations of the issuer under the notes would be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce the obligations of the issuer under the notes, the issuer would not be required to discharge its obligations in a currency other than *reais*. Any judgment obtained against the issuer in Brazilian courts in respect of any payment obligations under the notes would be expressed in *reais*. We cannot assure you that this amount in *reais* will afford you full compensation of the amount sought in any such litigation.

Brazilian bankruptcy laws may be less favorable to investors than bankruptcy and insolvency laws in other jurisdictions.

If we are unable to pay our indebtedness, including our obligations under the notes, we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. Noteholders may have limited voting rights at creditors' meetings in the context of a court reorganization proceeding. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes normally would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations which are denominated in foreign currency, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure investors that such rate of exchange will afford full compensation of the amount invested in the notes plus accrued interest.

The issuer's obligations under the notes are subordinated to certain statutory preferences.

Under Brazilian law, the issuer's obligations under the notes are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization of the issuer, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect

of the notes. In such a scenario, enforcement of the notes may be unsuccessful, and noteholders may be unable to collect amounts that they are due under the notes.

Any reduction in our credit ratings could materially and adversely affect us.

The notes are expected to be assigned ratings by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P, Fitch Ratings Inc., or Fitch, and Moody's Investor Service, Inc., or Moody's. The ratings address the likelihood of payment of principal at the notes' maturity. The ratings also address the timely payment of interest on each interest payment date. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for any particular investor. We cannot assure you that the rating of the notes will remain for any given period of time or that the rating will not be lowered or withdrawn. The assigned ratings may be raised or lowered depending, among other factors, on the rating agencies' respective assessment of our financial strength, as well as their assessment of Brazilian sovereign risk generally.

In addition, credit ratings impact the interest rates we pay on funds that we borrow and the markets perception of our financial strength. If the ratings on the notes were reduced and the market were to perceive any such reduction as a deterioration of our financial strength, our cost of borrowing would likely increase and our net income could decrease, all of which could have a material adverse effect on us.

We cannot assure investors that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Brazil would be enforceable in Brazil, or that an original action can be brought in Brazil against the issuer for liabilities under applicable securities laws.

The issuer is incorporated under the laws of Brazil. A substantial portion of the assets of the issuer is located in Brazil. Most of the executive officers and certain advisors of the issuer named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon the issuer or its directors, executive officers and advisors, or to enforce against the issuer or its directors, executive officers and advisors, in U.S. or Brazilian courts any judgments predicated upon the civil liability provisions of applicable securities laws. See "Enforceability of Civil Liabilities."

We may incur additional indebtedness ranking equal to the notes.

The indenture will not limit the ability of the issuer and its subsidiaries to incur additional debt, including debt that ranks on an equal and ratable basis with the notes. If the issuer incurs additional debt that ranks on an equal and ratable basis with the notes, the holders of that debt would be entitled to share ratably with the holders of the notes in any proceeds that may be distributed upon the issuer's insolvency, liquidation, reorganization, dissolution or other winding up. This would likely reduce the amount of any liquidation proceeds that would be available to be paid to you.

An active trading market for the notes may not develop.

The notes constitute a new issue of securities, for which there is no existing market. Application has been made to list the notes on the Irish Stock Exchange (Global Exchange Market). We cannot assure investors that this application will be accepted. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained, that holders of the notes will be able to sell their notes, or the price at which such holders may be able to sell their notes. If an active trading market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, the risk associated with Brazilian issuers of similar securities and the market for similar securities. If an active trading market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be materially and adversely affected.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Brazilian Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and during this period, the *real*/U.S. dollar exchange rate has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R$3.533 per U.S.$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the Brazilian macroeconomic environment and a substantial increase in foreign investment in Brazil, with the *real* appreciating to R$1.559 per U.S.$1.00 in August 2008. Particularly as a result of the crisis in the global financial markets from mid-2008, the *real* depreciated by 31.9% against the U.S. dollar during 2008 and closed the year at R$2.337 per U.S.$1.00. As of December 31, 2013, 2012 and 2011, the exchange rate was R$2.343 per U.S.$1.00, R$2.044 per U.S.$1.00 and R$1.876 per U.S.$1.00, respectively.

The Brazilian Central Bank has intervened occasionally to attempt to control instability in foreign exchange rates. We cannot predict whether the Brazilian Central Bank or the Brazilian federal government will continue to allow the *real* to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

The following table sets forth the selling rate, expressed in *reais* per U.S. dollar (R$/U.S.$), for the periods indicated, as reported by the Brazilian Central Bank:

	Exchange Rates of R$ per U.S.$1.00			
	Period-End	**Average(1)**	**High**	**Low**
Year ended December 31,				
2009	1.7412	1.9905	2.4218	1.7024
2010	1.6662	1.7589	1.8811	1.6554
2011	1.8758	1.6709	1.9016	1.5345
2012	2.0435	1.9588	2.1121	1.7024
2013	2.3426	2.1727	2.4457	1.9528
Month				
March 2014	2.2603	2.3261	2.3649	2.2603
April	2.2360	2.2328	2.2811	2.1974
May	2.2390	2.2209	2.2405	2.2101
June	2.2025	2.2355	2.2802	2.1975
July	2.2674	2.2246	2.2674	2.2054
August	2.2396	2.2680	2.2396	2.2986
September (through September 9, 2014)	2.2813	2.2469	2.2319	2.2813

Source: Brazilian Central Bank.

(1) Annually, represents the average of the exchange rates on the last day of each month during the periods presented; monthly, represents the average of the end-of-day exchange rates during the periods presented.

USE OF PROCEEDS

We estimate the net proceeds from the sale of the notes to be approximately €638.0 million after deducting fees and the estimated expenses of this offering. We intend to use a portion of the net proceeds from the sale of the notes to fund the 2017 Notes Tender Offer and the remainder for general corporate purposes. See "Summary—Recent Developments—2017 Notes Tender Offer and Consent Solicitation."

CAPITALIZATION

The following table sets forth our cash and cash equivalents and financial investments and total capitalization as of December 31, 2013, as follows:

- on an actual basis; and
- as adjusted for: (1) the issuance of the notes in this offering and (2) the application of the net proceeds from the issuance of the notes to pay the consideration for the purchase of €446,495,000 in aggregate principal amount of 2017 Euro Notes pursuant to the terms of the 2017 Euro Notes Tender Offer and the remainder for general corporate purposes. See "Use of Proceeds."

You should read this information in conjunction with our consolidated financial statements and the related notes included elsewhere in this offering memorandum, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, the "Presentation of Financial and Other Information" section and other financial information contained in this offering memorandum.

	As of December 31, 2013			
	Actual		As Adjusted(2)	
	(in millions of U.S.)(1)	(in millions of *reais*)	(in millions of U.S.)(1)	(in millions of *reais*)
Cash and cash equivalents and financial investments(3)	828.1	1,939.9	1,026.5	2,404.7
Current debt	308.1	721.7	308.1	721.7
Non-current debt	5,455.3	12,779.6	5,735.6	13,436.2
Total debt	5,763.4	13,501.3	6,043.7	14,157.9
Total stockholders' equity	2,396.0	5,612.8	2,396.0	5,612.8
Total capitalization(4)	**8,159.4**	**19,114.1**	**8,439.7**	**19,770.7**

(1) Solely for the convenience of the reader, *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.
(2) Amounts in euros have been translated into *reais* at the exchange rate as of December 31, 2013 of R$3.2265 to €1.00.
(3) Includes current portion of financial investments.
(4) Total capitalization is the sum of total debt and total stockholders' equity.

Except as set forth in the table above and for the amendment to the VCNA Credit Agreement, there has been no material change in our total capitalization since December 31, 2013. For additional information on the amendment to the VCNA Credit Agreement, see "Summary—Recent Developments" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness and Financing Strategy—Long-Term Indebtedness—VCNA Credit Agreement."

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth our selected consolidated financial and other information as of and for the years ended December 31, 2013, 2012 and 2011. The financial information as of and for the years ended December 31, 2013 and 2012 has been derived from our 2013 audited consolidated financial statements, included elsewhere in this offering memorandum. The financial information as of and for the year ended December 31, 2011 has been derived from our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum. The selected consolidated financial information presented below corresponds to the years for which our financial statements prepared in accordance with IFRS are available. You should read the following selected consolidated financial and other information in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this offering memorandum.

	For the Year Ended December 31,			
(amounts expressed in millions, except for per share amounts and number of shares)	**2013 (in U.S.$)(1)**	**2013**	**2012(2) (in *reais*)**	**2011(3)**
Statement of income data:				
Continuing operations				
Revenues	5,183.3	12,142.3	9,395.4	8,698.4
Cost of sales and services	(3,458.9)	(8,102.8)	(6,078.0)	(5,684.4)
Gross profit	**1,724.4**	**4,039.4**	**3,317.4**	**3,013.9**
Selling expenses	(381.5)	(893.7)	(610.0)	(595.4)
General and administrative expenses	(337.4)	(790.4)	(665.6)	(530.0)
Gain on the disposal of our 21.21% equity interest in Cimpor	–	–	266.8	–
Other operating income (expenses), net	139.2	326.1	284.8	(295.9)
Operating profit before equity results and net financial results	**1,144.7**	**2,681.5**	**2,593.4**	**1,592.6**
Results of investees	54.6	127.9	(160.5)	311.8
Net financial results	(335.4)	(785.8)	(934.5)	(772.4)
Profit before income tax	**863.8**	**2,023.6**	**1,498.4**	**1,131.9**
Income tax and social contribution	(250.1)	(585.9)	142.1	(277.1)
Net income from continuing operations	**613.7**	**1,437.7**	**1,640.5**	**854.8**
Discontinued operations				
Loss from discontinued operations	(20.9)	(48.9)	–	-
Net income for the year	**592.8**	**1,388.8**	**1,640.5**	**854.8**
Net income attributable to controlling interests	566.8	1,327.8	1,616.8	835.4
Net income attributable to non-controlling interests	26.0	61.0	23.7	19.3
Net income for the year	**592.8**	**1,388.8**	**1,640.5**	**854.8**

(1) Solely for the convenience of the reader, *real* amounts for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above for the year ended December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents gains and losses of joint-ventures proportionally consolidated.

(amounts expressed in millions)	As of December 31, 2013 (in U.S.$)(1)	2013	2012(2) (in *reais*)	2011(3)
Balance sheet data:				
Cash and cash equivalents	284.1	665.6	936.3	225.1
Financial investments	544.0	1,274.3	2,032.4	1,450.5
Trade receivables	447.2	1,047.7	910.7	786.1
Inventories	557.4	1,305.7	1,182.1	890.7
Other current assets	289.6	678.3	465.6	439.2
Total current assets	2,122.3	4,971.6	5,527.1	3,791.6
Assets related to business classified as held for sale (4)	336.4	788.0	701.2	–
Related parties	44.3	103.8	16.4	52.8
Judicial deposits	102.0	239.0	246.5	149.4
Deferred taxes	432.4	1,012.9	972.0	759.1
Other non-current assets	187.8	439.9	283.5	214.2
Total non-current assets	766.5	1,795.6	1,518.4	1,175.6
Investments in associates and joint ventures	636.5	1,491.1	2,050.6	3,241.4
Property, plant and equipment	4,432.9	10,384.5	9,421.9	6,954.3
Intangible assets	2,228.1	5,219.6	4,715.7	3,466.4
Total assets	**10,522.7**	**24,650.4**	**23,934.9**	**18,629.2**
	-			
Current debt (5)	308.1	721.7	606.8	413.6
Trade payables	394.9	925.2	856.2	662.5
Income tax and social contribution	29.3	68.6	51.2	132.9
Dividend payables	19.5	45.7	439.1	274.0
Other current liabilities	401.3	940.0	1,268.5	675.3
Total current liabilities	1,153.1	2,701.3	3,221.9	2,158.3
Liabilities related to business classified as held for sale (4)	166.6	390.3	274.1	–
Non-current debt (6)	5,455.3	12,779.6	12,177.2	7,643.2
Related parties	64.7	151.6	486.6	726.1
Provision	403.9	946.2	1,070.8	935.0
Deferred taxes	508.5	1,191.2	863.0	983.3
Use of public assets	170.1	398.5	381.6	352.2
Other liabilities	204.4	478.9	549.5	412.7
Total non-current liabilities	6,807.0	15,946.0	15,528.7	11,052.5
Total liabilities	**8,126.7**	**19,037.6**	**19,024.6**	**13,210.8**
	-			
Capital stock	1,166.0	2,731.4	2,746.0	2,746.0
Tax incentive reserve	321.2	752.4	544.4	360.6
Profit reserves	430.9	1,009.4	789.8	1,963.9
Cumulative other comprehensive income	284.8	667.2	577.7	155.8
Total equity attributable to controlling interest	2,202.9	5,160.4	4,658.0	5,226.4
Non-controlling interest	193.2	452.5	252.3	192.0
Total stockholders' equity	2,396.0	5,612.8	4,910.3	5,418.4
Total liabilities and stockholders' equity	**10,522.7**	**24,650.4**	**23,934.9**	**18,629.2**

(1) Solely for the convenience of the reader, *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets and liabilities of joint-ventures proportionally consolidated.

(4) Includes the assets and liabilities related to our operations in China.

(5) Includes current portion of long-term debt.

(6) Excludes current portion of long-term debt.

(amounts expressed in millions, except for ratios)	As of and for the Year Ended December 31, 2013 (in U.S.$) (1)	2013	2012(2) (in *reais*)	2011(3)
Other financial data:				
Working capital (4)	609.7	1,428.2	1,236.6	1,014.2
Capital expenditures (5)	561.9	1,316.2	1,497.7	1,723.1
Depreciation, amortization and depletion	330.0	773.1	544.3	441.1
Net cash flow provided by operating activities	1,236.0	2,895.5	1,423.2	806.7
Net cash flow used in investing activities	(584.3)	(1,368.8)	(1,236.8)	(1,553.9)
Net cash flow provided by (used in) financing activities	(817.3)	(1,914.7)	510.5	932.7
EBITDA before results of investees (6)	1,474.4	3,454.0	3,137.7	2,033.6
Adjusted EBITDA (6)	1,501.2	3,516.7	3,071.9	2,776.8
Adjusted EBITDA margin (7)	29.0%	29.0%	32.7%	31.9%
Net debt (8) /Adjusted EBITDA (9)	3.28	3.28	3.20	2.30
Adjusted ROCE (10)	21.7%	21.7%	21.6%	27.2%
Operating segment and product information:				
Revenues by operating segment:				
Brazil operations (11)	3,640.2	8,527.6	7,705.1	7,250.4
North America operations	854.9	2,002.8	1,690.3	1,448.0
Europe, Africa and Asia operations	688.1	1,612.0	–	–
Revenues by product:				
Cement	3,555.8	8,329.7	6,211.2	5,890.9
Ready-mix concrete	973.5	2,280.5	2,099.1	1,880.7
Aggregates	322.2	754.8	378.9	371.9
Other building materials	331.8	777.3	706.2	554.8
Adjusted EBITDA by operating segment (12):				
Brazil operations (11)	1,190.1	2,787.9	2,775.1	2,574.8
North America operations	152.1	356.2	296.9	201.9
Europe, Africa and Asia operations	159.1	372.6	–	–

(1) Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets, liabilities, gains and losses of joint-ventures proportionally consolidated.

(4) Working capital is defined as trade receivables *plus* inventories *less* trade payables.

(5) Represents cash disbursements for purchase of property, plant and equipment as presented in our statement of cash flows.

(6) We define EBITDA before results of investees as net income *plus*/*minus* net financial results *plus*/*minus* income tax and social contribution *plus* depreciation, amortization and depletion *plus*/*minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received *minus/plus* EBITDA from discontinued operations. The non-cash items considered as exceptional by our management generally relate to gains/losses on acquisitions, disposals or exchange of assets. For a calculation of EBITDA before results of investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "—Non-GAAP financial measures and reconciliation."

(7) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

(8) Net debt is the sum of total short- and long-term debt *minus* cash and cash equivalents, financial investments and derivatives.

(9) Net debt/Adjusted EBITDA ratio is the ratio of our net debt as of the end of the applicable period divided by our Adjusted EBITDA most recently concluded period of four consecutive fiscal quarters.

(10) We calculate Adjusted ROCE by dividing the sum of our operating profit from continuing operations before equity in results of associated companies and joint ventures and net financial results *minus/plus* certain non-cash transactions that are considered by our management as exceptional included in operating profit and dividends received, by the sum of property, plant and equipment *plus* total current assets *less* total current liabilities, in each case, from continuing operations.

(11) Includes South America.

(12) We calculate EBITDA before results of investees for each of our operating segments as net income *plus*/*minus* net financial results *plus*/*minus* income tax and social contribution *plus* depreciation, amortization and depletion *plus*/*minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received *minus/plus* EBITDA from discontinued operations. For a calculation of EBITDA before results of

investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "—Non-GAAP financial measures and reconciliation."

	As of and for the Year Ended December 31,		
	2013	**2012**	**2011**
Operating data:			
Installed capacity:			
Cement (in thousand tons)			
Brazil plants	31,734	30,063	26,246
North America plants	5,174	5,174	5,593
South America (excluding Brazil) (1)	717	200	200
Europe, Africa and Asia (2)	10,264	10,264	–
China	6,055	6,055	–
Total	**53,944**	**51,756**	**32,039**
Sales volume:			
Cement (in thousand tons)			
Brazil	25,407	24,379	23,551
North America	3,863	3,814	3,621
South America (excluding Brazil) (1)	610	87	131
Europe, Africa and Asia (2)	8,181	–	–
Total	**38,303**	**28,475**	**27,302**
Ready-mix concrete (in thousand cubic meters)			
Brazil	4,864	4,819	4,572
North America	4,255	3,921	3,984
Europe, Africa and Asia (2)	2,671	–	–
Total	**11,790**	**8,742**	**8,556**
Number of Employees			
Brazil	9,392	9,265	8,161
North America	3,552	3,128	3,146
South America (excluding Brazil) (1)	306	52	46
Europe, Africa and Asia (2)	2,184	2,546	–
China	794	865	–
Total	**16,228**	**15,856**	**11,353**

(1) As of and for the year ended December 31, 2013, includes Artigas (Uruguay) and Itacamba (Bolivia). As of and for the year ended December 31, 2012 and 2011 corresponds to Itacamba (Bolivia).

(2) Excludes our operations in China, which are recorded on our balance sheet as assets held for sale and as discontinued operations in our results of operations.

Non-GAAP financial measures and reconciliation

We define EBITDA before results of investees as net income *plus*/*minus* net financial results *plus/minus* income tax and social contribution *plus* depreciation, amortization and depletion *plus*/*minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received *minus/plus* EBITDA from discontinued operations. The non-cash items considered as exceptional by our management generally relate to our equity investments and associates, such as gains/losses on acquisitions, disposals or exchange of assets. In 2011, we recorded an impairment loss on equity of investees of R$586.5 million and in 2012, we recorded a non-cash gain of R$266.8 million in connection with the disposal of our 21.21% equity interest in Cimpor.

We present EBITDA before results of investees and Adjusted EBITDA because we believe it provides investors with a supplemental measure of the financial performance of our operations that facilitates period-to-period comparisons on a consistent basis. Our management also uses EBITDA before results of investees and Adjusted EBITDA, among other measures, for internal planning and performance measurement purposes.

EBITDA before results of investees and Adjusted EBITDA are not IFRS measures, do not represent cash flow for the periods indicated and should not be construed as an alternative to net income (loss), or operating profit, as an indicator of operating performance, as an alternative to cash flow provided by operating activities or as a measure of liquidity (in each case, as determined in accordance with IFRS). EBITDA before results of investees and Adjusted EBITDA, as presented herein, may not be comparable to similarly titled measures reported by other companies, including our competitors in the cement industry. The following table sets forth the calculation and reconciliation of our net income to EBITDA before results of investees and Adjusted EBITDA for the periods indicated:

	For the Year Ended December 31,			
	2013	**2013**	**2012(2)**	**2011(3)**
(amounts expressed in millions)	**(in U.S.$)(1)**	**(in *reais*)**		
Calculation of Adjusted EBITDA and reconciliation of net income to EBITDA before results of investees and Adjusted EBITDA				
Net income	592.8	1,388.8	1,640.5	854.8
Plus (less):				
Net financial results – continuing operations	335.4	785.8	934.5	772.4
Net financial results – discontinued operations	10.7	25.0	-	-
Income tax and social contribution – continuing operations	250.1	585.9	(142.1)	277.1
Income tax and social contribution – discontinued operations	(0.5)	(1.1)	-	-
Depreciation, amortization and depletion – continuing operations	330.0	773.1	544.3	441.1
Depreciation, amortization and depletion – discontinued operations	10.5	24.5	-	-
Results of investees (4)	(54.6)	(127.9)	160.5	(311.8)
EBITDA before results of investees	**1,474.4**	**3,454.0**	**3,137.7**	**2,033.6**
Plus (less):				
Dividends received	26.3	61.7	193.4	156.6
Exceptional items:				
EBITDA – discontinued operations	0.2	0.5	-	-
Impairment of investment in Cimpor and Bío Bío	-	-	-	586.5
Loss on disposal of equity investments - Yguazú	-	-	7.7	-
Gain on disposal of our 21.21% equity interest in Cimpor	-	-	(266.8)	-
Gain on disposal of equity investments - FINOR	(0.8)	(1.9)	-	-
Gain on disposal of equity investments - CPA	(14.9)	(34.9)	-	-
Adjustment of non-recurring item:			-	-
Impairment provisions for goodwill - SPCIM	0.7	1.6	-	-
Impairment provisions for advances to suppliers	1.9	4.5	-	-
Impairment provisions for investments - Usina Pai Querê e Santa Izabel	11.3	26.4	-	-
Impairment provisions for property, plant and equipment - VCNA	2.0	4.7	-	-
Adjusted EBITDA	**1,501.2**	**3,516.7**	**3,071.9**	**2,776.8**

(1) Solely for the convenience of the reader, *real* amounts for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets, liabilities, gains and losses of joint-ventures proportionally consolidated.

(4) For the year ended December 31, 2013, results of investees includes realization of other comprehensive income of R$31.1 million related to the disposal of our investments in VILA. For the year ended December 31, 2012, results of investees includes realization of other comprehensive loss upon disposal of our 21.21% equity interest in Cimpor of R$170.1 million.

We calculate Adjusted EBITDA for each of our operating segments as operating profit before equity in results of investees and financial results *plus* depreciation, amortization and depletion. The following tables set forth the calculation of our Adjusted EBITDA for each operating segment for the periods indicated:

	For the Year Ended December 31, 2013			
	Brazil(1)	North America	Europe, Africa and Asia	Consolidated
	(in millions of U.S.$)(2)			
Calculation of Adjusted EBITDA by operating segment				
Operating profit before equity in results of investees and net financial results	985.6	61.5	97.7	1,144.7
Plus (less):				
Depreciation, amortization and depletion	165.0	88.6	76.4	330.0
Adjusted EBITDA	**1,190.1**	**152.1**	**159.1**	**1,501.2**

(1) Includes Itacamba and Artigas.

(2) Solely for the convenience of the reader, *real* amounts for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

	For the Year Ended December 31, 2013			
	Brazil(1)	North America	Europe, Africa and Asia	Consolidated
	(in millions of *reais*)			
Calculation of Adjusted EBITDA by operating segment				
Operating profit before equity in results of investees and net financial results	2,309.0	144.0	228.6	2,681.5
Plus (less):				
Depreciation, amortization and depletion	386.6	207.6	178.9	773.1
Adjusted EBITDA	**2,787.9**	**356.2**	**372.6**	**3,516.7**

(1) Includes Itacamba and Artigas.

	For the Year Ended December 31, 2012(1)			
	Brazil(2)	North America	Europe, Africa and Asia	Consolidated
	(in millions of *reais*)			
Calculation of Adjusted EBITDA by operating segment				
Operating profit before equity in results of investees and net financial results	2,492.6	100.8	–	2,593.4
Plus (less):				
Depreciation, amortization and depletion	348.2	196.1	–	544.3
Adjusted EBITDA	**2,775.1**	**296.9**	–	**3,071.9**

(1) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the

equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(2) Includes Itacamba.

	For the Year Ended December 31, 2011(1)			
	Brazil(2)	**North America**	**Europe, Africa and Asia**	**Consolidated**
		(in millions of *reais*)		
Calculation of Adjusted EBITDA by operating segment				
Operating profit before equity in results of investees and net financial results	1,564.4	28.2	–	1,592.6
Plus (less):				
Depreciation, amortization and depletion	267.3	173.8	–	441.1
Adjusted EBITDA	2,574.8	201.9	–	2,776.8

(1) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets, liabilities, gains and losses of joint-ventures proportionally consolidated.

(2) Includes Itacamba.

We present Adjusted ROCE due to the asset-intensive nature of our business and our related need to efficiently employ our capital. Adjusted ROCE is a non-GAAP measure that helps to focus our management on maximizing the use and return of our existing assets and pursuing strategic growth and investment opportunities that are projected to yield sufficient returns. We calculate Adjusted ROCE by dividing the sum of our operating profit from continuing operations before equity results and net financial results *minus/plus* certain non-cash transactions considered by our management as exceptional included in operating profit and dividends received, by the sum of property, plant and equipment *plus* total current assets *less* total current liabilities, in each case, from continuing operations.

The following table sets forth our calculation of Adjusted ROCE and its reconciliation to operating profit before equity results and net financial results for the periods indicated:

	As of and for the Year Ended December 31,			
	2013	2013	2012(2)	2011(3)
(amounts expressed in millions, except for ratio)	**(in U.S.$)(1)**		**(in *reais*)**	
Calculation of Adjusted ROCE				
Operating profit from continuing operations before equity results and net financial results	1,144.7	2,681.5	2,593.4	1,592.6
Plus (less):				
Dividends received	26.3	61.7	193.4	156.6
Exceptional items:				
Impairment of investment in Cimpor and Bío Bío	-	-	-	586.5
Loss on disposal of equity investments - Yguazú	-	-	7.7	-
Gain on disposal of our 21.21% equity interest in Cimpor	-	-	(266.8)	-
Gain on disposal of equity investments - FINOR	(0.8)	(1.9)	-	-
Gain on disposal of equity investments - CPA	(14.9)	(34.9)	-	-
Adjustment of non-recurring item:	-	-	-	-
Impairment provisions for goodwill - SPCIM	0.7	1.6	-	-
Impairment provisions for advances to suppliers	1.9	4.5	-	-
Impairment provisions for investments - Usina Pai Querê e Santa Izabel	11.3	26.4	-	-
Impairment provisions for property, plant and equipment - VCNA	2.0	4.7	-	-
	1,171.2	2,743.6	2,527.7	2,335.7
Divided by the sum of:				
Property, plant and equipment	4,432.9	10,384.5	9,421.9	6,954.3
Total current assets	2,122.3	4,971.6	5,527.1	3,791.6
Less:				
Total current liabilities	1,153.1	2,701.3	3,221.9	2,158.3
	5,402.0	12,654.8	11,727.1	8,587.6
Adjusted ROCE	**21.7%**	**21.7%**	**21.6%**	**27.2%**

(1) Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2013 have been translated into U.S. dollars at the exchange rate as of December 31, 2013 of R$2.3426 to U.S.$1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.

(2) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, of comprehensive income and of cash flows for the year ended December 31, 2012, in each case, included in our 2013 audited consolidated financial statements.

(3) Derived from our 2012 audited consolidated financial statements. Information presented in the table above as of December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents assets, liabilities, gains and losses of joint-ventures proportionally consolidated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this offering memorandum. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this offering memorandum. You should read the following discussion in conjunction with "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

Overview

We are a global vertically-integrated heavy building materials company, with operations in North and South America, Europe, Africa and Asia. We believe we are the largest and most profitable heavy building materials company in Brazil, the fourth-largest cement market in the world according to the Global Cement Report. We produce and sell a complete portfolio of building materials—which includes cement, aggregates, ready-mix concrete, mortar and other building materials—and we serve a very diversified and fragmented client base. We are the eighth-largest global cement producer in terms of annual installed cement production capacity, according to the Global Cement Report, with 53.9 million tons as of December 31, 2013. In 2013, we had revenues of R$12,142.3 million, net income of R$1,388.8 million, Adjusted EBITDA of R$3,516.7 million, net margin (calculated as net income divided by revenue) of 11.4%, Adjusted EBITDA margin of 29.0% and Adjusted ROCE of 21.7%. We believe our Adjusted ROCE is one of the highest among publicly traded global cement producers, and our revenues grew at a CAGR of 18.1% from 2011 through 2013.

We believe we are uniquely positioned to maintain high returns on capital and generate significant value for our shareholders. We have operations in various important high-growth markets and we are present in regions with significant opportunities for value creation with a total of 34 cement plants, 22 grinding mills, 316 ready-mix plants, 79 aggregates facilities, three clinker plants, one lime unit and nine mortar plants. In addition, we have a total of 61 limestone quarries with an expected average reserve life in excess of 60 years, assuming we were to operate at our maximum production capacity as of December 31, 2013.

Financial Presentation and Accounting Practices

Presentation of Financial Statements

We have prepared our audited consolidated financial statements as of and for the years ended December 31, 2013 and 2012 and as of and for the years ended December 31, 2012 and 2011 in accordance with IFRS as issued by the IASB.

As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. As required by IFRS 11, we have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, of comprehensive income and of cash flows for the year ended December 31, 2012. The joint ventures that we previously consolidated and that we currently account for using the equity method are: Sumter Cement Co LLC; Trinity Materials LLC; Suwannee; Superior; Cementos Especiales de Las Islas S.A.; Hormigones y Aridos La Barca S.A.; and Cantera do Penedo S.A.

We believe that the effects of the retroactive application of IFRS 11 to our historical consolidated financial statements are not material to our balance sheet, results of operations or cash flows as of and for the years ended December 31, 2012 and 2011, and therefore, our 2012 audited consolidated financial statements included in this offering memorandum were prepared using the accounting for joint ventures that was applicable before the effectiveness of IFRS 11 and have not been restated to retroactively apply IFRS 11.

Segment Information and Presentation of Segment Financial Data

We are organized by geographical areas and have three operating segments based on the location of our main assets, as follows: (1) Brazil (including our operations in South America); (2) North America; and (3) commencing on December 21, 2012 when we consummated the 2012 Cimpor asset exchange (as defined below), Europe, Africa and Asia.

On June 25, 2012, we entered into an exchange agreement with Camargo Corrêa Cimentos and InterCement Austria, in which we agreed to exchange our 21.21% equity interest in Cimpor – Cimentos de Portugal SGPS, S.A., or Cimpor, in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's net debt. We refer to this transaction as the 2012 Cimpor asset exchange. Because the 2012 Cimpor asset exchange was consummated on December 21, 2012, our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2011 include results of operations for only two segments: (1) Brazil (including our operations in South America); and (2) North America. Commencing on January 1, 2013, our financial statements include information about the results of our three operating segments described above.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are important to the presentation of our financial condition and results of operations and that require our management to make difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex. In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different circumstances, we have identified the following critical accounting policies:

- impairment of goodwill and investments;
- fair value of derivatives and other financial instruments;
- contingent assets, liabilities and legal obligations;
- business combinations;
- income tax, social contribution and other taxes;
- employee benefits;
- revenue recognition and resulting accounts receivable; and
- review of the useful lives and recoverability of long-lived assets.

Impairment of goodwill and investments

As of December 31, 2013, we had recorded R$3,114.5 million as goodwill on our consolidated balance sheet (R$2,847.8 million as of December 31, 2012 and R$2,009.3 million as of December 31, 2011). Goodwill represents the positive difference between the amount paid or payable and the net amount of the fair value of assets and liabilities of the acquired entity. We record goodwill on acquisition of subsidiaries under "intangible assets." If we determine there is negative goodwill, we record this negative goodwill on the acquisition date as a gain in the statement of income for the period. We test goodwill at least on an annual basis to verify whether losses from impairment exist, and if that is the case, we recognize an impairment loss, which cannot be subsequently reversed. The gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold. For impairment testing, we allocate goodwill to the cash generating unit, or CGU, or to the group of CGUs which is expected to benefit from the business combination originating the goodwill. The recoverable amounts of our CGUs, or group of CGUs, are determined based on "value-in-use" calculations by applying the discounted cash flow model

for each CGU, or group of CGUs. The process of estimating the value-in-use involves the use of assumptions, judgments and estimates of future cash flows and represents the best estimate as approved by our management.

In 2013, we recorded an impairment loss on the goodwill of the investment in SPCIM Indústria e Comércio Ltda. of R$1.6 million and the hydroelectric consortia Pai Querê and Santa Izabel (included in the category "exploration rights") in the amount of R$26.4 million. We also recorded an impairment loss on the investment in Bío Bío of R$13.0 million related to the lower recognizable amount compared to the carrying amount of this investment in our financial statements.

Fair value of derivatives and other financial instruments

We classify our financial assets into the following categories: (1) held for trading and (2) loans and receivables, depending on the purpose for which the financial assets were acquired.

(1) Held for trading – The financial instruments "held for trading" reflect generally their active and frequent trading, mainly in the short term. These assets are measured at their fair value and the changes in their fair value are recognized in the statement of income under "financial income" or "financial expenses." Transactions with derivative financial instruments are classified in this group, unless they have been designated as hedging instruments.

(2) Loans and receivables – Loans and receivables have fixed or determinable payment terms and are not quoted on an active market. Loans and receivables are adjusted based on the effective interest rate of the transaction, with the effective rate as defined in the applicable contract, as adjusted by the related costs of the transaction.

The fair value of investments with publicly-available quotations is based on applicable market prices. With regard to financial assets without an active market, we establish the fair value through valuation techniques, which include comparisons with recent third-party transactions, reference to other instruments that are substantially similar, an analysis of discounted cash flows and option pricing models. The selection of the most appropriate valuation technique among a variety of methods involves our judgment and requires our management to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. We make assumptions as to future foreign exchange and interest rates to recognize the fair value of each derivative instrument. We designate some derivatives under hedge accounting relationships either as hedges (1) of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or (2) of currency risk of a net investment in a foreign operation (net investment hedge).

(1) Cash flow hedges – The effective portion of changes in the fair value of our derivatives designated as cash flow hedges is recognized in stockholders' equity with gains or losses related to the non-effective portion immediately recognized in our statement of income.

(2) Net investment hedge – We have designated certain of our foreign-currency denominated debt as hedges for a portion of our foreign investments. For instance, we used our Euro-denominated international bonds to hedge our investment in Cimpor and after our completion of the 2012 Cimpor asset exchange, we use these bonds to hedge our investment in VCEAA. The portion of foreign exchange gains/losses on such foreign-currency denominated debt designated for hedge accounting is recorded in our stockholders' equity. Any accumulated gains and losses in our stockholders' equity are recognized in our statement of income when we partially or fully disposed of the foreign investment.

Contingent liabilities and legal obligations

We recognize provisions for environmental restoration, restructuring costs and legal claims when: (1) we have a present legal or constructive obligation as a result of past events; (2) it is probable that we will be required to make payment to settle the obligation; and (3) the amount can be reliably estimated. We do not recognize provisions for future operating losses.

When there are a number of similar obligations, we determine the likelihood that a cash outflow will be required by considering the class of obligations as a whole. We recognize a provision even if the likelihood of a payment with respect to any one item included in the same class of obligations may be small. We measure provisions at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the specific risks of the obligation. We recognize an increase in the provision due to the passage of time as interest expense.

We are party to labor, civil and tax proceedings, which are currently being adjudicated at different administrative and court levels. The provisions for contingencies against potentially unfavorable outcomes of litigation in progress are established and updated based on our management's evaluation and the advice and opinion of external legal counsel, and require a significant level of difficult, subjective and complex judgments regarding the matters involved as to the probability of loss and as to the amount to be provided for those contingencies where the loss is considered probable.

Business combinations

We use the purchase method to account for our acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed on the closing date. Acquisition-related costs are expensed as incurred.

We measure the identifiable assets acquired and liabilities assumed at their fair value on the acquisition date. The non-controlling interest in an acquired company is valued at the fair value of the equity interest or at the relevant portion of fair value of the acquired company's net identifiable assets. The measurement of these assets and liabilities, on the acquisition date, requires significant judgments including valuation techniques to be used as well as, depending on the method used, estimating future cash flows, fair value, credit risk and others, and could be significantly different from actual results.

The excess of the acquisition cost in relation to the fair value of identifiable assets acquired and liabilities assumed and non-controlling interest is recorded as goodwill and, if the acquisition cost is lower we record a bargain purchase gain in the statement of income on the acquisition date. Goodwill is not amortized, but is subject to impairment testing in accordance with IFRS. See "—Impairment of goodwill and investments" above.

For transactions in which we acquire a controlling equity interest in an entity in which we already held an equity interest immediately prior to the acquisition date, the previously acquired equity interest is revalued to fair value on the acquisition date, and we recognize it in the statement of income.

Income tax, social contribution and other taxes

We are subject to income taxes in all countries in which we operate. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. We also recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes are due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, these differences impact the current and deferred income tax assets and liabilities in the period in which the determination is made.

Employee benefits

We participate in pension plans managed by private pension funds, which provide post-employment benefits to employees. For our employees in Brazil, we sponsor a defined contribution plan. We also offer post-retirement health care benefits to our employees.

The liability that we recognize in our balance sheet related to our defined benefit pension plans corresponds to the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plans' 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.

The liability related to the health care plan for retired employees is recorded on our balance sheet at the present value of the obligation, less the market value of the plans' assets, similar to the accounting methodology used for defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined through an estimate of the future cash outflow.

Actuarial gains and losses arising from changes in actuarial are recognized in equity.

The present value of the health care plan obligations and of our defined benefit pension obligation depends on a number of factors that are determined on an actuarial basis using various assumptions, including the discount rate. The discount rate is the interest rate that we use to determine the present value of estimated future cash outflows related to the pension and healthcare benefits, which we determine at the end of each year. Any changes in the assumptions that we use to calculate these obligations would impact the recorded fair value as of the balance sheet date.

Revenue recognition and resulting accounts receivable

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales. We recognize revenue when: (1) the amount of revenue can be reliably measured; (2) it is probable that future economic benefits will flow to us; and (3) specific criteria have been met for each of the activities as described below. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

We recognize revenue and associated cost of sales at the time we deliver products to our customers or when title and associated risks pass to our customers. Revenue is recorded net of taxes, discounts and sales returns. The allowance for doubtful accounts is recorded in an amount considered sufficient to cover any probable losses on realization of trade accounts receivable and is included in selling expenses. Our accounting policy for establishing the allowance for doubtful accounts requires that all receivables should be individually reviewed by our legal, collection and credit departments, in order to determine the amount of the probable expected losses.

Revenue recognition is based on the following two principles:

(1) Sales of products – Sales are made in cash or for payment in up to 30 days. Revenue is recognized upon delivery of our products to the carrier, when the ownership and risk of loss are transferred to the customer.

(2) Sale of services – We provide services such as concrete pouring, co-processing and transportation. These services are provided based on time and material or as a fixed-price contract, and the term of the contract generally varies between less than one year and three years. Revenue for such services is recognized when services are provided.

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

Review of the useful lives and recoverability of long-lived assets

We review long-lived assets to be held and used in our 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 discounted future cash flows. We adjust the net book value of its underlying assets if the sum of the expected discounted future cash flows is less than the book value.

For additional information on our significant accounting policies, see notes 2 and 4 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Principal Factors Affecting Our Revenue and Results of Operations

Cyclicality Affecting Our Products

The construction industry in Brazil is cyclical and dependent upon the residential and commercial construction markets. According to the SNIC, consumption of cement has increased significantly over the past 60 years, from 1.8 million tons in 1950 to 71.1 million tons in 2013. The increased demand resulting from this growth in consumption has caused cement producers to experience periods of insufficient capacity to fulfill demand for their products, despite recent capacity expansion programs in the industry. Periods of insufficient capacity have generally resulted in increased capacity utilization rates and higher market prices for our products, leading to increased operating margins. These periods have often been followed by periods of capacity additions, which have generally resulted in declining capacity utilization rates and lower selling prices, leading to declining operating margins.

We expect that these cyclical trends in selling prices and operating margins relating to capacity shortfalls and additions will likely continue in the future, principally due to the continuing impact of four general factors:

- cyclical trends in general business and economic activity produce swings in demand for our products, which may affect our operations;
- during periods of reduced demand, the high fixed cost structure of the capital intensive cement industry generally leads producers to compete on the basis of price in order to maximize capacity utilization;
- significant capacity additions, whether through plant expansion or construction, can require up to two years (or longer) to implement and are therefore necessarily based upon estimates of future demand; and
- as competition in the cement industry is generally affected by price, being a low-cost producer is critical to maintaining profitability. This factor favors producers with larger plants that maximize economies of scale. However, construction of plants with high capacity may result in significant increases in capacity that can outstrip demand growth.

Macroeconomic Conditions of the Countries and Regions Where We Operate

Brazil

Revenues of our Brazilian operations (including our operations in South America) represented 70.2% of our consolidated net revenue in 2013. As a Brazilian company with a significant portion of our operations in Brazil, we are significantly affected by economic conditions in Brazil. Because of our significant operations in the country, fluctuations in Brazilian demand for our products affect our production levels and revenues.

Real GDP in Brazil grew at a compound average annual rate of 5.4% from 2002 through 2012 (the most recent period for which such data is available). Since March 2013, the Brazilian Central Bank has increased the SELIC interest rate, which is the short-term benchmark interest rate. Nevertheless, despite the recent increases, the long-term trend remains downward, from 17.8% as of December 31, 2004 to 11.00% as of April 3, 2014.

The unemployment rate in Brazil has decreased significantly in the past decade from 10.5% as of December 31, 2002 to 4.3% as of December 31, 2013, as reported by the IBGE. During this period, private consumption has followed a similar positive trend. As reported by the IBGE, private consumption in Brazil grew by 6.9%, 4.1% and 3.1% in 2010, 2011 and 2012, respectively.

Our management believes that economic growth in Brazil should positively affect our future net revenue and results of operations. Brazil's stable economic and political environment, increasing personal income levels, combined with reduced interest rates, a significant housing deficit, opportunities for growth in the construction sector and the implementation of large infrastructure projects by the Brazilian federal government will drive substantial additional demand for cement, ready-mix concrete, aggregates and other heavy building materials. The Brazilian federal government has announced plans to substantially increase public and private infrastructure spending, particularly through its PAC with an estimated investment of R$1,016 billion by 2014 for highways, ports

and airports, among other projects as of February 2014. This amount also includes the MCMV program, which delivered more than one million housing units from 2007 to 2010 and is expected to deliver an additional 2.6 million housing units from 2011 to 2014 (representing approximately R$146.3 billion in housing investments). In addition to the PAC, the Brazilian cement market will also experience additional demand due to the 2016 Olympic Games. Furthermore, the Brazilian federal government, in line with its national privatization plan, granted concessions to private entities in 2012 and 2013 for roads and airports. In connection with these concessions, these private entities are expected to invest approximately R$80.3 billion over the next 35 years, which we believe will accelerate demand for our products. However, lower than expected growth or a recession in Brazil would likely reduce our future net revenue and have a material adverse effect on our results of operations.

The following table sets forth certain Brazilian macroeconomic indicators as of and for the years ended December 31, 2013, 2012 and 2011:

	As of and for the Year Ended December 31,		
	2013	**2012**	**2011**
Real GDP growth	2.3%	0.9%	2.7%
Private consumption growth	1.9%	3.1%	4.1%
Inflation rate (IGP-M)(1)	5.5%	7.8%	5.1%
Inflation rate (IPCA)(2)	5.9%	5.8%	6.5%
CDI(3)	8.1%	6.9%	10.9%
SELIC rate(4)	8.2%	7.3%	11.0%
TJLP(5)	5.0%	5.5%	6.0%
Unemployment	4.6%	4.6%	4.7%
Appreciation (devaluation) of *real* against the U.S. dollar	(14.6)%	(8.9)%	(12.6)%
Exchange rate of *reais* against U.S.$1.00(4)	R$2.343	R$2.044	R$1.876

Sources: IBGE, the Brazilian Central Bank, Cetip and FGV.

(1) IGP-M is the general index of market prices calculated by FGV (accumulated for the end of each year).

(2) The Brazilian expanded consumer price index (*Índice Nacional de Preços ao Consumidor Ampliado*), or IPCA, is a consumer price index calculated by the IBGE (accumulated for the end of each year).

(3) The CDI rate is the average interbank deposit index applicable in Brazil (accumulated for the end of each year).

(4) As of the last day of the relevant year.

(5) TJLP is the interest rate applied by BNDES for long term financings (end of each year).

North America

Revenues of our North American operations represented 16.5% of our consolidated net revenue in 2013. We experienced generally upward trends in our operations in North America, primarily in the United States where the economic recovery resulted in higher sales volumes for cement and ready-mix concrete. Specifically, the Southeast region experienced strong sales volume growth of cement and ready-mix concrete compared to 2012. Our cement and ready-mix sales volumes in Ontario (Great Lakes region) remained stable in 2013 compared to 2012 and aggregate sales volumes were slightly lower.

The United States economic recovery has proceeded at a relatively moderate pace, with real GDP growth of 1.8% in 2011, 2.2% in 2012 and 1.9% in 2013. With the economy growing again, the construction sector stabilized in 2010 and 2011 and joined the economy-wide recovery in 2012 with increased spending. Total nominal construction spending increased by 4.8% in 2013, with the residential sector up 17.5%, the industrial and commercial sector up 8.5% (private construction). The residential sector is gaining some momentum due to affordability being at a record high and substantial pent-up demand coming back to the market. Housing inventories have returned to near record lows and home prices are increasing again in most markets. Housing starts increased 28% in 2012, from 609,000 in 2011 to 780,000 units in 2012, and reached a seasonally adjusted annual pace of 898,000 units in the fourth quarter of 2012. In 2013, housing starts in markets in which Votorantim Cement North America, or VCNA, operates increased as follows (for the first eleven months of 2013): Michigan increased 28%; Ohio increased 30%; Illinois increased 23%; Wisconsin increased 12%; and Florida increased 38%. Expectations for Ontario remain flat for housing starts, infrastructure and commercial spending in 2014.

Our management believes that continued economic growth in North America should positively affect our future net revenue and results of operations. Specifically, our management believes that our results of operations in North America in 2014 will be primarily driven by the expected growth in the housing market in select regions in the

United States, the extension of the Federal Highway Program to maintain funding at current levels and improved efficiencies at cement plants.

Europe, Africa and Asia

Revenues of our Europe, Asia and Africa operations represented 13% of our consolidated net revenue in 2013. This segment is exposed to economic and macroeconomic factors, such as demand, price, exchange rate and inflation, among other factors, which vary widely among the countries served by this segment.

Spain

In 2013, Spain's GDP growth contracted by 1.6% compared to 2012. Between 2000 and 2007, the Spanish economy recorded an average annual growth rate of 3.6%, which was attributed to the growth in the Spanish construction industry and in particular, the growth of residential housing in the country. However, the growth in the Spanish housing segment was unsustainable, as the number of housing completions exceeded the rate of new household formations in the country. According to the latest estimates from Oficemen, the Spanish cement trade organization, cement consumption in Spain decreased 19.0% in 2013 compared to 2012. In terms of end use, housing accounted for 19% of domestic cement consumption in 2013, non-residential building for 24% and civil works for 57%. These figures mark the sixth consecutive year of double-digit decline since the 2008-2009 economic crisis. For 2014, the cement association forecasts a 7-8 % decline, with positive changes to the market expected only commencing in 2015.

India

India's GDP growth rate was 4.6% in 2013, in part given the importance of the domestic construction industry, which is the second largest contributor to the GDP after the agricultural sector. Construction industry growth is expected to remain strong from 2013 until 2017, as a result of the government's commitment to try to improve the country's infrastructure.

Additionally, the Indian cement industry is the second largest market after China, accounting for approximately 8.0% of the total global production. The Indian cement industry grew at a significant rate over the last decade, with compound growth of approximately 8.0%. However, growth has slowed in recent years as a result of the sluggishness in the economy. The per capita consumption of cement in India remains substantially lower than the global average. We believe this underlines an important long-term opportunity for growth in the Indian cement industry.

Morocco

Morocco's GDP growth was 4.5% in 2003, compared to 2.7% in 2012. The service sector was responsible for 53.2% of Morocco's total GDP, while industry was responsible for 31.7% and agriculture for 15.1%. Government spending on infrastructure, the tourist industry and housing has boosted Moroccan construction activity significantly, a cue for the cement industry to expand capacity to meet market demand.

Cement consumption in the Moroccan cement market has grown between 5-6% per annum in recent years. The Casablanca area represents the largest cement market, with more than 15% of Morocco's cement consumption. While Morocco remains predominantly a bagged cement market, the use of bulk cement is growing as the ready mixed concrete industry develops and increases its market share, and all four cement producers have developed a downstream business.

Tunisia

Tunisia's GDP expanded by 2.6% in 2013 compared to 2012. Tunisia's economy grew at an annual rate of 4.1% in 2012, sharply rebounding from a 0.2% decline in 2011, supported by a strong services sector, which grew by 5.6%, and a recovery in industrial output, which grew by 1.9%. Increasing disposable incomes, urbanization and the country's growing middle class is expected to be the primary drivers for growth in retail sales. With a population of 10.8 million, Tunisia has a large consumer base, and several multinational retailers are planning to enter and tap into the country's large market potential.

The Tunisian construction industry grew supported by private and public investments in infrastructural, residential, industrial and commercial construction projects. Despite some challenges, the outlook for the country's construction industry is favorable as a result of the government's commitment to improving the country's infrastructure and meeting the rising demand for residential units. The Tunisian construction industry's output is expected to record a CAGR of 4.85% between 2013 and 2017.

We believe that the development of infrastructure through the construction of highways, ports and airports, provides fertile ground for capacity expansion projects in the cement industry.

Turkey

Turkey's GDP grew by 4.3% in 2013. Despite the Eurozone crisis, the Turkish construction industry has outperformed neighboring countries. The industry recorded a CAGR of 10.17% between 2008 and 2012. This growth was driven by the government's continued encouragement of foreign direct investment (FDI) and public-private partnerships (PPPs) in the country. The outlook for the Turkish construction industry is favorable as a result of the government's focus on developing physical and social infrastructure and is expected to record a CAGR of 9.33% between 2013 and 2017.

As a result, Turkey has one of the largest cement industries in the world, ranking seventh globally, behind China, India, the United States, Brazil, Russia and Iran, and fourth in terms of cement consumption in Saudi Arabia, China and Iran. However, the cement industry is diffuse, with approximately 30 relatively small producers, of which over 75% are Turkish-owned, with the remaining 25% of the industry owned by foreign companies. Turkish regulations limit any company from having more than 25% share of the cement market.

Our Cost Structure

Cement production is a capital intensive activity, based on the extraction and transformation of natural resources. As a result, our cost structure is based mainly on energy costs (electricity and thermal energy), maintenance and repair of our assets, labor costs and freight costs, collectively accounting for 56.5%, 59.0% and 57.4% of our total costs and expenses during 2013, 2012 and 2011, respectively.

Consolidated

Electric Energy. Our production facilities consume significant amounts of electricity. During 2013, electricity costs represented 8.5% of our total costs and expenses (in 2012 and 2011, this percentage was 7.9% and 8.6%, respectively). We own one hydroelectric plant (Pedra do Cavalo) in the Northeast region of Brazil with a total installed capacity of 160 MW and a 5.6% equity interest in a hydroelectric plant (Machadinho) located in the South region of Brazil with a total installed capacity of 1,140 MW. We also own four additional small hydroelectric stations with a combined installed capacity of 12.2 MW in the States of Minas Gerais and Paraná. During 2013, our management approved the sale of certain of our power generating assets and equity interests, including our Pedra do Cavalo plant and our interest in the Machadinho plant. For additional information see "Business—Raw Materials and Energy Sources—Energy Sources." Furthermore, we hold equity interests in companies that own three hydroelectric plants in the States of Mato Grosso, Rio Grande do Sul/Santa Catarina and Pará/Tocantins, for which environmental licenses have been requested since 1988, 2002 and 2002, respectively, and which are currently not operational. We awaited receipt of the environmental licenses that would enable us to begin construction of these plants. However, we concluded that the probability of receiving these environmental licenses was remote. Therefore, during 2013, we have provided for an aggregate carrying amount of our investment in these entities of R$ 26.4 million. Our power plants and power plants in which we hold an interest supplied approximately 23.7%, 27.5% and 27.7% of the electric energy needs of our Brazilian operations in 2013, 2012 and 2011, respectively.

We also purchase electricity from our affiliate Votener, which manages electricity generation for VID's industrial operations, under long-term contracts with an initial five-year term, which generally expire in December 2016. Votener supplied approximately 51.8%, 43.0% and 53.0% of the electricity needs of our Brazilian operations in 2013, 2012 and 2011, respectively. We acquire the remainder of the energy consumed in our cement operations through one-year contracts with third parties which are automatically renewed unless otherwise terminated by either party with a six-month prior written notice and that allow us to revise and adjust the energy to be purchased on a semi-annual basis. In North America, we purchase electricity in the spot market and under long-term agreements. In

2013, 2012 and 2011, our purchases in the spot market supplied approximately 75% of the total electricity needs of our North American operations. We have a long-term power supply agreement for one of our cement plants in North America which expires on December 31, 2016, which agreement accounted for approximately 25% of the total electricity needs of our North American operations.

Thermal Energy. We use thermal energy obtained through the usage of a mix of fossil fuels and the co-processing of alternative fuels to run our kilns. In 2013, 2012 and 2011, thermal energy costs represented 9.7%, 9.9% and 10.8%, respectively, of our total costs and expenses. Our kilns use diesel fuel, petcoke (petroleum coke) and coal that we purchase in the international markets as our main fossil fuel, with petcoke being the most significant cost contributor. Average petcoke prices increased by only 3.0% in 2013, remained stable from 2012 to 2013 (despite the negative impact in our costs due to the depreciation of the *real*) and decreased by 30.0% from 2011 to 2012, average petcoke prices have increased during prior years (average prices increased by 15.1% from 2010 to 2011). As a result of these recent increases, and our commitment to decrease the release of CO^2 (as the processes of chemical conversion of stone in the rotary kiln use a large amount of fossil fuels and release a large quantity of CO^2 in the atmosphere), we have been investing heavily in energy efficiency improvements and the increase of the usage of alternative fuels.

Maintenance and Repair. Our industry is capital intensive and we incur maintenance costs necessary to preserve the productivity and durability of our cement plants. In 2013, 2012 and 2011, maintenance costs represented 8.4%, 9.7% and 17.4%, respectively, of our total cost and expenses. While in 2011, our maintenance and repair costs included raw materials, in 2012 and 2013 our costs of raw materials were recorded under a separate line item. Our maintenance costs have increased, in absolute numbers, over the last few years mainly due to the high capacity utilization rates in our Brazilian operations over the last three years. In addition, increased labor costs (as scheduled repairs use intensive labor, both our own and third party) and the depreciation of the *real* (with the related impact on costs of imported machinery) have contributed to the increase of our maintenance costs.

Freight costs. Our freight costs include the cost of transporting (1) raw materials to our production facilities from our quarries or the location of our suppliers, (2) our products to our distribution centers, and (3) our products from our distribution centers to end consumers. In 2013, 2012 and 2011, freight costs represented 14.7%, 16.6% and 14.5%, respectively, of our total costs and expenses.

Labor costs. Our labor costs comprise mainly compensation, social contribution and employee benefits. In 2013, 2012 and 2011, we recorded labor costs of R$1,479.6 million, R$1,106.9 million and R$983.5 million, respectively. We have managed to keep our labor costs at an average of 15.0% of our total cost and expenses over the last three years, despite inflationary pressure over the wages in Brazil's market in the last decade.

Effects of Fluctuations in Exchange Rates between the* Real *and Other Currencies

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against foreign currencies, mainly the U.S. dollar, the Euro and other currencies, because:

- a portion of our revenues is denominated in U.S. dollars, Euros and to a lesser extent other foreign currencies;
- we incur the cost of some of our raw materials in U.S. dollars, Euros and to a lesser extent other foreign currencies;
- we have certain operating expenses, and make certain other expenditures, that are denominated in U.S. dollars Euros and to a lesser extent other foreign currencies; and
- we have significant amounts of foreign currency-denominated financial liabilities that require us to make principal and interest payments in U.S. dollars and Euros.

Our consolidated U.S. dollar- and Euro-denominated indebtedness represented 32.5% and 18.6%, respectively, of our outstanding indebtedness as of December 31, 2013. As a result, when the *real* depreciates against the U.S. dollar or the Euro:

- the interest cost on our U.S. dollar- and Euro-denominated indebtedness increases in *reais*, which negatively affects our net financial results in *reais*; and
- the aggregate amount of our U.S. dollar- and Euro-denominated indebtedness increases in *reais*, and our total liabilities and debt service obligations in *reais* increase.

An appreciation of the *real* against the U.S. dollar or the Euro has converse effects.

Sales by certain of our foreign subsidiaries, which enable us to generate receivables payable in foreign currencies, tend to provide a natural hedge against our U.S. dollar-denominated or Euro-denominated debt service obligations, but they do not fully match them. In addition, we designate certain of our Euro-denominated indebtedness to hedge our investment in Cimpor.

Effect of Indebtedness Level and Interest Rates

As of December 31, 2013, our total outstanding indebtedness on a consolidated basis was R$13,501.0 million. The level of our indebtedness results in significant financial expenses that are reflected in our statement of income. Financial expenses consist of interest expense, exchange gains/losses on U.S. dollar- and other foreign currency-denominated debt, derivative losses or gains, and other items as set forth in note 29 to our audited consolidated financial statements. During 2013, we recorded financial expenses of R$1,072.2 million, which included R$816.8 million in interest expense related to our loans and financings. The interest rates we pay on our indebtedness depend on a variety of factors, including prevailing Brazilian and international interest rates, any collateral or guarantees and risk assessments of our company, our industry and the Brazilian economy made by our potential lenders, potential purchasers of our debt securities and the rating agencies that assess our debt securities.

Each of S&P, Moody's and Fitch maintain ratings on certain of our debt securities. We currently have corporate ratings from Moody's, Fitch and S&P. S&P and Moody's also maintain ratings on VCNA. Any ratings downgrades in the future would likely result in increased interest and other financial expenses to us relating to our future borrowings and issuances of debt securities and could materially adversely affect our ability to obtain such financing on satisfactory terms or in amounts required by us.

Effect of our Cimpor Acquisition and the 2012 Cimpor Asset Exchange

On February 3, 2010, we entered into a share exchange agreement with Lafarge whereby we agreed to transfer our activity, business and assets related to the former Cocalzinho, Cipasa and Aratú cement plants in Brazil to Lafarge, as well as 30% of the slag we received in our granulation facility in Santa Cruz from Companhia Siderúrgica do Atlântico, or CSA, in exchange for a 17.28% equity stake in Cimpor held by Lafarge. On February 11, 2010, we acquired an additional 26.0 million shares of Cimpor, representing an additional 3.93% equity interest for a cash purchase price of R$390.0 million. As a result of this acquisition, our equity stake in Cimpor increased to a total of 21.21% of its outstanding capital stock. In 2010, we recorded a gain of R$1,672.4 million in connection with the exchange of assets related to our acquisition of a 17.28% equity interest in Cimpor which did not affect cash.

In 2011, due to significant adverse changes in some of Cimpor's most relevant markets, including Portugal, Spain and Egypt, Cimpor's EBIT margin, net income and return on equity decreased compared to prior years. Some of the adverse changes included a decrease in sales volumes compared to 2010 and a decrease in long-term sales volumes estimates for these countries through 2016. In addition, the quoted market price of Cimpor shares also decreased in 2011, which we believe was attributable to investors' perception and expectations of a prolonged recession in some of Cimpor's relevant markets, particularly in Europe. We considered these factors as an indicator that the carrying amount of our investment in Cimpor might be impaired. As a result of the impairment tests that we performed, we identified and recorded an impairment of R$522.4 million as of December 31, 2011.

On June 25, 2012, we entered into an exchange agreement with Camargo Corrêa Luxembourg and InterCement Austria, in which we agreed to exchange our 21.21% equity interest in Cimpor in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's consolidated net debt. On December 21, 2012, we concluded this transaction, resulting in an increase in our total annual installed cement production capacity of 16.3 million tons. As a result of certain post-closing adjustments, we paid €57.0 million to InterCement Austria on January 21, 2013. Following the closing of the 2012 Cimpor asset exchange, we ceased to recognize our equity investment in Cimpor as an asset and the related gains/losses under equity in results of associated companies and joint ventures in our statement of income and began to consolidate 100% of the assets, liabilities and results of operations related to the operations in Spain, Morocco, Tunisia, Turkey, India and China and the limestone quarry in Peru. We recognized a gain of R$266.8 million in 2012 in connection with our disposal of our 21.21% equity interest in Cimpor and recognized a loss of R$170.1 million corresponding to the amounts of accumulated translation adjustment and hedge accounting on the investment in Cimpor previously in equity that we transferred to income upon the disposal.

We do not intend to continue our operations in China, and we have implemented a plan to dispose of this business. As a result, these assets and liabilities are presented as separate line items in our balance sheet. Our management expects this sale to be consummated in 2014.

Results of operations

In the following discussion, references to increases or decreases in any period are made by comparison with the prior period, except as the context otherwise indicates. For a reconciliation of the operating results of our operating segments for the periods indicated to our consolidated results of operations, see note 34 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Year Ended December 31, 2013, Compared to the Year Ended December 31, 2012

The following table sets forth consolidated financial information for 2013 and 2012:

	For the Year Ended December 31,		Variation	
	2013	2012(1)	Amount	(%)
	(in millions of *reais*)			
Statement of Income				
Continuing operations				
Revenues	12,142.3	9,395.4	2,746.9	29.2
Cost of sales and services	(8,102.8)	(6,078.0)	(2,024.8)	33.3
Gross profit	4,039.4	3,317.4	722.0	21.8
Selling expenses	(893.7)	(610.0)	(283.7)	46.5
General and administrative expenses	(790.4)	(665.6)	(124.8)	18.8
Gain on disposal of our 21.21% equity interest in Cimpor	–	266.8	(266.8)	(100.0)
Other operating income (expense), net	326.1	284.8	41.3	14.5
Operating profit before equity results and net financial results	**2,681.5**	**2,593.4**	88.1	3.4
Results of investees	127.9	(160.5)	288.4	n.m. (2)
Net financial results	(785.8)	(934.5)	(148.7)	(15.9)
Profit before income tax and social contribution	2,023.6	1,498.4	525.2	35.1
Income tax and social contribution	(585.9)	142.1	(728.0)	n.m.
Net income from continuing operations	**1,437.7**	**1,640.5**	(202.8)	(12.4)
Discontinued operations				
Loss from discontinued operations	(48.9)	–	(48.9)	n.m. (2).
Net income	**1,388.8**	**1,640.5**	(251.7)	(15.3)

(1) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative balance sheet as of December 31, 2012, and to the statement of income, statement of comprehensive income and statement of cash flows for the year ended December 31, 2012. These adjustments were made in our 2013 audited consolidated financial statements. Our 2012 audited consolidated financial statements, included elsewhere in this offering memorandum, were not retrospectively adjusted since we believe adjusting these would not be material, therefore they were prepared using the accounting practices applicable before IFRS 11 became effective.

(2) Not meaningful.

Summarized in the table below are our sales volumes for each of our operating segments and further broken down by product in 2013 and 2012, as well as percentage increases and decreases in average prices in 2013 compared to 2012:

	For the Year Ended December 31,			For the Year Ended December 31, 2013 / 2012
	Sales Volumes		Variation	Average Price Variation(1)
	2013	2012	%	%
Brazil (2):				
Cement (in thousands of tons)	26,016	24,466	6.3	3.0
Ready-mix concrete (in thousands of cubic meters)	5,116	4,819	6.2	2.3
Aggregates (in thousands of tons)	15,225	15,070	1.0	(1.2)
Mortar (in thousands of tons)	1,772	1,699	4.3	2.9
North America:				
Cement (in thousands of tons)	3,863	3,814	1.3	0.7
Ready-mix concrete (in thousands of cubic meters)	4,255	3,921	8.5	0.1
Aggregates (in thousands of tons)	10,782	11,353	(5.0)	3.1
Europe, Asia and Africa (3):				
Cement (in thousands of tons)	8,181	–	–	–
Ready-mix concrete (in thousands of cubic meters)	2,671	–	–	–
Aggregates (in thousands of tons)	5,128	–	–	–
Mortar (in thousands of tons)	57	–	–	–
Consolidated (4):				
Cement (in thousands of tons)	38,060	28,280	34.6	n/a
Ready-mix concrete (in thousands of cubic meters)	12,042	8,740	37.8	n/a
Aggregates (in thousands of tons)	31,135	26,423	17.8	n/a
Mortar (in thousands of tons)	1,829	1,699	7.6	n/a

(1) Average price variation is calculated for each segment based on the relevant local currency, for instance, *reais* in the case of Brazil and U.S. dollars in the case of North America

(2) Includes our operations in Uruguay and Bolivia. For the year ended December 31, 2012, does not include sales volumes and prices of Artigas (Uruguay) of 109 thousand tons, which we began to consolidate on April 3, 2013.

(3) Does not include VCEAA information for 2012 since we obtained sole ownership and control of VCEAA and the Cimpor assets on December 21, 2012.

(4) The average price variation for the consolidated figures does not include information from our Europe, Africa and Asia segment in this calculation.

Revenues

Our consolidated revenues increased by 29.2%, or R$2,746.9 million, to R$12,142.3 million in 2013, from R$9,395.4 million in 2012, mainly due to (1) higher sales volumes of our products in 2013 compared to 2012, including a 34.6%, 37.8%, 17.8% and 7.6% increase in our cement, ready-mix concrete, aggregates and mortar sales volumes, respectively, attributable to our consolidation of the results of our operations in Europe, Africa and Asia commencing on January 1, 2013 and higher sales volumes in Brazil, (2) higher prices of our products in 2013 compared to 2012, including a 3.0%, 2.3% and 2.9% increase in our cement, ready-mix concrete and mortar prices, respectively in Brazil, (3) favorable U.S. dollar appreciation and (4) our consolidation of the results of operations of Artigas.

- Brazilian operations. Revenues of our Brazilian operations, including South America, increased by 10.7%, or R$822.5 million, to R$8,527.6 million in 2013, from R$7,705.1 million in 2012, primarily as a result of (1) higher sales volumes of our products, including a 4.2% and 3.8% increase in our cement and mortar sales volumes, respectively, mainly due to higher sales volumes in the Northeast region in Brazil, (2) a 2.3% and 2.9% increase in the average sales price of our ready-mix concrete and mortars, respectively, in 2013 compared to 2012, attributable to increased sales in regions with generally higher selling prices. These increases were partially offset by (1) a 0.9% and 1.2% decrease in our aggregates sales volumes and average sales price, respectively, in 2013, and also (2) an impact of R$230.4 million due to our consolidation of the results of operations of Artigas, which also resulted in an increase in our sales volumes.

- North American operations. Revenues of our North American operations increased by 18.5%, or R$312.4 million, to R$2,002.8 million in 2013, from R$1,690.3 million in 2012. Excluding the effects of exchange rate variations between the *real* and the U.S. dollar, our revenues increased by 6.2%, primarily as a result of (1) an 8.5% increase in our ready-mix sales volumes in 2013 and (2) a 0.7% and 3.1% increase in our cement and aggregates average sales prices, respectively, in 2013 compared to 2012, which were partially offset by a 5.0% decrease in our aggregates sales volumes.

- Europe, Africa and Asia operations. During 2013, we recorded revenues from our Europe, Africa and Asia operations of R$1,612.0 million and sold 8,181, 5,128 and 57 thousand tons of cement, aggregates and mortars, respectively, and 2,671 thousand cubic meters of ready-mix concrete. We began consolidating the results of operations of VCEAA on January 1, 2013, consequently, we have not reported comparative information for this segment.

Cost of sales and services

Our consolidated cost of sales and services increased by 33.3%, or R$2,024.8 million, to R$8,102.8 million in 2013, from R$6,078.0 million in 2012, primarily as a result of (1) our consolidation of the results of our operations in Europe, Africa and Asia commencing on January 1, 2013, which resulted in an additional R$1,470.6 million in cost of sales and services recorded by us during 2013, (2) higher sales volumes of our cement, ready-mix concrete and mortar in North America and Brazilian operations in 2013, and (3) a 3.0% increase in cement production costs in Brazil despite the increase in overall inflation in Brazil (the Brazilian IPCA inflation index accumulated a 5.9% increase in 2013). The lower increase in our cement production costs compared to the Brazilian IPCA was mainly as a result of a slight increase in our energy prices (1.5% in 2013 compared to 2012) and flat prices of our raw materials in 2013 when compared to 2012.

Gross profit

As a result of the foregoing, our consolidated gross profit increased by 21.8%, or R$722.0 million, to R$4,039.5 million in 2013, from R$3,317.4 million in 2012. Our gross margin decreased to 33.3% in 2013 from 35.3% in 2012.

Selling expenses

Our consolidated selling expenses increased by 46.5%, or R$283.7 million, to R$893.7 million in 2013, from R$610.0 million in 2012, primarily due to (1) our consolidation of the results of our operations in Europe, Africa and Asia commencing on January 1, 2013, which resulted in an additional R$37.5 million in selling expenses recorded by us during 2013, (2) higher sales volumes of cement, ready-mix concrete and mortar in 2013 and (3) higher freight costs per ton in Brazil for all of our products, including a 32.5% increase in freight costs per ton for our cement in 2013, when compared to 2012, mainly attributable to a 7.3% increase in our service radius and 11.1% in average diesel prices and inflation.

General and administrative expenses

Our consolidated general and administrative expenses increased by 18.8%, or R$124.8 million, to R$790.4 million in 2013, from R$665.6 million in 2012, primarily due to (1) our consolidation of the results of our operations in Europe, Africa and Asia commencing on January 1, 2013, which resulted in an additional R$99.6 million in general and administrative expenses recorded by us in 2013, and (2) a 29.7% increase in personnel expenses and a 11.3% increase in consulting and third-party services in Brazil in 2013 when compared to 2012. The 29.7%, or R$57.1 million, increase in personnel expenses was mainly attributable to higher salaries for our administrative employees, as a result of, among other factors, the Brazilian IPCA inflation index which accumulated to 5.9% in 2013.

Other operating income (expense), net

Our consolidated other operating income (expense), net increased by 14.5%, or R$41.3 million, to R$326.1 million in 2013 from R$284.8 million in 2012 due to (1) R$29.0 million received in restitution from the Province of Ontario (Canada) in connection with the settlement of a legal proceeding with that provincial government as part of

which we transferred an aggregates quarry to the provincial government in exchange for U.S.$15.0 million and (2) a 8.7%, or R$16.7 million, increase in tax benefits from higher sales volumes in the Northeast region in Brazil and the commencement of operations of our Cuiabá unit in the Center-West region in Brazil, which in each case benefit from higher tax credits.

Operating profit before equity results and net financial results

As a result of the foregoing, our consolidated operating profit before equity results and net financial results increased by 3.4%, to R$2,681.5 million in 2013, from R$2,593.4 million in 2012. Our operating margin decreased to 22.1% in 2013 from 27.6% in 2012.

- Brazilian operations. Operating profit of our Brazilian operations, including South America, decreased by 7.4%, to R$2,309.0 million in 2013, from R$2,492.6 million in 2012. The operating margin of our Brazilian operations, including South America, decreased to 27.1% in 2013, from 32.3% in 2012.

- North American operations. Operating profit of our North American operations increased by R$43.2 million to a profit of R$144.0 million in the 2013, from a profit of R$100.8 million in 2012. The operating margin of our North American operations increased to 7.2% in 2013 from 6.0% in 2012.

- Europe, Africa and Asia operations. Operating profit and operating margin of our Europe, Africa and Asia operations was R$228.6 million and 14.2%, respectively, in 2013.

Results of investees

Our consolidated results of investees increased by R$288.4 million, to a gain of R$127.9 million in 2013, from a loss of R$160.5 million in 2012, mainly as a result of (1) a R$87.4 million increase in our equity in results of associated companies and joint ventures to R$96.9 million in 2013, from R$9.5 million in 2012, primarily attributable to our proportionate share in the results of our equity investment in Cimpor during 2012 through the date of the 2012 Cimpor asset exchange, which amounted to a loss of R$79.3 million and (2) a R$201.1 million increase in our realization of other comprehensive income (loss) on disposals of equity investments to a gain of R$31.1 million in 2013 from a loss of R$170.1 million in 2012, mainly due to the R$31.1 gain we realized in 2013 related to our disposal of our investment in VILA, compared to a loss of R$170.1 million realized in 2012 from our disposal of our 21.21% equity interest in Cimpor.

Net financial results

Our net financial results increased by 15.9%, or R$148.7 million, to R$785.8 million in 2013, from R$934.5 million in 2012, primarily due to the combined effect of (1) a 24.0% increase in our financial expenses to R$ 1,072.2 million in 2013 from R$864.8 million in the 2012, (2) a 75.5% decrease in our foreign exchange losses to R$89.7 million recorded in 2013 from foreign exchange losses of R$366.1 million in 2012 and (3) a 26.9% increase in our financial income to R$376.1 million in 2013 from R$296.4 million in 2012.

The 24.0% increase in financial expenses was primarily due to a 25.6% increase in interest expense on loans and financings to R$816.8 million in 2013 from R$650.5 million in 2012, mainly attributable to an increase in our loans and financings to R$13,501.3 million as of December 31, 2013 from R$12,784.0 million as of December 31, 2012. The 26.9% increase in financial income was mainly due to (1) a 26.8% increase in interest from financial investments to R$182.9 million in 2013 from R$144.2 million 2012 and (2) increase of R$55.2 million in monetary adjustments on judicial deposits. The 75.5% decrease in foreign exchange losses was primarily due to the designation of a portion of our debt denominated in U.S. dollars as a hedge of the net investment in our subsidiary VCNA in 2013.

Income tax and social contribution

Our consolidated income tax and social contribution expense increased by R$728.0 million, to an expense of R$585.9 million in 2013 from a benefit of R$142.1 million in 2012. The increase in our income tax and social contribution expense primarily resulted from a R$957.4 million expense recorded in connection with our decision to recognize income tax expenses on foreign exchange gains and losses on an accrual basis commencing on January 1,

2013. During 2013, we recognized income tax expenses on foreign exchange gains and losses on an accrual basis, while in 2012, we recognized these foreign exchange gains and losses on a cash basis.

Net income from continuing operations

As a result of the foregoing, our consolidated net income from continuing operations decreased by 12.4%, or R$202.8 million, to R$1,437.7 million in 2013, from R$1,640.5 million in 2012.

Net loss from discontinuing operations

During 2013 we recorded a net loss from continuing operations of R$48.9 million related to our China operations, which are held for sale.

Net income

Our consolidated net income decreased by 15.3%, or R$251.7 million, to R$1,388.8 million in 2013, from R$1,640.5 million in 2012, mainly as a result of decision to recognize income tax expenses on foreign exchange gains and losses on an accrual basis commencing on January 1, 2013.

Year Ended December 31, 2012, Compared to Year Ended December 31, 2011

The following table sets forth consolidated financial information for the years ended December 31, 2012 and 2011 derived from our audited financial statements:

	For the Year Ended December 31,		Variation	
	2012(1)	2011(1)	Amount	(%)
	(in millions of *reais*)			
Statement of Income				
Revenues	9,481.7	8,698.4	783.3	9.0
Cost of sales and services	(6,177.1)	(5,684.4)	(492.6)	8.7
Gross profit	3,304.6	3,013.9	290.7	9.6
Selling expenses	(610.0)	(595.4)	(14.6)	2.5
General and administrative expenses	(668.0)	(530.0)	(138.0)	26.0
Gain on disposal of our 21.21% equity interest in Cimpor	266.8	–	266.8	n.m. (2)
Other operating income (expense), net	284.8	(295.9)	580.7	n.m. (2)
Operating profit before equity results and net financial results	**2,578.1**	**1,592.6**	**985.5**	**61.9**
Results of investees	(144.6)	311.8	(456.4)	n.m. (2)
Net financial results	(935.3)	(772.4)	(162.9)	21.1
Profit before income tax and social contribution	1,498.2	1,131.9	366.3	32.4
Income tax and social contribution	142.3	(277.1)	419.4	n.m. (2)
Net income	**1,640.5**	**854.8**	785.7	91.9

(1) Derived from our 2012 audited consolidated financial statements. Information presented in the table above for the year ended December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents gains and losses of joint ventures proportionally consolidated

(2) Not meaningful.

Summarized in the table below are our sales volumes for each of our operating segments and further broken down by product in 2012 and 2011, as well as percentage increases and decreases in average prices in 2012 compared to 2011:

	For the Year Ended December 31,			For the Year Ended December 31, 2012
	Sales Volumes		Variation	Average Price Variation (1)
	2012	2011	%	%
Brazil(2):				
Cement (in thousands of tons) (2)	24,466	23,682	3.3	4.1
Ready-mix concrete (in thousands of cubic meters)	4,819	4,572	5.4	1.0
Aggregates (in thousands of tons)	15,070	16,696	(9.7)	0.4
Mortar (in thousands of tons)	1,699	1,587	7.0	2.8
North America(3):				
Cement (in thousands of tons)	4,009	3,621	10.7	(3.1)
Ready-mix concrete (in thousands of cubic meters)	3,921	3,984	(1.6)	0.5
Aggregates (in thousands of tons)	11,323	10,370	9.2	(0.7)
Consolidated:				
Cement (in thousands of tons)	28,475	27,302	4.3	5.3
Ready-mix concrete (in thousands of cubic meters)	8,742	8,556	2.2	8.8
Aggregates (in thousands of tons)	26,392	27,066	(2.5)	5.5
Mortar (in thousands of tons)	1,699	1,587	7.1	2.8

(1) Average price variation is calculated for each segment based on the relevant local currency, for instance, *reais* in the case of Brazil and U.S. dollars in the case of North America.
(2) Includes our operations in Bolivia.
(3) Includes the proportional share of the sales volumes of our 50/50 joint ventures in North America (based upon our equity participation in these companies).

Revenues

Our consolidated revenues increased by 9.0%, or R$783.3 million, to R$9,481.7 million in 2012, from R$8,698.4 million in 2011, mainly due to (1) higher sales volumes in our products in 2012 compared to 2011, including a 4.3%, 2.2% and 7.1% increase in our cement, ready-mix concrete and mortar sales volumes, respectively, and (2) a 5.3%, 8.8%, 5.5% and 2.8% increase in our average cement, ready-mix concrete, aggregates and mortar sales prices, respectively, in 2012 compared to 2011. This increase was partially offset by a 2.5% decrease in our average aggregates sales volume in 2012 compared 2011.

- Brazilian operations. Revenues of our Brazilian operations, including South America, increased by 6.3%, or R$454.7 million, to R$7,705.1 million in 2012 from R$7,250.4 million in 2011, primarily as a result of (1) higher sales volumes of our products in 2012, including a 3.3%, 5.4% and 7.0% increase in our cement, ready-mix concrete and mortar sales volumes, respectively, mainly due to the commencement of operations of new plants and mills in 2011, including our Poty Paulista mill in April 2011, our Imbituba mill in May 2011, our Vidal Ramos cement plant in July 2011, our São Luís mill in December 2011 and our new production line at our Salto de Pirapora also in December 2011, and (2) a 4.1%, 1.0%, 0.4% and 2.8% increase in the average sales price of our cement, ready-mix concrete, aggregates and mortar, respectively, in 2012 compared to 2011, attributable to increases in sales in regions with generally higher selling prices. These increases were partially offset by a 9.7% decrease in our aggregates sales volumes in 2012.

- North American operations. Revenues of our North American operations increased by 22.7%, or R$328.6 million, to R$1,776.6 million in 2012 from R$1,448.0 million in 2011. Excluding the effects of exchange rate variations between the *real* and the U.S. dollar, our revenues increased by 3.5%, primarily as a result of a (1) 10.7% and 9.2% increase in our cement and aggregates sales volumes, respectively, and (2) a 0.5% increase in our ready-mix concrete average sales prices, primarily as a result of the impact of continued improvement in economic fundamentals in the United States as well as construction projects that started earlier than planned in 2012, due to the milder winter conditions compared to 2011. These increases were partially offset by (1) a 1.6%decrease in our ready-mix

concrete sales volume, and (2) a 3.1% and 0.7% decrease in our average cement and aggregates sales prices, mainly as a result of market conditions.

Cost of sales and services

Our consolidated cost of sales and services increased by 8.7%, or R$492.6 million, to R$6,177.1 million in 2012, from R$5,684.4 million in 2011, primarily as a result of (1) higher sales volumes of all our products in 2012 and (2) an increase in our fixed costs in 2012 as a result of increased labor and third-party services costs. The increase in labor and services costs was a result of the combined effect of (1) a 4% real average increase in wages of our plant workers in Brazil during 2012, consistent with an overall increase in salaries above the inflation rate in the industrial sector in Brazil and (2) the commencement of operations of our new plants in Brazil in 2011, which resulted in a 14.0% increase in the number of our plant workers to 4,210 as of December 31, 2012 from 3,693 as of December 31, 2011. These increases were partially offset by a decrease in variable costs, mainly due to a 30.0% decrease in average petcoke prices in the international market to U.S.$63.6 per ton in 2012 from U.S.$90.8 per ton in 2011. The impact of this decrease in Brazil was partially offset by an 8.9% appreciation of the *real* against the U.S. dollar during 2012 compared to 2011.

Gross profit

As a result of the foregoing, our consolidated gross profit increased by 9.6%, or R$290.7 million, to R$3,304.6 million in 2012, from R$3,013.9 million in 2011. Our gross margin increased to 34.9% in 2012 from 34.6% in 2011.

Selling expenses

Our consolidated selling expenses increased by 2.5%, or R$14.6 million, to R$610.0 million in 2012, from R$595.4 million in 2011, primarily due to (1) higher sales volumes in all of our products in 2012, (2) higher freight costs per ton in Brazil for all of our products, including a 15.3% increase in freight costs per ton for our cement in 2012, mainly attributable to a 3.0% increase in average fuel prices to R$2.09 in December 2012 from R$2.03 in December 2011, and (3) an increase in logistics expenses due to an increase in the number of our distribution centers to 52 as of December 31, 2012 from 44 as of December 31, 2011 and the related increase in operating expenses attributable to those new centers.

General and administrative expenses

Our consolidated general and administrative expenses increased by 26.0%, or R$138.0 million, to R$668.0 million in 2012, from R$530.0 million in 2011, primarily due to an increase in administrative personnel expenses and an increase in consulting services in Brazil 2012. The increase in personnel expenses is mainly attributable to an increase in the number of our employees in Brazil to 9,265 as of December 31, 2012 from 8,161 as of December 31, 2011 and an increase in the salaries of our administrative employees, consistent with the 6.5% inflation rate in Brazil during 2011. The increase in consulting expenses in Brazil was attributable to the expansion of our operations and implementation of our growth strategy, including improvements to our commercial model and reduction of maintenance costs.

Other operating income (expense), net

Our consolidated other operating income (expense), net increased R$580.7 million, to income of R$284.8 million in 2012 from an expense of R$295.9 million in 2011 due to an impairment expense of R$586.5 million recorded in 2011 in connection with our investments in Cimpor and Bío Bío. The impairment expense of our investment in Cimpor was mainly attributable to significant adverse changes experienced by Cimpor in some of its most relevant markets, including Portugal, Spain and Egypt. For a detailed discussion of the significant adverse changes that lead us to determine the impairment of our investment in Cimpor see "—Principal Factors Affecting Our Revenue and Results of Operations—Effect of our Cimpor Acquisition and the 2012 Cimpor Asset Exchange." Excluding the effect of the impairment expense recorded in 2011, our other operating income (expense), net decreased by 2.0% in 2012 compared to 2011.

Operating profit before equity results and net financial results

As a result of the foregoing, our consolidated operating profit before equity results and net financial results increased by 61.9%, or R$985.5 million, to R$2,578.1 million in 2012, from R$1,592.6 million in 2011. Our operating margin increased to 27.2% in 2012 from 18.3% in 2011.

- Brazilian operations. Operating profit of our Brazilian operations, including South America, increased by 59.3%, to R$2,492.6 million in 2012, from R$1,564.4 million in 2011. The operating margin of our Brazilian operations, including South America, increased to 32.3% in 2012, from 21.6% in 2011.

- North American operations. Operating profit of our North American operations increased by R$57.4 million to R$85.6 million in 2012, from R$28.2 million in 2011. The operating margin of our North American operations increased to 4.8% in 2012 from 1.9% in 2011.

Results of investees

Our consolidated results of investees decreased to a loss of R$144.6 million in 2012 from a gain of R$311.8 million in 2011, mainly attributable to (1) a 91.8%, or R$286.3 million, decrease in our equity in results of associated companies and joint ventures decreased to R$25.5 million in 2012, from R$311.8 million in 2011, and (2) a R$170.1 million loss recorded in 2012 as realization of other comprehensive income (loss) on disposals of equity investments.

The 91.8% decrease in our equity in results of associated companies and joint ventures was primarily due to a R$203.5 million decrease in the income from our 21.2% equity interest in Cimpor in 2012 attributable to a net loss recorded by Cimpor during that period compared to net income recorded during 2011. Excluding the results from our equity interest in Cimpor, our equity in investees decreased by 44.1%, or R$82.7 million, to R$104.8 million in 2012 from R$187.5 million in 2011. The R$170.1 million loss recorded in 2012 as realization of other comprehensive income (loss) was related to our disposal of our 21.21% equity interest in Cimpor.

Net financial results

Our net financial results increased by 21.1%, or R$162.9 million, to R$935.3 million in 2012, from R$772.4 million in 2011, primarily due to the combined effect of (1) a 20.2% increase in our financial expenses to R$869.9 million in 2012 from R$723.6 million in 2011, (2) a 50.5% increase in our foreign exchange losses to R$366.1 million recorded in 2012, from R$253.6 million in foreign exchange losses recorded in 2011, and (3) a 54.5% increase in financial income to R$316.5 million in 2012 from R$204.9 million in 2011.

The 20.2% increase in financial expenses was primarily due to a 37.1% increase in interest expense on loans and financings to R$657.4 million in 2012 from R$479.4 million in 2011, mainly attributable to an increase in our loans and financings to R$12,784.0 million as of December 31, 2012 from R$8,056.7 million as of December 31, 2011. The R$128.2 million increase in foreign exchange losses was primarily due to the 8.9% depreciation of the *real* against the U.S. dollar in 2012 as compared to the 12.6% depreciation of the real against the U.S. dollar in 2011. The 54.5% increase in financial income was mainly a result of a 35.4% increase in interest from financial assets to R$242.8 million in 2012 from R$179.3 million in 2011, attributable to an increase in financial assets from R$1,450.5 million as of December 31, 2011 to R$2,032.4 million as of December 31, 2012.

Income tax and social contribution

Our consolidated income tax and social contribution expense changed to a benefit of R$142.3 million in 2012 from an expense of R$277.1 million in 2011. Despite the increase in operating profit before equity results and net financial expenses in 2012 as compared to 2011, our consolidated income tax and social contribution decreased primarily a result of the effect of a reversal of deferred income tax liability with respect to our investment in Cimpor upon closing of the 2012 Cimpor asset exchange, which transaction did not have any current income tax effect. We had a nominal tax rate of 34.0% in 2012 and 2011, and an effective tax rate of (9.5)% in 2012 and 24.5% in 2011.

Net income

As a result of the foregoing, our consolidated net income increased by 91.9%, or R$785.7 million, to R$1,640.5 million in 2012, from R$854.8 million in 2011.

Liquidity and Capital Resources

Our principal cash requirements consist of the following:

- working capital requirements;
- capital expenditures which consist primarily of expenditures for the expansion of our production capacity, maintenance of our operating facilities and improvement of the efficiency of our operations;
- servicing of our indebtedness;
- funds required for acquisitions of assets or equity interests in other companies; and
- dividends on our shares.

Our principal sources of liquidity (including funds required to make scheduled principal and interest payments, refinance debt, and fund working capital and planned capital expenditures) have historically consisted of the following:

- cash flows from operations;
- long-term borrowings; and
- issuance of debt securities in domestic and international capital markets.

During 2013, we used cash flow generated by our operations primarily for working capital requirements for investment activities, to service our indebtedness and for payment of dividends to our shareholders. As of December 31, 2013, our consolidated cash and cash equivalents and financial investments, amounted to R$1,939.9 million, and our consolidated working capital (defined as trade accounts receivable *plus* inventory *less* trade accounts payable) was R$1,428.2 million.

We believe that the our cash and cash equivalents on hand, cash from operations and borrowings available to us, together with the net proceeds of this global offering, will be adequate to meet our capital expenditure requirements and liquidity needs for the foreseeable future. We may require additional capital to meet our longer term liquidity and future growth requirements. Although we believe that we have adequate sources of liquidity, weaker economic conditions could materially adversely affect our business and liquidity. In addition, our inability to access the capital markets could materially adversely affect our ability to obtain additional capital to grow our business and would adversely affect the cost and terms of this capital.

Capital expenditures

We expect to continue to invest in expansion projects to increase our capacity to meet additional demand for our products. We expect to meet these capital expenditure needs from our operating cash flow and cash on hand, as well as with a portion of the net proceeds from this global offering. We may also incur indebtedness to finance a portion of these expenditures, particularly if financing is available on attractive terms, from equipment suppliers.

Our actual capital expenditures may vary from the expected budgeted amounts we have described here, both in terms of the aggregate capital expenditures we actually incur and when we actually incur them.

The table below provides our principal capital expenditures incurred during the years indicated:

	For the Year Ended December 31,		
	2013	**2012**	**2011**
		(in millions of *reais*)	
Expansion	739.1	1,096.1	1,332.5
Maintenance	291.5	233.2	138.9
Modernization	135.8	44.1	13.8
Health, safety and environmental	61.3	54.4	41.1
Others	88.5	69.8	196.8
Total	**1,316.2**	**1,497.7**	**1,723.1**

Between January 1, 2011 and December 31, 2013, we invested R$2,986.8 million in expansion projects in Brazil to increase our annual installed cement production capacity from 23.2 million tons as of December 31, 2010 to 31.7 million as of December 31, 2013. Our main expansion projects during this period include the following:

- In 2011, we completed the construction of a new slag mill in our Sepetiba unit, State of Rio de Janeiro, which commenced operations in January 2011.
- In 2011, we completed the construction of a new pozzolan and cement mill in Poty Paulista, State of Pernambuco, which commenced operations in April 2011.
- In 2011, we completed the construction of a new cement mill in Imbituba, State of Santa Catarina, which commenced operations in May 2011.
- In 2011, we completed the construction of a new cement plant in Vidal Ramos, State of Santa Catarina, which commenced operations in July 2011.
- In 2011, we completed the construction of a new cement mill in São Luís, State of Maranhão, which commenced operations in December 2011.
- In 2011, we completed the construction of a new production line in our plant in Salto de Pirapora, State of São Paulo, which commenced operations in December 2011.
- In 2012, we commenced the construction of a new cement mill at our plant in Cimesa, State of Sergipe, which commenced operations in October 2012.
- In 2012, we commenced the construction of a new production line in our plant in Rio Branco, State of Paraná, which commenced operations in April 2013.
- In 2013, we commenced the construction of a new unit located in Edealina, State of Goiás, ongoing project in its implementation phase.
- In 2013, we completed the construction of a new unit in Cuiabá, State of Mato Grosso, which commenced operations in January 2013.
- In 2013, we completed the expansion of a new cement mill in Santa Helena, State of São Paulo, which commenced operations in August 2013.

Cash Flows

The table below sets forth our cash flows from operating activities, investing activities and financing activities for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	**2012(1)**	**2011(2)**
		(in millions of *reais*)	
Net cash flows provided by (used in):			
Operating activities	2,895.5	1,423.2	806.7
Investing activities	(1,368.8)	(1,236.8)	(1,553.9)
Financing activities	(1,914.7)	510.5	932.8
Effect of exchange rate on cash and cash equivalents	117.4	17.5	14.8
Increase (decrease) in cash and cash equivalents	(388.1)	697.0	185.4

(1) Derived from our 2013 audited consolidated financial statements. As described in note 3(a) of our 2013 audited consolidated financial statements, effective as of January 1, 2013, we have adopted IFRS 11. As a result of our adoption of IFRS 11, we no longer proportionally consolidate the results of operations of our joint ventures, and effective as of January 1, 2013, we account for these companies using the equity method. We have retroactively applied IFRS 11 to the comparative statement of income, of comprehensive income and of cash flows for the year ended December 31, 2012 included in our 2013 audited consolidated financial statements.

(2) Derived from our 2012 audited consolidated financial statements. Information presented in the table above for the year ended December 31, 2011 has not been adjusted to reflect the application of IFRS 11 and as such, presents gains and losses of joint ventures proportionally consolidated.

Year Ended December 31, 2013

During 2013, our cash resulting from profit before income tax adjusted for non-cash items was R$3,878.0 million. We also had positive working capital cash flows of R$111.5 million in 2013, primarily due to the disposal of financial assets held for trading in the amount of R$758.1 million and tax credits of R$60.8 million, which were partially offset by R$434.2 million used to pay accounts payable and other liabilities. During 2013, we also paid interest of R$859.4 million and income taxes and social contribution of R$234.5 million, resulting in net cash provided by operating activities of R$2,895.5 million.

Our net cash flow used in investing activities was R$1,368.8 million in 2013, mainly as a result of our acquisition of property, plant and equipment in the amount of R$1,316.2 million during the year and our acquisition of equity interests in C+PA Cimento e Produtos Associados, S.A., Artigas and Avellaneda in the aggregate amount of R$200.6 million. Our cash flow statement for 2013 also reflects our payment on January 21, 2013 of R$155.9 million to InterCement Austria as a result of certain post-closing adjustments related to the 2012 Cimpor asset exchange. In 2013, we also received dividends from our equity investees in the aggregate amount of R$61.7 million.

Our net cash flow used in financing activities was R$1,914.7 million in 2013, primarily due to the amortization of loans and financings in an amount of R$2,226.7 million (including the prepayment of R$436.3 million of the principal amount outstanding under the Votorantim Backstop Facility) and dividend payments of R$986.6 million during the period. These uses were partially offset by a R$1,489.2 million increase in new loans and financings in 2013.

Our cash and cash equivalents decreased by R$388.1 million in 2013, mainly due to net cash flows used in financing activities of R$1,914.7 million and net cash flows used in investing activities of R$1,368.8 million in 2013, which were partially offset by net cash flows provided by operating activities of R$2,895.5 million.

Year Ended December 31, 2012

In 2012, our cash resulting from profit before income tax adjusted for non-cash items was R$3,284.9 million. We used R$623.0 million in working capital in 2012, which was mainly composed of cash flows of R$581.9 million used to increase our financial assets held for trading since these financial instruments yield a higher return than our cash and cash equivalents and are highly liquid instruments, which allows us to fund our operating activities as needed. In 2012, we also paid interest of R$719.1 million and income taxes and social contribution of R$519.5 million, resulting in net cash provided by operating activities of R$1,423.2 million.

Our net cash flow used in investing activities was R$1,236.8 million in 2012, mainly as a result of our acquisition of property, plant and equipment in the amount of R$1,497.7 million during the year, which was partially offset by cash balances of R$124.5 million held by VCEAA as of the date we consummated the 2012 Cimpor asset exchange. However, our cash flow statement for the year ended December 31, 2012, does not reflect our payment on January 21, 2013, of €57.0 million (equivalent to R$155.9 million using the exchange rate applicable as of January 21, 2013, of R$2.7181 per €1.00) to InterCement Austria as a result of certain post-closing adjustments related to the 2012 Cimpor asset exchange. In 2012, we also received dividends from our equity investees in the aggregate amount of R$193.4 million.

Our net cash flow provided by financing activities was R$510.5 million in 2012, due to a R$3,665.8 million increase in new loans and financings, which was partially offset by dividend and interest on capital payments of R$2,263.4 million during the year. In addition, we repaid long-term obligations with related parties in the amount of R$207.0 million.

Our cash and cash equivalents increased by R$697.0 million in 2012, mainly due to R$510.5 million in net cash flows provided by financing activities, and net cash flows provided by operating activities of R$1,423.2 million in 2012, which were partially offset by net cash flows used in investing activities of R$1,236.8 million.

Year Ended December 31, 2011

In 2011, our cash resulting from profit before income tax adjusted for non-cash items was R$2,799.7 million. We used R$911.3 million in working capital in 2011, which was mainly comprised of cash flows used in payments to related parties in an amount of R$124.9 million. In addition, we used R$266.5 million to increase our financial assets held for trading in line with our strategy of seeking to obtain higher returns and maintain our overall liquidity. In 2011, we also paid interest of R$550.2 million and income taxes and social contribution of R$531.6 million, resulting net cash provided by operating activities of R$806.7 million.

Our net cash flow used in investing activities was R$1,553.9 million in 2011, mainly due to our acquisition of property, plant and equipment in an amount of R$1,723.1 million and an increase in intangible assets of R$152.0 million during the year. These cash outflows were partially offset by our receipt of the proceeds from our disposal of property, plant and equipment in the amount of R$232.9 million.

Our net cash flow provided by financing activities was R$932.8 million in 2011 mainly due to a R$2,434.3 million increase of new loans and financing, which was partially offset by (1) our repayment of indebtedness in an aggregate amount of R$144.0 million, (2) our repayment of long-term obligations with related parties in the amount of R$692.7 million, and (3) dividend payments of R$683.8 million during the year.

Our cash and cash equivalents increased by R$185.4 million in 2011, mainly due to net cash provided by operating activities of R$806.7 million and net cash flows provided by financing activities of R$932.8 million in 2011, which were partially offset by net cash flows used in investing activities of R$1,553.9 million during the year.

Dividend Policy

We intend to declare and pay dividends and/or interest on stockholders' equity in each year in amounts equivalent to a minimum of 25.0% of our adjusted net income, in accordance with Brazilian corporate law and our bylaws. Our future dividend policy and the amount of dividends and/or interest on stockholders' equity our board of directors decides to recommend to our shareholders for approval will depend on a number of factors, including, but not limited to, our cash flow, financial condition (including capital position), investment plans, prospects, economic climate, as well as legal requirements and other factors they may deem relevant at the time. The amount of any future dividends or interest on stockholders' equity we may pay is subject to the provisions of Brazilian corporate law and is determined by our shareholders at annual general shareholders' meetings.

Restrictions on Payment of Dividends by Subsidiaries

VCNA is party to a syndicated loan facility that restricts its ability to make restricted payments, including certain dividend distributions. For additional information on this agreement, see "—Indebtedness and Financing Strategy—Long-Term Indebtedness—VCNA Credit Agreement."

Indebtedness and Financing Strategy

As of December 31, 2013, our total outstanding consolidated indebtedness was R$13,501.3 million, consisting of R$721.7 million of short-term indebtedness, including current portion of long-term indebtedness (or 5.3% of our total indebtedness), and R$12,779.6 million of long-term indebtedness (or 94.7% of our total indebtedness).

Our *real*-denominated consolidated indebtedness as of December 31, 2013 was R$6,320.0 million (or 46.8% of our total indebtedness), and our foreign currency-denominated indebtedness was R$7,181.3 million (or 53.2% of our total indebtedness), of which R$4,381.5 million was denominated in U.S. dollars and R$2,509.4 million was denominated in Euros (the remaining R$290.5 million being denominated in other currencies and currency baskets).

As of December 31, 2013, R$7,338.1 million, or 54.4%, of our total consolidated indebtedness bore interest at floating rates, including R$6,037.7 million of *real*-denominated indebtedness that bore interest at rates based on the CDI rate or TJLP rate, and R$1,298.0 million of foreign currency-denominated indebtedness that bore interest at rates based on LIBOR or the BNDES Monetary Unit (*Unidade Monetária BNDES*), or UMBNDES, rate.

The following table sets forth selected information with respect to our principal outstanding indebtedness as of December 31, 2013:

		As of December 31, 2013		
Indebtedness	**Average Annual Interest Rate**	**Current-portion**	**Long-term portion**	**Total**
		(in millions of *reais*)		
Real-denominated				
BNDES	4.92% / TJLP + 2.80%	294.7	956.1	1,250.8
Debentures	111.51% CDI(1)	106.1	4,799.1	4,905.2
FINAME	4.36% / TJLP + 2.60%	22.7	110.7	133.4
Development agency	TJLP + 3.50%	0.9	0.9	1.8
Others	-	15.6	13.2	28.8
		440.0	5,880.0	6,320.0
Foreign-denominated:				
U.S.$400 million senior notes due 2020	7.75%	(0.6)	364.7	364.1
U.S.$1.25 billion senior notes due 2041	7.25%	50.1	2,928.3	2,978.4
€750 million senior notes due 2017	5.25%	85.5	2,423.9	2,509.4
U.S.$450 million VCNA Credit Agreement (2)	LIBOR + 1.50%	39.3	401.6	440.8
U.S.$230 million VCEAA Term Loan Facility	LIBOR + 0.92%	28.0	429.8	457.8
U.S.$70.3 million EKF facility	LIBOR + 1.39%	17.5	122.9	140.4
BNDES	UMBNDES(3) + 2.42%	59.9	212.4	272.3
Others	–	2.1	16.0	18.1
Total		**721.7**	**12,779.6**	**13,501.3**

(1) The CDI rate is the average interbank deposit index applicable in Brazil
(2) This syndicated loan consists of a U.S.$325.0 million term loan and a revolving loan of up to U.S.$125.0 million.
(3) UMBNDES is a weighted average exchange variation on a basket of currencies held by BNDES.

Our financing strategy has been to extend the average maturity of our outstanding indebtedness, including by repaying short-term debt with the net proceeds of long-term loans and long-term debt securities, in order to increase our liquidity level and improve our strategic, financial and operational flexibility. As of December 31, 2013, the average maturity of our indebtedness was 9.3 years. Our financing strategy over the next several years principally involves continuing to maintain adequate liquidity and a debt maturity profile that is compatible with our anticipated cash flow generation and anticipated capital expenditures.

Short-Term Indebtedness

Our consolidated current debt, including the current portion of long-term debt, was R$721.7 million as of December 31, 2013. As of December 31, 2013, we had access to one committed line of credit in an aggregate principal amount of U.S.$1.5 billion under a Revolving Credit Facility that is guaranteed by VID. This facility was executed on August 4, 2011 and may be disbursed by several affiliates of VID, including our company, with a syndicate of financial institutions. This facility has an available working capital tranche in an aggregate principal amount of U.S.$750.0 million which bears interest at a rate of LIBOR plus an applicable margin that varies based

upon VID's credit rating. The working capital tranche has a final maturity date of August 4, 2016. As of December 31, 2013, no disbursements had been made by any of the borrowers under this facility.

We believe that we will continue to be able to obtain sufficient credit to finance our working capital needs based on current market conditions and our liquidity position.

Long-Term Indebtedness

As of December 31, 2013, our total long-term indebtedness (excluding current portion) was R$12,779.6 million, of which R$5,880.0 million (or 46.0%) was denominated in *reais*, R$4,475.7 million (or 35.0%) was denominated in U.S. dollars and R$2,423.9 million (or 19.0%) was denominated in Euros. We incurred most of our outstanding long-term indebtedness to finance our capital expenditure programs and to prepay other outstanding indebtedness.

A substantial portion of our indebtedness is guaranteed by VPar (the controlling shareholder of VID), VID and Hejoassu Administração S.A. (the controlling shareholder of VPar), or Hejoassu, and certain of the instruments governing our indebtedness require that VPar and VID, as guarantors, comply with financial covenants. A breach by VPar or VID with these financial covenants would constitute an event of default under the related financial agreements and could result in the acceleration of our obligations thereunder. As of December 31, 2013, VPar and VID were in compliance with these financial covenants.

Many of our debt instruments also contain other covenants that restrict, among other things, our ability and the ability of certain of our subsidiaries to incur liens and merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets.

The agreements governing a substantial portion of our and certain of our subsidiaries' indebtedness include cross-payment and cross-acceleration event of default clauses, such that our non-payment of debt or acceleration of debt by creditors following an event of default under one or more of these agreements, in each case, in an aggregate amount in excess of U.S.$50.0 million would result in an event of default under such other indebtedness and enable the majority lenders under those facilities to determine to accelerate that indebtedness. In addition, certain of the agreements to which VPar, VID and Hejoassu act as guarantors also include cross-payment and cross-acceleration event of default clauses that would be triggered by the non-payment of debt or acceleration of debt of VPar and VID and certain of their material subsidiaries.

Debentures

We have issued several series of non-convertible debentures, which were issued under indentures that include certain covenants.

On December 3, 2009, we issued debentures in the aggregate amount of R$1,000.0 million, divided into two tranches of R$500.0 million each, both of which were unconditionally and irrevocably guaranteed by VPar. The debentures under the first tranche bore interest at a rate of 110.2% of CDI per annum, while the debentures under the second tranche bear interest at a rate of 112.65% of the CDI per annum. Interest on both tranches of debentures is payable in 20 semi-annual installments, the first of which was paid on June 3, 2010. We prepaid the aggregate principal amount outstanding under the debentures under the first tranche on November 26, 2013. The final maturity date for the debentures under the outstanding second tranche is December 3, 2019.

On October 5, 2010, we issued debentures in an aggregate principal amount of R$1,000.0 million, which are unconditionally and irrevocably guaranteed by VID. These debentures accrue interest at a rate of 113.95% of the CDI rate per annum payable in 20 semi-annual installments, the first of which was paid on April 5, 2011. The final maturity date of these debentures is October 5, 2020.

On February 14, 2011, we issued debentures in an aggregate principal amount of R$600.0 million, which are unconditionally and irrevocably guaranteed by VID. These debentures accrue interest at a rate of 113.9% of the CDI rate per annum payable in 20 semi-annual installments, the first of which was paid on August 14, 2011. The final maturity date of these debentures is February 14, 2021.

On January 20, 2012, we issued debentures in the total aggregate amount of R$1,000.0 million, divided into two tranches of R$500.0 million each, both of which are unconditionally and irrevocably guaranteed by VID. The debentures under the first tranche bear interest at a rate of CDI plus 1.09% per annum, while the debentures under the second tranche bear interest at a rate of 111% of the CDI per annum. Interest on both tranches of debentures is payable in 13 semi-annual installments, the first of which was paid on July 20, 2012. In connection with the second tranche, we entered into an interest swap agreement in a nominal amount of R$500.0 million to economically hedge against variations of interest rates under these debentures. The final maturity date for both tranches of debentures is May 31, 2018.

On December 5, 2012, we issued debentures in the total aggregate amount of R$1,200.0 million, which are unconditionally and irrevocably guaranteed by VID. These debentures bear interest at a rate of 109.2% of the CDI per annum. Principal on the debentures is due in a single payment on December 5, 2018 and interest is payable in 12 semi-annual installments, the first of which is due on June 5, 2013.

On December 5, 2013, we issued debentures in the total aggregate amount of R$500.0 million. These debentures bear interest at a rate of 109.03% of CDI per annum, which is payable in 11 semi-annual installments, the first of which is due on June 5, 2014. Principal on the debentures is due in a single payment on February 28, 2019. These debentures are not guaranteed by VID or VPar.

The covenants under our debentures restrict, among other things, our ability to (1) incur liens and merge or consolidate with any other person or (2) undergo a change of control. Pursuant to the terms of the indentures governing our outstanding debentures, following the occurrence and continuance of an event of default, we may not distribute dividends in excess of the minimum mandatory legal dividend of 25.0% of our adjusted net income, set forth in our bylaws. As of the date of this offering memorandum, no event of default has occurred and is continuing with respect to our debentures.

International Bonds

On June 24, 2005, Voto-Votorantim Overseas Trading Operations IV Limited, or Voto IV, a wholly-owned subsidiary of VID and Fibria at the time, issued 7.75% senior notes due 2020, or the Voto IV 2020 Notes, in an aggregate principal amount of U.S.$400.0 million and maturing on June 24, 2020. These notes are unconditionally and irrevocably guaranteed by VPar, VCSA and Fibria Celulose S.A. The indenture governing the issuance of these notes limits each of our and Fibria Celulose's liability to 50.0% of the outstanding principal amount of the Voto IV 2020 Notes. These notes bear interest at a rate of 7.75% per annum, payable on a semiannual basis on June 24 and December 24 of each year. On September 30, 2013, VID made a capital contribution in kind, whereby it contributed 50% of the outstanding shares of Voto IV to us. As of December 31, 2013, the aggregate principal amount outstanding under these notes was R$364.1 million (U.S.$155.4 million).

On April 28, 2010, Voto-Votorantim Limited, a wholly-owned subsidiary of VPar, issued the 2017 Euro Notes, in an aggregate principal amount of €750.0 million, which were unconditionally and irrevocably guaranteed by VPar, VCSA (as successor by merger to VCB) and CBA. Each of our and CBA's guarantee under these notes was limited to 50.0% of the principal amount outstanding. The 2017 Euro Notes bear interest at a rate of 5.25% per annum, payable on an annual basis on April 28 of each year. The principal amount under the 2017 Euro Notes is payable in a single installment on April 28, 2017. On October 28, 2010, we assumed Voto-Votorantim Limited's obligations as issuer under the 2017 Euro Notes, although the VPar (100%) and CBA (50.0%) guarantees remained in place. Although we do not currently compensate VPar and CBA in connection with their guarantee of our obligations under the 2017 Euro Notes, we may begin to pay a guarantee fee on market terms to VPar and CBA in respect of our net guaranteed obligations at some point following the consummation of this global offering. We intend to seek to enter into financings in the future without guarantees. As of December 31, 2013, the aggregate principal amount outstanding under these notes was R$2,509.4 million (U.S.$1,071.2 million). On April 9, 2014, we commenced the 2017 Euro Notes Tender Offer for any and all of our 2017 Euro Notes. As of the Tender Offer Expiration Date, €446,495,000 in aggregate principal amount of the 2017 Euro Notes, or 59.53% of the outstanding 2017 Euro Notes, had been validly tendered pursuant to the 2017 Euro Notes Tender Offer. We intend to fund the purchase of 2017 Euro Notes tendered pursuant to the 2017 Euro Notes Tender Offer with a portion of the net proceeds from this offering. Concurrently with the 2017 Euro Notes Tender Offer, we also solicited consents to proposed amendments to eliminate substantially all of the restrictive covenants as well as various events of default

and related provisions contained in the 2017 Notes Indenture. As of the Tender Offer Expiration Date, the requisite consents had been obtained. See "Summary—Recent Developments."

On April 5, 2011, we issued 7.25% senior notes due 2041, or the 2041 Notes, in an aggregate principal amount of U.S.$750.0 million, which were unconditionally and irrevocably guaranteed by VPar and VID. The 2041 Notes bear interest at a rate of 7.25% per annum, payable on a semi-annual basis on April 5 and October 5 of each year. The principal amount under the 2041 Notes is payable on maturity on April 5, 2041. On February 9, 2012, we issued additional 2041 Notes in an aggregate principal amount of U.S.$500.0 million. On September 6, 2012, VPar was released as guarantor under these notes, and VID remained as the sole guarantor. As of December 31, 2013, the aggregate principal amount outstanding under these notes was R$2,978.4 million (U.S.$1,271.4 million).

Our international bonds include covenants that restrict, among other actions, our ability to incur liens and merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets.

BNDES Financings

BNDES has been an important source of debt financing for our capital expenditures. As of December 31, 2013, we had R$1,879.7 million available under two lines of credit with BNDES and as of the same date, our total indebtedness outstanding under these facilities was R$767.6 million. We entered into the first facility with BNDES on January 27, 2009, for an aggregate principal amount of R$600.0 million. We have an availability period of five years from the date of this agreement to disburse funds under this facility. Interest rates for the different loans are determined based on the credit rating of VID and BNDES's the internal credit policies. The tenor of the loans under this facility is determined based on the term of the project to be financed, usually seven years with a grace period of two years and amortization in five years. VCNNE is also a borrower under this line of credit. As of December 31, 2013, the total principal amount outstanding under this revolving facility was R$409.7 million.

On April 7, 2009, Votorantim Metais S.A. (formerly known as Votorantim Metais Níquel S.A.), Votorantim Metais Zinco S.A. and Votorantim Siderurgia S.A. entered into a credit facility with BNDES in an aggregate principal amount of R$1,279.7 million, and on August 24, 2010, we and VCNNE were also included as borrowers under this facility. We have an availability period of five years from the date of the agreement to disburse funds under this facility. Interest rates for the different loans are determined based on the credit rating of VID and BNDES's internal credit policies. The tenor of the loans under this facility is determined based on the term of the project to be financed, usually seven years with a grace period of two years and amortization in five years. As of December 31, 2013, our total outstanding indebtedness under this facility was R$357.9 million.

As of December 31, 2013, our outstanding loans with BNDES totaled R$1,523.1 million, of which R$1,250.8 million corresponded to *real*-denominated loans and the remaining R$272.3 million to loans denominated in UMBNDES and U.S. dollars. We used the proceeds from these loans to finance, among others, the expansion of our plants in Brazil. The majority of our loans with BNDES bear interest indexed to the TJLP. The remaining BNDES loans are indexed to the UMBNDES, which is a weighted average exchange variation on a basket of currencies, predominantly U.S. dollars, held by BNDES, real or U.S. dollars. As of December 31, 2013 and 2012, the TJLP was fixed at 5.0% and 5.5% respectively per year. During 2013, 2012 and 2011, the TJLP averaged 5.0%, 5.8% and 6.0%, respectively, per year. These loans are guaranteed by Hejoassu and VID.

The following table sets forth selected information with respect to our principal long-term financings with BNDES as of December 31, 2013:

Indebtedness	Borrower	Guarantor(s)	Interest Rate	Principal Payment Dates	Maturity Date	Principal Amount Outstanding as of December 31, 2013
						(in millions of *reais*)
R$358.3 million BNDES Credit Agreement	VCSA	Hejoassu	Tranche A – TJLP plus 2.45% per annum Tranche B – TJLP plus 3.45% per annum Tranche C – UMBNDES plus 2.45% per annum Tranche D – TJLP plus 2.05% per annum Tranche E - TJLP	72 monthly installments commencing February 2014 for Tranche C and 72 monthly installments commencing December 2013 for others Tranches	January 2020 for Tranche C and November 2019 for others Tranches	324.5
R$280.1 million BNDES Credit Agreement	VCSA	Hejoassu	Tranche A – UMBNDES plus 2.45% per annum Tranche B - TJLP plus 2.45% per annum Tranche C - TJLP plus 3.45% per annum Tranche D - 5.50% per annum Tranche E - TJLP plus 4.65% per annum	60 monthly installments commencing November 2012 for Tranche A and 60 monthly installments commencing October 2012 for other Tranches	October 2017 for Tranche A and September 2017 for other Tranches	180.0
R$244.4 million BNDES Credit Agreement	VCSA	Hejoassu	Tranche A - UMBNDES plus 2.45% per annum Tranche B - TJLP plus 2.45% per annum Tranche C - TJLP plus 3.45% per annum Tranche D - TJLP plus 2.05% per annum Tranche E - TJLP	72 monthly installments commencing November 2013 for Tranche A and 72 monthly installments commencing October 2013 for other Tranches	October 2019 for Tranche A and September 2019 for other Tranches	207.5
R$203.8 million BNDES Credit Agreement	VCSA	Hejoassu	Tranches A, F and K – UMBNDES plus 2.45% per annum Tranche B, G, and L - TJLP plus 2.45% per annum Tranches C, H, and M – TJLP plus 3.45% per annum Tranches D, I and N - TJLP plus 4.65% per annum Tranches E, J and P – 4.5% per annum Tranche O - TJLP plus 2.05% per annum Tranche Q - TJLP	60 monthly installments commencing February 2012 for Tranches A, F and K and 60 monthly installments commencing January 2012 for other Tranches	January 2017 for Tranches A, F and K and December 2016 for other Tranches	111.9
R$192.7 million BNDES Credit Agreement	VCSA	Hejoassu	Tranche A – UMBNDES plus 2.45% per annum Tranche B – TJLP plus 2.45% per annum Tranche C – TJLP plus 3.45% per annum Tranche D – 5.5% per annum	60 monthly installments commencing May 2013 for Tranche A and 60 monthly installments commencing April 2013 for others Tranches	April 2018 for Tranche A and March 2018 for other Tranches	133.0

Our BNDES facilities include covenants that restrict, among other actions, (1) our ability and the ability of certain of our subsidiaries to incur liens and merge or consolidate with any other person or sell or otherwise dispose

of all or substantially all of our assets or (2) our ability to undergo a change of control or the ability of our direct and indirect shareholders to undergo changes of control.

VCNA Credit Agreement

On October 28, 2010, VCNA and certain of its subsidiaries, as borrowers, and a syndicate of lenders entered into the VCNA Credit Agreement. This facility had one term loan tranche, or the term loans, and a revolving credit tranche, or the revolving loans. The term loans, in an aggregate principal amount of U.S.$325.0 million, had a four-year term and bore interest at a floating interest rate of LIBOR plus an applicable margin raging between 2.00% and 2.75% per annum, depending on the consolidated leverage ratio of VCNA, payable on a quarterly basis. Principal under the term loans was amortized in quarterly installments starting on March 31, 2011. The revolving loans, in an aggregate principal amount of up to U.S.$125.0 million, bear interest at a reference rate determined based on the currency of each loan (U.S. dollars or Canadian dollars) plus an applicable margin raging between 2.00% and 2.75% per annum determined based on the type of revolving facility (drawing or letter of credit) and the consolidated leverage ratio of VCNA. In connection with this facility, we also entered into several interest rate swap agreements in a nominal amount of U.S.$200.0 million, which mature on October 31, 2014.

On November 23, 2011, the parties to the VCNA Credit Agreement entered into an amendment which, among others, extended the maturity of the term loans and the revolving loans through November 23, 2016, and reduced the applicable margin for all of the tranches to 1.50% and 2.25%. As of December 31, 2013, the total principal amount outstanding under the term loans was R$440.8 million (U.S.$188.7 million). As of December 31, 2013, there were no outstanding amounts under these revolving loans.

On April 2, 2013, the parties to the VCNA Credit Agreement further amended the terms of this agreement to extend the final maturity of the term loans and the revolving loans through March 31, 2018.

The loans under the VCNA Credit Agreement are secured by liens on substantially all of the assets of VCNA and the borrowers. In addition, VCNA is required to comply with certain financial covenants and is subject to certain negative covenants restricting its ability and the ability of certain of its subsidiaries to, among others:

- merge, consolidate, wind up or dissolve, or transfer in any way all or substantially all of their assets and the assets;
- sell assets;
- create certain liens;
- engage in transactions with affiliates;
- incur additional indebtedness;
- make investments;
- make certain restricted payments (including dividend payments to VCSA); and
- make certain capital expenditures.

VCNA is currently negotiating a further amendment and extension of the VCNA Credit Agreement by terminating the term loan tranche and increasing the revolving credit facility from U.S.$125 million to U.S.$300 million. Pricing will remain the same with the maturity date extended through April 2019. The amendment and extension is currently expected to close in April 2014. See "Summary—Recent Developments—Amendment to VCNA Credit Agreement."

EKF Facilities

On February 22, 2011, we entered into two facility letters with Eksport Kredit Financiering A/S, as lender, VPar and VID, as guarantors. These facility letters were entered into pursuant to certain Amended and Restated ECA

Framework Agreement, or the Votorantim ECA Framework Agreement, dated December 15, 2011. The first facility, in an aggregate principal amount of U.S.$36.9 million, has a 10-year term and bears interest at LIBOR plus 1.385% per annum payable on a semi-annual basis. The principal under the first facility is payable in 20 equal semi-annual installments, with the first installment paid on July 30, 2011. The second facility, in an aggregate principal amount of U.S.$33.7 million, has a 10-year term with a grace period of two years and bears interest at LIBOR plus 1.385% per annum payable on a semi-annual basis. The principal under the second facility is payable in 20 equal semi-annual installments, commencing on July 30, 2013. On December 7, 2012, VPar was released as guarantor under these facilities, and VID remained as the sole guarantor. The net proceeds from these facilities were used to make payments to suppliers of certain equipment for our plants in Brazil. As of December 31, 2013, the aggregate principal amount outstanding under these two facilities was R$140.4 million (U.S.$59.9 million).

Votorantim Backstop Facility

On August 7, 2012, we and VID entered into a U.S.$400.0 million backstop loan facility agreement, or the Votorantim Backstop Facility, with a group of lenders that established the framework pursuant to which certain borrowers may enter into term loan agreements and incur borrowings thereunder that are guaranteed by us and VID pursuant to the backstop loan facility agreement. The amount of the backstop facility loan agreement was subsequently increased from U.S.$400.0 million to U.S.$450.0 million pursuant to an amendment dated November 6, 2012. The proceeds of borrowing under any term of the loan agreement may be used by the borrowers to repay certain debt of Cimpor or its subsidiaries. Among other covenants, the terms of the backstop loan facility agreement restrict VID and VCSA and certain of their significant subsidiaries from creating liens on any of their respective assets, subject to certain permitted exceptions.

On August 20, 2012, Cimpor Inversiones, S.A., a subsidiary of Cimpor, entered into a term loan agreement under the Votorantim Backstop Facility, under which it made four borrowings in an aggregate principal amount of U.S.$400.0 million. On November 15, 2012, VCEAA (formerly known as Cimentos EAA Inversiones, S.L.) assumed Cimpor Inversiones, S.A.'s obligations as borrower under the term loan agreement and on December 20, 2012, VCEAA made an additional borrowing in a principal amount of U.S.$34.1 million. On December 21, 2012, in connection with the completion of the 2012 Cimpor asset exchange, we acquired all of the outstanding capital stock of VCEAA. On January 7 and May 2, 2013, VCEAA prepaid R$406.2 million (U.S.$200.0 million) and R$30.1 million (U.S.$15.0 million), respectively, of the outstanding principal amount of the loans, and on September 10, 2013, we prepaid the remaining outstanding balance under the Votorantim Backstop Facility in an aggregate principal amount of R$498.9 million (U.S.$219.0 million), releasing VID from the loan's covenants and corporate guarantee.

VCEAA Term Loan Facility

On September 5, 2013, VCEAA, as borrower, and VCSA, as guarantor, entered into a U.S.$220.0 million term loan facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd. This loan bears interest at a rate of LIBOR plus 0.92 per annum, payable on a monthly basis through March 5, 2015. The principal amount under this loan is payable in a single installment on its maturity date of March 5, 2015. The net proceeds from this loan were used to prepay the outstanding principal amount of the Votorantim Backstop Facility as of September 10, 2013. On December 20, 2013, VCEAA prepaid R$95.3 million (U.S.$40.0 million) of the principal amount under this facility. As of December 31, 2013, the aggregate principal amount outstanding under the VCEAA Term Loan Facility was R$457.0 million (U.S.$195.4 million).

Debt Maturity Profile

The following table presents information relating to our debt maturity profile as of December 31, 2013:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in millions of *reais*)		
Indebtedness (1)	13,244,5	464.9	4,118.5	4,410.0	4,251.0
Interest expense (2)	256.8	256.8	-	-	-
Total	**13,501.3**	**721.7**	**4,118.5**	**4,410.0**	**4,251.0**

(1) Includes payments of principal only.
(2) Includes estimated future payments of interest on our loans, financings and debentures, calculated based on interest rates and foreign exchange rates applicable at December 31, 2013 and assuming that all amortization payments and payments at maturity on our loans, financings and debentures will be made on their scheduled payment dates.

Off-balance Sheet Commitments and Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which includes special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risks arising from our normal business activities. These market risks, which are beyond our control, principally involve the possibility that changes in interest rates, exchange rates or commodity prices will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

For information on our financial risk management see note 5 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Market Risk Management Policy

We currently follow VID's market risk management policy, which seeks to protect our cash flow and operating revenues and costs, as well as financial components (financial assets and liabilities) against adverse market events such as fluctuations in currency, interest rate and commodity prices. We intend to adopt our own market risk management policy.

Our functional currency is the *real*, and therefore, all of our efforts in our risk management processes are aimed at protecting and reducing the volatility of our cash flow in this currency, protecting our ability to meet financial obligations, as well as maintaining adequate levels of liquidity and indebtedness.

The following derivative instruments may be used in the management of our foreign exchange exposure, interest rate exposure and commodity price exposure: standard swaps; purchase of call options; purchase of put options; collars; currency futures contracts; and non-deliverable forwards, or NDFs. Strategies that contemplate the simultaneous purchase and sale of options may be authorized when they would not result in a net short position in volatility of the underlying asset.

We expect to develop and implement our market risk management policy in a manner consistent with VID's market risk management policy by utilizing other specific policies and procedures that establish directives to attenuate adverse effects of each market risk factor, as well as metrics for measurement and follow-up. They include:

(1) Foreign Exchange Exposure Management Policy: establishes a framework of directives and rules for protecting against foreign currency volatility (currency hedge), predominantly with respect to the U.S. dollar, which comprises our cash receipts and payments and consequently impacts our cash flows. Our foreign exchange hedge mechanisms are based on the foreign exchange exposure that is projected through the end of the applicable year plus the following year to the reference date. In addition, during the preparation of our annual budget, we may design hedge programs for protection of our segments' cash

(2) Interest Rate Exposure Management Policy: establishes a framework of guidelines and rules for protecting against the risk of interest rate volatility that impact our cash flows. The exposure to each interest rate index (mainly CDI, LIBOR and TJLP) is projected through the end of the life of the applicable assets and liabilities linked to such indices. Based on these exposures, we prepare financial protection proposals, which are submitted for the approval of our Finance Committee.

(3) Counterparties' and Issuers' Risk Management Policy: establishes exposure limits for financial and non-financial institutions that are counterparties of financial transactions and/or issuers of debt securities. It

also establishes allocation limits for Brazilian federal government securities issued by the Brazilian Treasury and the Brazilian Central Bank. In the case of derivative transactions, the credit risk exposure of a certain counterparty and transaction is measured by the pre-settlement risk, by means of statistical models and pre-approved parameters. In calculating the risk exposure limit of counterparties/issuers, the economic group criterion is used. For financial investments, the policy establishes that credit limits allocated to issuers should not exceed the lower of (1) 20.0% of the total funds under our management, (2) 10.0% of our net worth and (3) 10.0% of the issuer's net worth. For allocation of funds to sovereign risk (federal government securities issued by the Brazilian Treasury or the Brazilian Central Bank), minimum limits of 20.0% and maximum limits of 100% of the total funds under our management are stipulated.

(4) Liquidity and Financial Indebtedness Management Policy: establishes guidelines for managing our liquidity and financial indebtedness. The main instrument for measuring and monitoring liquidity is a cash flow projection, considering a minimum projection period of 12 months from the reference date. Liquidity and debt management considers as an objective the comparable metrics provided by global credit rating agencies for stable or equivalent "BBB" credit ratings. With respect to indebtedness, metrics considered compatible with the objective described are considered.

For the allocation of funds, both directly or through investment funds, the following financial assets may be used: Brazilian Federal Government Bonds or by the Brazilian Treasury; bank certificates of deposit (*certificados de depósitos bancários*), or CDBs; bank depositary receipts (*Recibo de Depósito Bancário*), or RDBs; Mortgage Notes (*Letras Hipotecárias*), or LHs; corporate bonds; repurchase agreements backed by financial assets; bank credit certificates (*Cédula de Crédito Bancário*), or CCB; corporate notes; box transactions; credit rights investment funds (*Fundo de Investimento em Direitos Creditórios*), or FIDC; and agribusiness letters of credit (*Letras de Crédito do Agronegócio*), or LCA. All issuers must meet the requirements described in our Counterparties and Issuers Risk Management Policy.

We raise funds principally through the use of the following instruments: debt securities (bonds and debentures); import credit facilities; government-backed credit lines; BNDES financing and working capital lines.

Foreign currency exchange rate risk

Our liabilities that are exposed to foreign currency exchange rate risk are primarily denominated in U.S. dollars and Euros. To partially offset our risk of any depreciation of the *real* against the U.S. dollar, we currently maintain available liquid resources denominated in U.S. dollars and may enter into derivative contracts. Because we borrow in U.S. dollars in international markets to fund our operations and investments, we are exposed to market risks from changes in foreign exchange rates and interest rates. Sales by certain of our foreign subsidiaries, which enable us to generate receivables payable in foreign currencies, tend to provide a natural hedge against our foreign currency-denominated debt service obligations, but they do not fully match them.

Our foreign currency exposure gives rise to market risks associated with exchange rate movements. A significant portion of our indebtedness is denominated in foreign currency. As of December 31, 2013, our consolidated foreign currency-denominated indebtedness was R$7,181.3 million, 61.0% of which was denominated in U.S. dollars and 34.9% was denominated in Euros. This foreign currency exposure is represented mainly by debt in the form of international bonds and working capital loans. We designate part of these loans to hedge our net investment in foreign subsidiaries for accounting purposes. For additional information on our net investment hedges see note 5.6 to our audited consolidated financial statements included elsewhere in this offering memorandum. Our net cash flow in foreign currency partially protects us against exposure arising from the U.S. dollar (and other currencies)-denominated debt.

As of December 31, 2013, the total value of our foreign currency derivative financial instruments was R$17.9 million.

In the event that the *real* were to depreciate by 10.0% against the U.S. dollar as compared to the *real*/U.S. dollar exchange rate as of December 31, 2013, our U.S. dollar-denominated indebtedness as of December 31, 2013 would have increased by approximately R$686.7 million, and our U.S. dollar-denominated excess liquidity for the year would have increased by approximately R$71.8 million.

Interest rate risk

We are exposed to interest rate risk because a significant portion of our indebtedness bears interest at floating rates. As of December 31, 2013, our total outstanding indebtedness on a consolidated basis was R$13,501.3 million, of which R$7,338.1 million, or 54.4%, bore interest at floating rates, including R$6,037.7 million of *real*-denominated indebtedness that bore interest at rates based on the CDI rate or TJLP rate, and R$1,298.0 million of U.S. dollar-denominated indebtedness that bore interest at rates based on LIBOR or the UMBNDES rate. As of December 31, 2013, we had interest rate swap agreements under which 1.1% of our indebtedness bearing interest based on LIBOR was swapped into fixed rates. As of December 31, 2013, we had derivative agreements to limit our exposure to variations in the fixed rate with an aggregate notional amount of R$500 million maturing in 2018. For additional information on our interest rate derivative financial instruments, see note 5 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Surplus cash from our operations (which consists of cash and cash equivalents and financial assets held for trading) totaled R$1,939.9 million as of December 31, 2013, of which R$1,222.2 million was invested in cash and cash equivalents and certain trading securities denominated in *reais* that generally pay interest at overnight interest rates based on the CDI rate. We believe our exposure to Brazilian interest rate risk is partially mitigated by these investments. The remaining R$717.7 million was invested in short-term instruments denominated in foreign currency that generally pay interest at overnight interest rates based on the federal funds rate.

In the event that the average interest CDI rate applicable to our financial assets and debt during 2013 were 1.0% higher than the average interest rate during such year, our financial income in 2013 would have increased by approximately R$12.0 million and our financial expenses in the same period would have increased by approximately R$49.1 million.

INDUSTRY

Industry Overview

Cement

Cement is a fundamental building material consumed in several stages throughout the construction cycle of residential, commercial and industrial buildings and infrastructure projects. It is a binding agent that, when mixed with sand or aggregates and water, produces either ready-mix concrete or mortar and is an important component of other essential building materials. Cement is sold either in bags as a branded product or in bulk, depending on its final user.

The manufacturing process by which cement is produced begins with the mining and crushing of limestone and clay. Limestone and clay are then pre-homogenized, dried, fed into a grinding mill and then processed at a very high temperature in a kiln, to produce clinker. Clinker is the intermediate product used in the manufacture of cement and is fed with other materials such as slag, fly ash, pozzolan and a small portion of gypsum, into a cement grinding mill where they are ground into an extremely fine powder to produce finished cement.

The main raw materials used in the production of cement are limestone, clay, gypsum and other additives such as slag, natural or artificial pozzolans and fly-ash. Cement plants are ideally located adjacent to large limestone quarries to reduce production costs due to transportation of raw materials. The manufacturing processes are very intensive in energy use; each ton of cement requires 60-130 kg of fuel oil and roughly 100 kWh of electricity, depending on the type of cement, which combined represent approximately half of direct production costs, according to the SNIC. Other relevant costs include operation and maintenance of the production facility.

Cement's perishable nature and heavy weight relative to its unit value translate into significant transportation costs. Therefore, cement producers in larger nations tend to cluster around major consumer markets and producers gain a natural cost advantage in the areas surrounding their production facilities. Also, international cement trade is usually rendered impractical, thus accounting for only 4.5% of cement sales worldwide in 2012 according to the Global Cement Report.

The main driver of cement consumption is construction activity, which can be divided in three sectors: the residential sector, the industrial and commercial sector and the public sector (the latter including major infrastructure projects). As a result, cement demand is highly dependent on housing starts and investments in industrial, commercial and infrastructure projects. These factors relate to overall economic activity and demographic trends such as urbanization and family formation.

In addition, cement demand is observed to have low elasticity in relation to prices. This is partially explained by the absence of competitive replacement products and relatively low contribution of cement to construction costs. Increases in cement prices are unlikely to affect the decision to undertake a construction project, since cement costs usually represent a small portion of total construction costs.

Ready-Mix Concrete

Ready-mix concrete is a combination of cement, aggregates and chemical additives, which hardens into a permanent form of artificial stone when mixed with water. It is produced in concrete plants and transported directly to construction sites as ready-mix concrete in ready-mix trucks.

Demand for ready-mix concrete follows the same trends as cement but an additional growth is expected based on the increase of industrialization of concrete. Demand for ready-mix concrete tends to be higher in more developed markets but higher growth is expected in emerging markets which are maturing in terms of construction practices. Cement producers may pursue a vertically integrated strategy, producing ready-mix concrete in order to reduce demand volatility in an environment of declining demand so as to secure the use of part of their cement and aggregates production. Other benefits of an integrated operation include increased contact with end consumers, which help in gauging demand for other products of their portfolio such as aggregates and cement.

Aggregates

Aggregates are materials obtained from raw materials, such as crushed stone, sand and gravel, which are used as raw materials for various building products, including concrete, asphalt and mortar, or directly as a building material in the construction of highways, railways and landfills.

Aggregates are a larger market than cement based on tonnage, according to the DNPM, and are subject to many of the demand drivers of the cement industry. They are exposed to even stronger pressure for production to take place near end users. Transportation costs are an even higher proportion of total costs and economies of scale are even more significant.

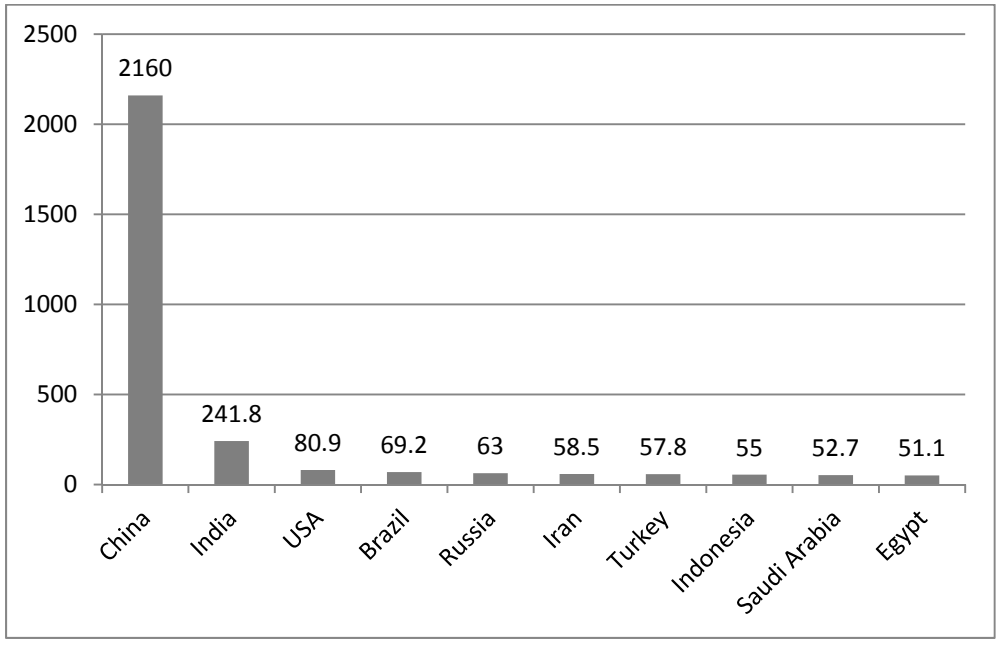
Mortar

Mortar is an essential building material for a variety of end uses in the construction sector. Composed of a spectrum of different products, its main raw materials are sand, cement and additives. Verticalization and proximity to cement and industrial and/or natural sand sources are an important competitive advantage. We believe that in developing markets, such as Brazil and India, the potential for an increase in the role of industrialized mortar in construction (as opposed to on-site manual fabrication) is tremendous, as labor costs increase and productivity gains become an important goal. In this sense, mortar is expected to become an important channel for cement distribution in the same way that ready-mix concrete is in developed markets.

The Global Cement Market

World cement consumption reached 3.7 billion tons in 2012 according to data from the Global Cement Report. The cement market is expected to maintain a strong pace of growth and reach 4.14 billion tons in 2014, according to the Global Cement Report. Among countries, China stands out with 2.16 billion tons of cement sales in 2012 and 58% of consumption worldwide, according to the Global Cement Report. The United States is the third-largest cement market worldwide and Brazil is the fourth-largest, according to the Global Cement Report.

Largest Cement-Consuming Countries in 2012 (million tons)



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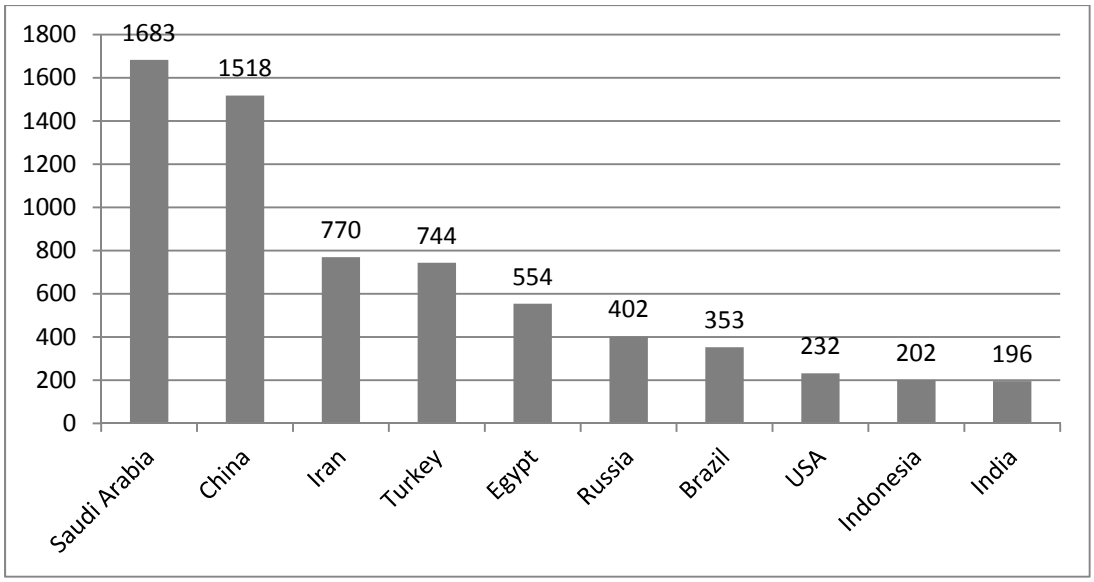
Source: Global Cement Report.

An important metric for consideration of international cement markets is per capita consumption. In that respect countries vary widely according to their level economic development and the importance of the construction industry in their economies.

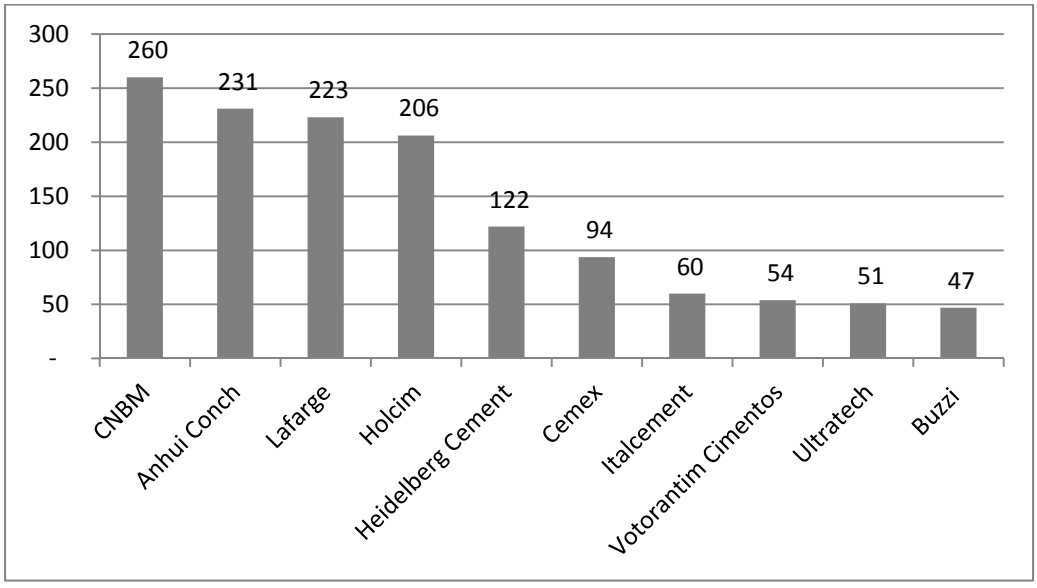
Cement Consumption per Capita (kg) in 2012 – Selected Countries



Source: Global Cement Report.

The top 10 cement producers accounted for 26% of cement sales worldwide in 2011, according to the Global Cement Report. Major cement producers from mature markets have increased their exposure to emerging markets by means of acquisitions and organic growth and have, as a result, become large diversified players.

Cement Production Capacity (million tons per annum) in 2012/2013 – Leading Companies



Source: Lafarge: Lafarge's 2012 Annual Report; Hocim: Holcim's 2013 Annual Report; CNBM: Global Cement Report; Anhui Conch: Anhuí Conch's 2013 Annual Report; Cemex: Cemex's 2013 Annual Report; Heidelberg Cement: Heidelberg's Investors

Presentation Abril/2013; Italcement: Italcement's website (2013); Buzzi: Buzzi's Institutional Presentation Paris Roadshow April 2, 2014 (information for 2013).

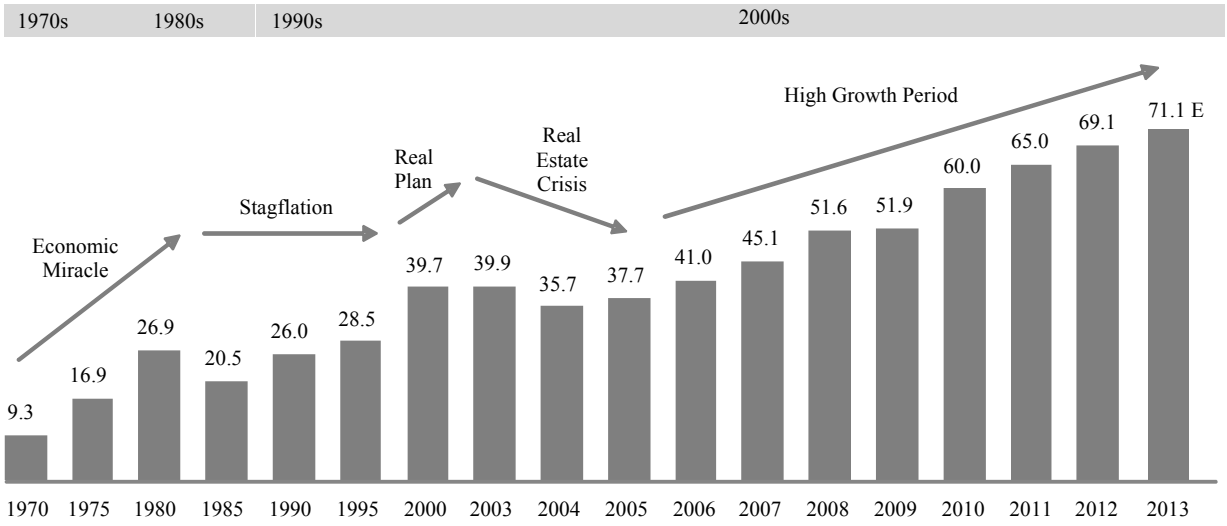
The Brazilian Cement Market

Overview

Brazil was the fourth largest cement-consuming market worldwide in 2012, with approximately 69 million tons, according to the Global Cement Report. Cement sold in Brazil is primarily produced domestically. In 2012, Brazil had 82 cement production facilities spread across the country with a combined capacity of 82 million tons per annum, according to the Global Cement Report. According to the Global Cement Report, imports were responsible for only 1.2% of local consumption and exports were mostly negligible as of 2012.

Cement is the most ubiquitous building material used in construction in Brazil and has been produced locally on an industrial scale since 1926. The national cement industry underwent a period of fast growth during the 1970s, increasing from 9.8 million tons at the beginning of the decade to 27.2 million tons at the end of it, according to the SNIC. The economic instability of the 1980s caused cement demand to remain sluggish until the execution of the Real Plan. Ensuing stability led to renewed growth, and cement consumption reached 39.7 million tons in 2000, according to the SNIC. Global crises and weak economic activity caused demand to slow down until 2004, according to the SNIC, when the Brazilian economy picked up pace and cement demand entered a period of fast growth that still persists.

Cement Consumption (million tons)



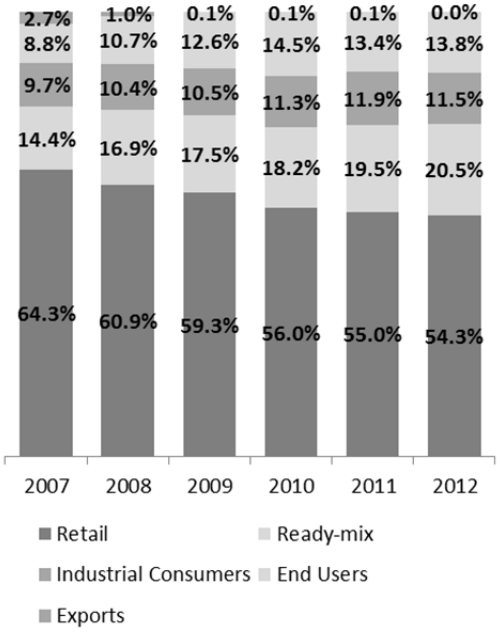
Source: SNIC.
(E) Estimated for 2013.

Cement is the primary material for residential construction, which accounted for 56.7% of cement demand as of 2010, according to the SNIC and the FGV. Infrastructure projects were the destination of 24.9% of cement consumed, while commercial and industrial accounted for 16.0% of volume consumed in 2010, according to the SNIC and the FGV. The remaining 2.4% went to other uses.

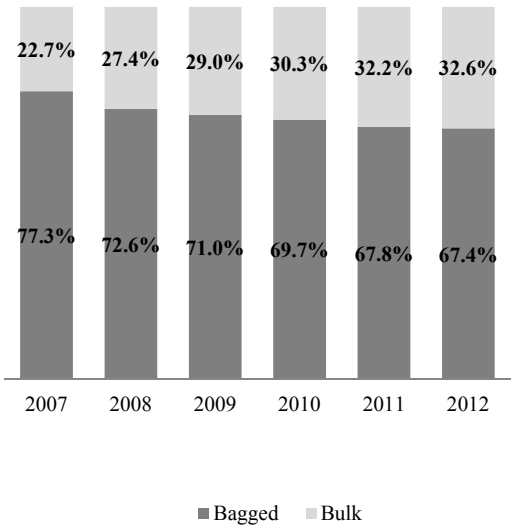
In Brazil, cement is usually sold as a bagged and branded product through retailers, which represent more than half of total cement sales, according to the SNIC and the FGV. Cement is also sold in bulk to concrete mixers and other industrial consumers, such as masonry and mortar producers. Sales are also made directly to end users such as construction companies and public entities that buy both bagged and bulk cement. For sales through retail, an extensive distribution network and a brand with high recognition represent significant competitive advantages. In

addition, the abilities to serve a variety of segments and to produce both bagged and bulk cement are also important competitive advantages.

Domestic Cement Sales by Distribution Channel



Domestic Cement Sales by Packaging Type

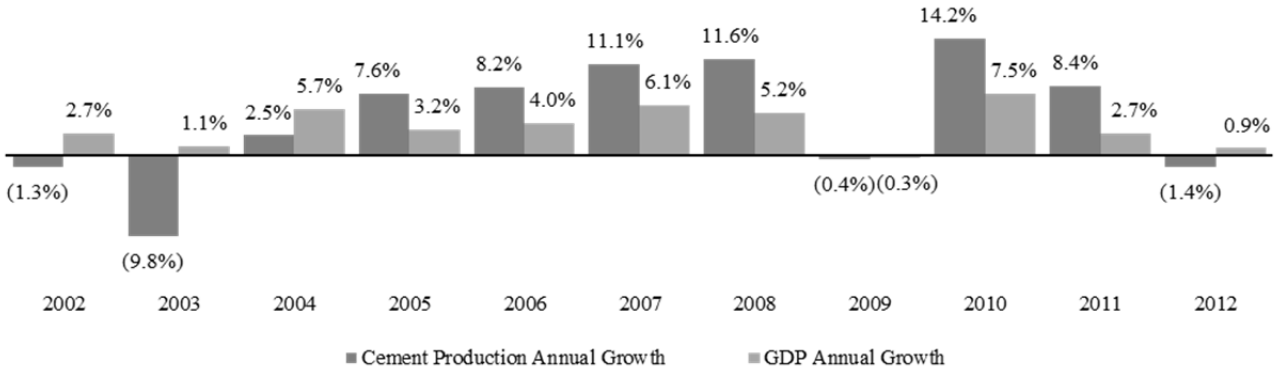


Source: SNIC.

Growth Drivers

Recently, Brazilian consumption of cement has grown at rates faster than Brazil's GDP, according to the SNIC and the IBGE. The overall trends in the Brazilian cement industry have been influenced by the construction sector, which, in turn, has been influenced by growth and stability of the overall economy and availability of credit, among other factors. Since 2006, cement consumption has grown at a CAGR of 7.1% in terms of volume, whereas GDP has grown at 3.6%, according to the SNIC and the IBGE, respectively.

Cement Consumption and Economic Growth



Source: SNIC, IBGE.

Strong recent growth was driven by lower unemployment; higher income; housing development with government-sponsored credit, which grew from 399 thousand units in 2005 to 1,042 thousand units in 2011; and the first phase of the PAC of investments in infrastructure, launched in 2006 and with R$657 billion invested through 2010, according to the Brazilian Ministry of Planning.

Despite recent growth, the Brazilian cement market still offers substantial growth opportunities. Brazilian cement consumption remains low on a per capita basis at 353 kg in 2012, compared to a world average of 513 kg, according to the SNIC and the Global Cement Report.

A longer term view, considering historical consumption, suggests that cement consumption in Brazil still has room to grow before reaching the levels of developed nations. Cumulative per capita consumption in the period between 1950 and 2011 was 6.9 tons in Brazil, considerably lower than countries that have experienced faster economic development in the period, such as South Korea and Japan, according to the Global Cement Report.

Brazil has a large housing deficit, defined as the number of homes to be built for all Brazilians to have access to adequate housing and estimated at 5.2 million homes in 2012 by the Brazilian Household Sample Survey 2012. This matter is being addressed by the Brazilian federal government through the MCMV, which provides subsidized financing for affordable housing to buyers who otherwise would not be able to purchase a home and developers of such projects. The program was launched in 2009 and, as of December 31, 2013, over 1.5 million houses had already been developed.

Additionally, sizeable investments are necessary to improve the country's present infrastructure. The poor state of Brazilian infrastructure is made clear by the Global Competitiveness Report for 2012-2013 in which Brazil ranked 70th among 144 countries under the Infrastructure category. The Brazilian federal government is engaged in promoting infrastructure investments as a form of improving economic productivity and has committed to investments of R$1,016 billion between 2011 and 2014 as part of the second phase of the PAC 2, a program announced in March 2011 as an extension of the first phase of the PAC Program, according to the Brazilian Ministry of Planning. More recently, the Brazilian federal government announced the Program for Investments in Logistics, a package for investments in transportation infrastructure, as described below.

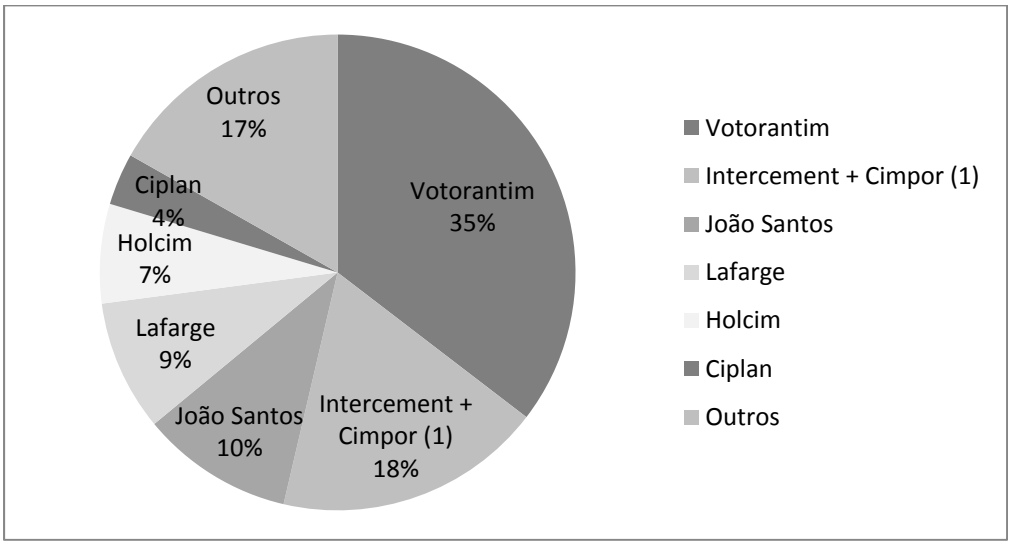
In 2012, the Brazilian federal government launched the Program for Investments in Logistics, which outlines a plan for upgrading and integrating transportation infrastructure, including roads, railways, ports and airports. Planned investments in roads and railways will require investments of R$133 billion, of which R$79.5 billion are to be invested in the next five years, according to the Brazilian Ministry of Planning. For ports, planned investments amount to R$54.2 billion, of which R$31.0 billion are to be invested before 2015. Aviation infrastructure will receive R$18.7 billion of investments in the form of upgrades to two major airports (Galeão, in the State of Rio de Janeiro, and Confins, in the State of Minas Gerais). The private sector will be the main agent undertaking these projects, by means of new concessions and public-private partnerships, and investment will be eligible for funding from the BNDES at subsidized rates. The BNDES forecasts investments of over R$368 billion between 2014 and 2016, from which R$114 billion will be allocated to logistics.

As a result of the aforementioned factors, we expect both the housing deficit and infrastructure investments to continue to drive construction demand and, consequently, cement demand, bringing Brazilian cement consumption growth closer to other countries' levels.

Competitive Environment

According to the Global Cement Report, 15 companies operate production facilities in Brazil and the six largest of those are responsible for 82.1% of national cement production.

Cement Domestic Sales Share in Volumes – 2012



Source: SNIC.
(1) Reflects the acquisition of Cimpor by Intercement.

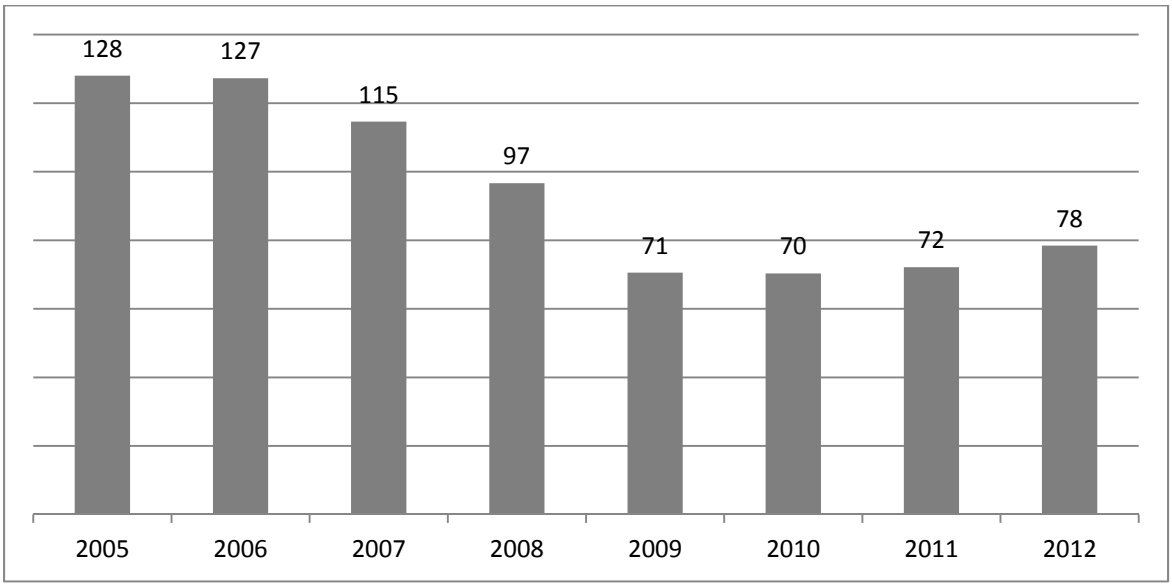
Votorantim Cimentos is the market leader and the only company to have a nationwide footprint, achieving relevant market shares in all regions. InterCement Brasil, part of the Camargo Corrêa Group, is currently in the process of integrating Cimpor's acquired Brazilian plants into their existing operations. Once fully integrated, we expect InterCement Brasil to become the second-largest cement producer in Brazil, with nearly half of our market share. João Santos is a domestically owned company with leadership in the North, region and we expect that it will become the third-largest producer in the country after InterCement Brasil completes the integration of Cimpor's plants. The fourth and fifth largest domestic producers are the two leading companies in cement globally: Lafarge (France) and Holcim (Switzerland), both of which entered the Brazilian market through acquisitions.

The North American Cement Market

Overview

The cement market in the United States and Canada has been deeply affected by the global economic crisis since 2008 and is currently on the path to a gradual recovery. Cement consumption in the region peaked in 2005 at 136 million tons, according to the Global Cement Report. During the housing crisis, cement demand hit 77 million tons in 2009, according to the Global Cement Report. A gradual recovery started in 2010 but only took off in 2012, according to the Global Cement Report, and is expected to have solid gains mainly due to the significant pent-up demand for new construction, repair and maintenance, low inventories, quality of properties for sale and solid population growth.

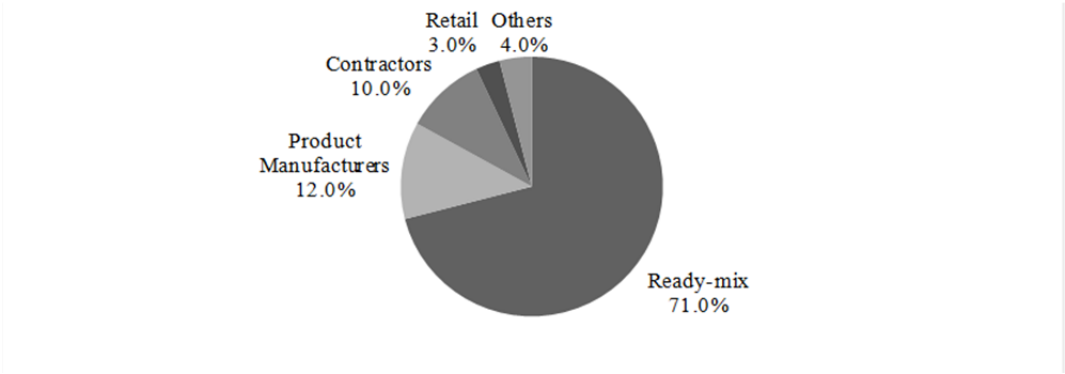
Cement Consumption in the United States (Mt)



Source: PCA.

The cement market in the United States is segmented into clusters, with companies concentrating their activities in regional markets. According to the Global Cement Report, the main players are foreign companies, which dominate 85% of the American market. They are mostly European and Latin American, such as Holcim, Cemex, HeidelbergCement, Buzzi Unicem, Lafarge Italcementi and Titan. Cement in the region is usually sold in bulk and used in the production of ready-mix concrete.

Cement Sales by Distribution Channel in the United States - 2011



Source: USGS.

Great Lakes

The Great Lakes region of North America consists of the States of Wisconsin, Illinois, Indiana, Michigan, Ohio, Pennsylvania and New York, in the United States, and the province of Ontario, in Canada. The economic activity in these states is highly dependent on the industrial sector and has been affected by the weak economy since 2008.

Competition is mostly regional and imports, other than between Canada and the United States, are not significant. Our main competitors in this market are Holcim Ltd., Lafarge, and ESSROC Italcementi Group.

Florida

The cement markets in Florida and Georgia have faced a sharp decline in demand since the outset of the ongoing economic downturn, especially in the residential segment. The housing markets of both states were among the hardest hit by the housing crisis. Nevertheless, cement demand in the Florida and Georgia markets is currently undergoing a gradual recovery and according to the USGS, cement consumption in Florida and Georgia increased by 29.5% and 21.7%, respectively, from 2012 to 2013.

The local industry in Florida faces excess production capacity. Florida's seven cement plants have a combined capacity of 8.86 million tons per annum, whereas cement sales in the state amounted to 3.5 million tons in 2011, according to the PCA. Current output in the state is substantially lower than pre-crisis levels as cement consumption was 5.51 million tons in 2007, according to the PCA.

There are currently five main cement producers in the State of Florida, according to the PCA. The main players with production facilities in the market are VCNA, Titan America LLC, Cemex USA, Vulcan Materials Company and Cement Roadstone Holdings (CRH).

BUSINESS

Overview

We are a global vertically-integrated heavy building materials company, with operations in North and South America, Europe, Africa and Asia. We believe we are the largest and most profitable heavy building materials company in Brazil, the fourth-largest cement market in the world according to the Global Cement Report, based on our analysis of publicly available information from the companies we believe are the principal Brazilian heavy building materials producers. We produce and sell a complete portfolio of building materials—which includes cement, aggregates, ready-mix concrete, mortar and other building materials—and we serve a very diversified and fragmented client base. We are the eighth-largest global cement producer in terms of annual installed cement production capacity, according to the Global Cement Report, with 53.9 million tons as of December 31, 2013. In 2013, we had revenues of R$12,142.3 million, net income of R$1,388.8 million, Adjusted EBITDA of R$3,516.7 million, net margin (calculated as net income divided by revenue) of 11.4%, Adjusted EBITDA margin of 29.0% and Adjusted ROCE of 21.7%. We believe our Adjusted ROCE is one of the highest among publicly traded global cement producers, and our revenues grew at a CAGR of 18.1% from 2011 through 2013.

We believe we are uniquely positioned to maintain high returns on capital and generate significant value for our shareholders. We have operations in various important high-growth markets and we are present in regions with significant opportunities for value creation with a total of 34 cement plants, 22 grinding mills, 316 ready-mix plants, 79 aggregates facilities, three clinker plants, one lime unit and nine mortar plants. In addition, we have a total of 61 limestone quarries with an expected average reserve life in excess of 60 years, assuming we were to operate at our maximum production capacity as of December 31, 2013.

In 2013, our cement, ready-mix concrete, aggregates and other building materials revenues represented 68.6%, 18.8%, 6.2% and 6.4%, respectively, of our total revenues.

The 2012 Cimpor Asset Exchange

Prior to the 2012 Cimpor asset exchange, we acquired a 21.21% equity interest in Cimpor through an exchange agreement we entered into with Lafarge on February 3, 2010 and an additional purchase of shares of Cimpor that we made on February 11, 2010. See "—Investments" below for more information.

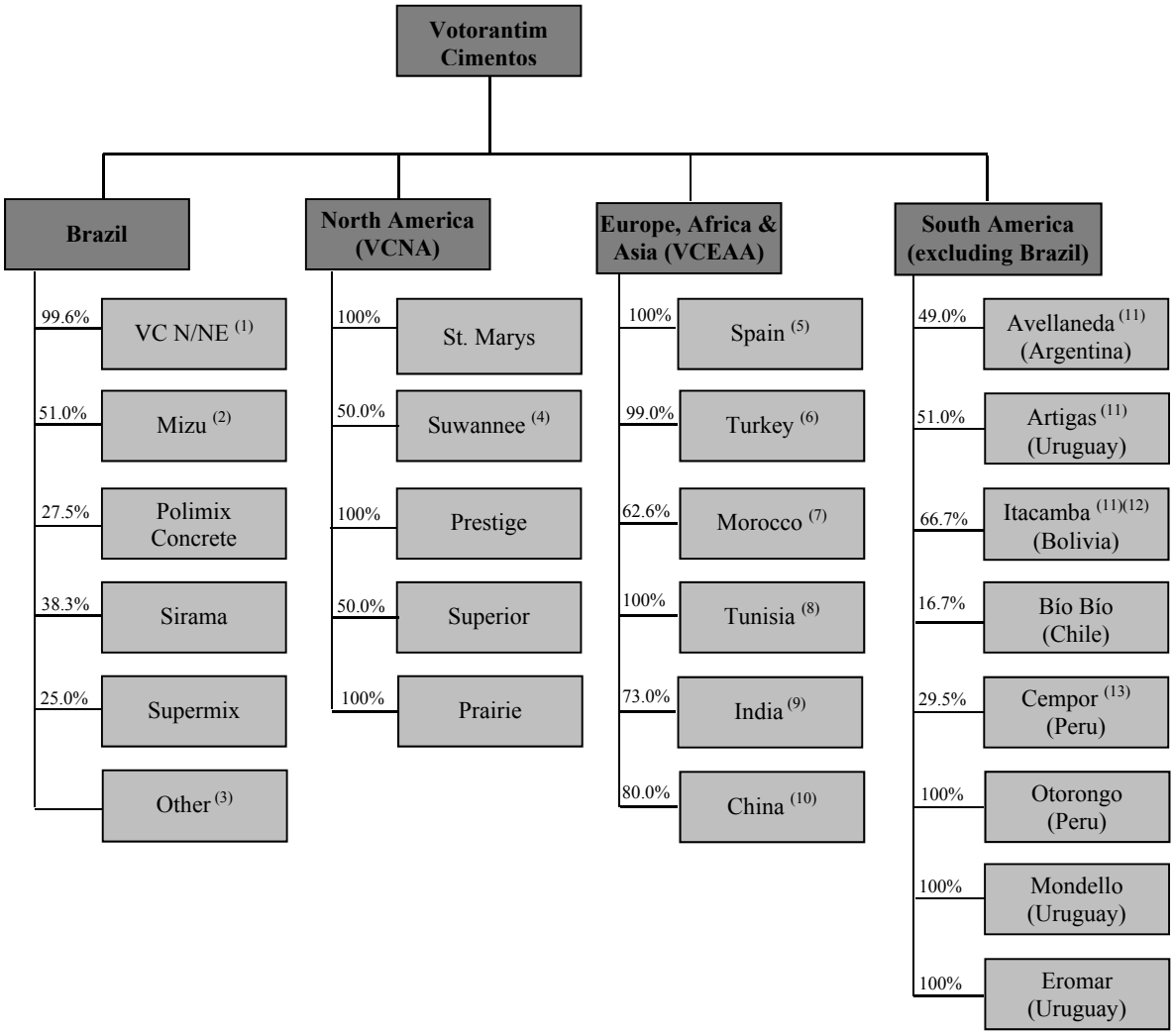
On June 25, 2012, we entered into an exchange agreement with Camargo Corrêa Luxembourg and InterCement Austria, by which we agreed to exchange our 21.21% equity interest in Cimpor in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's consolidated net debt. On December 21, 2012, we concluded this transaction, resulting in an increase of 16.3 million tons in our total annual installed cement production capacity. As a result of certain post-closing adjustments, we paid €57.0 million to InterCement Austria on January 21, 2013.

As a result of the 2012 Cimpor asset exchange, we own: (1) cement production assets in Spain with a current annual installed cement production capacity of 3.12 million tons; (2) cement production assets in Morocco with a current annual installed cement production capacity of 1.2 million tons; (3) cement production assets in Tunisia with a current annual installed cement production capacity of 1.7 million tons; (4) cement production assets in Turkey with a current annual installed cement production capacity of 3.0 million tons; (5) cement production assets in India with a current annual installed cement production capacity of 1.2 million tons; and (6) cement production business in China with a current annual installed cement production capacity of 6.0 million tons, which are recorded on our balance sheet as assets held for sale.

On December 21, 2012, in connection with the completion of the 2012 Cimpor asset exchange, we assumed certain indebtedness of Cimpor and its subsidiaries in an aggregate principal amount of U.S.$434.1 million (equivalent to R$901.2 million using the exchange rate applicable as of December 21, 2012 of R$2.0758 per U.S.$1.00). For additional information on this indebtedness see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness and Financing Strategy—Long-Term Indebtedness—Votorantim Backstop Facility."

Our Corporate Structure

The following chart sets forth our simplified corporate structure as of the date of this offering memorandum:



(1) On January 20, 2014, VC N/NE repurchased 806,620 of its own shares, including 663,591 common and 143,029 preferred shares from Banco Votorantim S.A. and its subsidiaries, increasing our equity interest in VC N/NE from 97.38% as of December 31, 2013 to 99.6% as of the date of this offering memorandum. See "Summary—Recent Developments."

(2) Although we own 51.0% of the outstanding capital stock of Mizu, we do not exercise control over this company as a result of our limited ability to direct decisions over relevant activities (i.e., the activities that significantly affect our returns), and therefore, we account for our interest using the equity method.

(3) We also have equity interests in Polimix Cement (51.0%) and Verona (25.0%), two cement companies. Although we own 51.0% of the outstanding capital stock of Polimix Cement, we do not exercise control over this company as a result of our limited ability to direct decisions over relevant activities (i.e., the activities that significantly affect our returns), and therefore, we account for our interest using the equity method.

(4) Refers to Suwannee, which we hold through our 100% equity interest in Suwannee Holdings LLC.

(5) We hold our cement assets in Spain through (i) Cementos Cosmos, S.A., (ii) Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A., and (ii) Cimpor Canarias S.L.

(6) We hold our cement assets in Turkey through Cimpor Yibitas Çimento Sanayive Ticaret S.A.

(7) We hold our cement assets in Morocco through Cementos Asment E.A.A.

(8) We hold our cement assets in Tunisia through Societe des Ciments de Jbel Oust – CJO.

(9) We hold our cement assets in India through Shree Digvijay Cement Company Limited.

(10) Our assets related to our business in China are classified as "held for sale" in our audited consolidated financial statements. See "Presentation of Financial and Other Information—Financial Statements— Assets and Liabilities Held for Sale and Discontinued Operations—China operations."

(11) Equity interest owned directly by VCEAA.

(12) Includes a 16.7% interest owned directly by VCEAA.
(13) Includes a 29.5 interest owned directly by VCSA and a 29.5% interest owned through Bío Bío.

Competitive Strengths

We believe the following competitive strengths consistently differentiate us from our competitors and contribute to our continued success:

Leading market position in Brazil based on top-of-mind brands and unmatched operational network

We are the cement market leader in Brazil, with 16 cement plants and 11 grinding mills, making us the only cement supplier producing in all five Brazilian regions, according to the SNIC. In 2013, 2012 and 2011, we had a market share of 35.8%, 35.2% and 36.4%, respectively, in terms of Portland cement sales volume in Brazil, according to the SNIC, and we have maintained this leadership position for several decades. We believe our market position is also supported by brand recognition and customer loyalty based on the high quality of our products and our extensive distribution network. We have 47 distribution centers, strategically positioned to offer superior service to approximately 30,000 clients per month in approximately 3,350 cities in Brazil. Given the stability, scale and national reach of our production facilities, we benefit from efficient distribution logistics, which enables significant cost savings and optimal time to market.

Our participation in the retail and bagged cement markets with over 25 different products and five brands creates substantial brand awareness. According to market research from Ipsos Loyalty (Brazil), during 2013, approximately 71% of our retail customers in Brazil strongly recommend our brands. The combination of our top-of-mind brands, high-quality products and high penetration rate among retailers has traditionally allowed us to earn a premium for our products. We believe our distribution network is also a competitive advantage that allows us to build greater loyalty by being the supplier of choice for our retail customers who frequently buy direct from us rather than through distributors. In addition, we believe that we are the only company in Brazil able to supply a full portfolio of heavy building materials to our customers, selling materials ranging from aggregates and cement to ready-mix concrete and mortars. As a result, we believe that our integrated business across the cement value chain gives us a competitive advantage that enables us to create value for our customers.

Global platform and strategic positions in high-growth markets

We operate in some of the most promising cement markets, which are characterized by strong demand drivers. We are the eighth-largest global cement producer in terms of annual installed cement production capacity, according to the Global Cement Report, with 53.9 million tons as of December 31, 2013, and with a diversified international asset base in several important markets, which provides us with a unique footprint spanning South America, North America, Turkey, Morocco, Tunisia, Spain and India. We believe most of our markets have favorable demographic profiles and we expect our markets to experience economic growth or recover to previous growth and demand levels, which we believe will lead to increased per capita cement consumption.

In Brazil, we believe that increasing personal income levels, lower interest rates, the housing deficit and the implementation of significant infrastructure projects by the Brazilian federal government will drive opportunities for growth in the construction sector and, consequently, a substantial additional demand for cement, ready-mix concrete, aggregates, mortar and other building materials. Our operations in North America are concentrated in six U.S. States and two Canadian provinces in the Great Lakes region and the States of Florida and Michigan (through 50/50 joint ventures), and we believe we are well positioned to benefit from the expected economic and construction sector recovery in these regions.

We have equity participations in cement companies in Argentina and Chile and a controlling interest in Itacamba in Bolivia, and Artigas in Uruguay. In addition, we own a limestone quarry in Peru as a result of the 2012 Cimpor asset exchange. In 2012, these countries had an average annual cement consumption per capita ranging from 227 kg to 294 kg, according to the Global Cement Report.

Our completion of the 2012 Cimpor asset exchange has expanded our presence to six other countries in three continents. Our presence in emerging countries such as Morocco, Turkey, Tunisia and India presents new platforms for growth, while our presence in Spain presents an opportunity for turn-around and value creation through increased operational efficiency.

Industry-leading technical expertise enabling low-cost production in the markets in which we operate

In our 80-year history in the cement sector we have developed unique know-how and industry-leading technical expertise that we apply throughout our operations. Our consistent operating cost reduction measures, ability to respond in a timely manner to market changes and high operating standards have driven our ability to increase our profitability even in highly challenging market conditions. These efforts have continually allowed us to improve our key performance indicators, such as kiln efficiency, to reduce our clinker ratio and to increase our use of alternative fuels. This, in addition to our in-house clinker production, provides us with better ability to control operating costs. During 2013, we produced virtually all of the clinker we grind in our mills to produce cement.

We have invested in and secured mining rights for access to our limestone quarries. In addition, we have secure and efficient access to other raw materials, such as gypsum, slag, fly ash and pozzolan. Our long-standing track record and our sustained access to raw materials provide us with a competitive advantage. In Brazil, we mine limestone from quarries that have, on average, a reserve life in excess of 60 years, assuming we were to operate at our maximum production capacity of 31.7 million tons as of December 31, 2013. In addition, we believe that the average distance from our Brazilian cement plants to our quarries is one of the lowest in the Brazilian cement industry and minimizes our raw materials logistics costs, increasing our efficiency and profitability.

During 2013, we met approximately 23.7% of our energy consumption needs in Brazil through hydroelectric power plants that we own, which allows us to significantly reduce our energy costs. We also purchase electricity under long-term contracts from our affiliate Votener, which manages electricity generation for VID's industrial operations. Votener supplied approximately 51.8% of the electricity needs of our Brazilian operations in 2013. In addition, all of our cement plants use a modern dry production process which reduces energy consumption. We meet the remainder of our energy needs in Brazil through long-term, competitively-priced, large-scale supply contracts. We believe that we are pioneers in the use of alternative and environmentally friendly fuels in Brazil, such as TDF, and other industrial waste materials. Because we have built flexibility into our energy matrix, we are able to use less expensive primary fuels and take advantage of any downward trends in the prices of certain fuels. We use what we believe is the best available technology in terms of energy efficiency in our new plants. In addition, some of our older plants are among the world's most efficient in terms of electricity and energy consumption.

Demonstrated ability to manage high growth with financial discipline and a track record of robust EBITDA generation

We believe we are uniquely positioned to maintain high returns and generate significant value for our shareholders. We have focused on value creation and high returns by expanding organically in Brazil, acquiring companies outside Brazil and entering into strategic partnerships or joint ventures. From 2010 to 2013, our installed cement production capacity in Brazil increased from 23.2 million tons to 31.7 million tons.

In 2013, we recorded net income of R$1,388.8 million (U.S.$592.8 million), Adjusted EBITDA of R$3,516.7 million (U.S.$1,501.2 million), net margin of 11.4%, Adjusted EBITDA margin of 29.0% and an Adjusted ROCE of 21.7%, which we believe is among the highest in the global cement industry, based on our analysis of publicly available information from those companies that we believe are the principal global cement producers. We made capital expenditures of R$4,536.9 million (U.S.$2,213.3 million) from January 1, 2011, to December 31, 2013, mainly in connection with our organic expansion, and we paid aggregate dividends and interest on stockholders' equity of R$3,933.7 million (U.S.$1,893.3 million) and maintained a strong capital structure during the period. We believe this shows our potential for continued strong cash flow generation.

Well-defined, proven and replicable management model supporting operational excellence, stability and high returns

We believe that we have an operating model that allows us to achieve higher than average margins in Brazil and North America, and we believe our profitability levels are above the industry average. Moreover, we have consistently delivered Adjusted ROCE that exceeds the average of the publicly traded companies in our industry. Despite an unprecedented downturn in the cement industry in North America in 2008, we adjusted our production levels in advance of many of our competitors and, as a result, our Adjusted EBITDA margin was less impacted than those of our peers in North America. We believe our replicable management model has helped us to create these

positive results and will allow us to improve performance of companies or assets that we may invest in or acquire. For example, between 2004 and 2008, our efficient management model led to reductions in our cost per ton of sales by 11% and 15%, respectively, at our Charlevoix and Dixon plants in North America, after purchasing both plants from our local competitors.

Similar to the improvements implemented across our operations in North America, we expect to implement our management model to obtain improved financial results from the Cimpor assets we have acquired.

The key elements of our management model are: (1) delivering superior returns by actively managing our cost structure to adapt to changing market conditions; (2) increasing efficiencies in the use of raw materials and other large-scale supply contracts in order to benefit from our economies of scale; and (3) employing qualified and experienced professionals.

Our management is guided by value creation, based on cash value added. In order to completely align our guidance with our management, part of our management's compensation is based on this performance metric.

Experienced senior management team with strong sponsorship of Votorantim Industrial

Our senior management team has many years of experience with a strong focus on financial performance, operating efficiencies and shareholder returns. In addition, our senior management is committed to sustainability and attaining solid financial results in a socially and environmentally responsible way.

Our senior management team has successfully transformed our company into a global vertically-integrated heavy building materials company with a focus on further diversifying our product offerings and geographic presence. Over the past 80 years we have made strategic acquisitions and divestments, and implemented brownfield and greenfield projects that increased our annual installed capacity, while also focusing on cost reductions and improved financial performance.

We also have a committed controlling shareholder, Votorantim Industrial, which has a profound knowledge of the cement industry resulting from its leading industrial position over its 80-year history. We believe that Votorantim Industrial's sponsorship gives us a competitive advantage, due to its continuing support and long-term vision for global growth. In addition, Votorantim Industrial's proven track record in implementing strong corporate governance practices has contributed to our sustainable growth.

Business Strategy

We are focused on expanding organically in Brazil and coupling this growth with international expansion primarily through acquisitions. We seek to continue to grow with financial discipline and maintenance of an adequate capital structure, positioning ourselves as a leading company in terms of profitability.

Continue to grow organically in Brazil

We operate in all five Brazilian regions, having a national footprint with strategically located limestone quarries near the most important and fastest growing consumer markets, which gives us advantages relative to our competitors in being able to select the regions in which to continue to grow organically. During the past five years, we have developed, upgraded and expanded our cement plants in Brazil, increasing our installed cement production capacity from 21.4 million tons in 2007 to 31.7 million tons as of December 31, 2013. We believe that we have not yet fully achieved the benefits of our increased capacity in terms of our sales volume and our operating results due to the ramp-up period required for a new cement plant to reach its full capacity. During 2013, we invested R$671.3 million in our plants, which should produce at their full capacity within one year from the commencement date of the latest new plant.

In addition, we have greenfield and brownfield projects under development aimed at serving attractive markets throughout Brazil, located in the States of Ceará, Paraíba, Goiás, Pará, Paraná and São Paulo.

We intend to continue our organic growth in Brazil by maintaining and improving our cost efficiency relative to our competitors, further increasing our product offerings and geographic reach and reducing delivery times for our customers. We will continue to create brand awareness, deliver high-quality products and maintain our high

penetration rate in the retail segment, which will allow us to continue to earn a premium for our products. In addition, we intend to increase our participation in the technical market (a segment composed mainly of mid- to large-scale construction companies), which, according to Consulting Group LCA, is a growing segment that demands an ample portfolio of quality products and services, similar to what we provide.

Further expand our international presence through acquisitions and investments

We intend to continue to further expand our operations internationally through a vertically integrated platform and footprint in high-growth markets. When considering acquisition or investment opportunities in North America, we will select companies or assets with potential to improve their operating and financial performances and generate synergies with our existing clusters. In South America, we will continue to invest in premium assets, generally in cement and often in partnership with strong domestic established businesses. We will continue to identify entry platforms that have well-located quality operations and good regional market positions and which have the potential to develop further into integrated building materials businesses as construction markets become more sophisticated over time. We intend to maintain the same growth discipline that has proven successful throughout our corporate history.

Continue to enhance profitability and improve the financial performance of our existing assets

In Brazil, we have invested, and intend to continue to invest, to improve our profitability and cost efficiencies by utilizing advanced production technologies. We expect to continue using alternative fuels to further reduce our energy costs by investing in energy co-processing. We believe that we will further maintain our track record of achieving cost efficiency through disciplined cost management policies and by leveraging our know-how and industry-leading technical expertise.

In North America, we will focus our efforts on maximizing the benefits from the continued market recovery, and we expect to further improve the utilization rates of our plants as higher sales volume reduce our fixed costs per ton sold. In South America, we will continue to work closely with our partners to share our sector expertise and replicate our successful management model.

With respect to the Cimpor assets that we acquired through the 2012 Cimpor asset exchange, we applied our management model and cement know-how to bring these new assets to operating and profitability standards similar to the most efficient companies and plants in our portfolio. The Adjusted EBITDA and Adjusted EBITDA margin both from continuing operations of our Europe, Africa and Asia operations in 2013 was R$372.6 million and 23.1%, respectively. Our turn-around operational plans to improve the profitability of these companies involve, among other things, enhancing our operating efficiency to levels comparable to those in our most efficient cement plants. We believe our investments will be successful given our lean organizational structure and our vast commercial expertise in many different markets.

Further leverage our market positions and distribution networks to expand our value-added product and services offerings

In providing our customers with the best products and services, we plan to focus on further diversifying our product base by increasing the production and sale of aggregates, ready-mix concrete, mortar and other building materials. We will continue to manage our product offerings as a vertically integrated business, which allows us to capture a greater portion of the cement value chain and to offer our customers integrated solutions to meet their needs. We will also continue to benefit from our vast commercial expertise in a wide range of products and markets.

We are positioned to capture an increase in demand in ready-mix concrete, aggregates and mortar in Brazil, and in ready-mix concrete and aggregates in North America and South America (excluding Brazil). We further believe that our presence and experience in ready-mix concrete will give us the ability to develop a distribution channel for our cement in Turkey, Morocco, India, Tunisia and Spain.

We believe that no other heavy building materials company operating in Brazil provides as wide a range of cement products, and we intend to continue offering these diversified products to our customers. Our products range from standard cements, such as Portland, to high resistance cement. In addition, we supply specialized cement

products to meet our clients' needs, including large infrastructure projects, such as the Belo Monte hydroelectric plant, an infrastructure project in the State of Pará with a total publicly announced cost of approximately R$30 billion, and the Santo Antônio and Jirau hydroelectric plants, infrastructure projects with total publicly announced costs of R$17.5 billion and R$17.4 billion, respectively, in the State of Rondônia.

We intend to further increase our product diversification through the growth of aggregates, ready-mix concrete, mortar, and other building materials. We also believe there is a substantial demand in Brazil for ready-mix concrete-based products over other materials, particularly in infrastructure such as ports, airports, dams, sanitation projects and the government-subsidized housing segments, which will result in higher cement bulk sales.

Continue to focus on sustainability and social responsibility

We are committed to sustainable development. Sustainability means ensuring business continuity and long-term growth, while focusing on environmental and social responsibility and results that are consistent with value creation. Three principles determine our actions in all markets in which we operate: constant economic growth, protection of the environment and respect for our communities. By following these principles, we will continue to develop as a world-class company and operate our business in accordance with the values of sustainability.

We are a founding partner in the CSI and a strong supporter of the responsible use of energy and climate protection. We believe that we are pioneers in the use of alternative fuels in Brazil, and we believe that we are one of the lowest CO_2-emitting cement companies in the world, based on our estimates. We intend to continue to explore the use of environmentally friendly techniques in order to lower our CO_2 emissions. Our CO_2 emission reduction strategy includes: (1) investing in research and development in order to reduce our use of clinker while maintaining or improving product performance; (2) investing in technologies that improve thermal efficiency; and (3) optimizing our energy costs while lowering emissions (kg CO_2/kcal). We calculate CO_2 emissions from all of our plants, the results of which are audited annually.

In 2010, we launched an initiative with Mata Atlântica Biosphere Reserve and the Brazilian Speleological Society. This partnership offers new opportunities to: (1) implement measures to protect the ecosystem; (2) develop a policy and strategy on biodiversity and karst areas; and (3) implement enhanced environmental standards.

The Votorantim Institute (*Instituto Votorantim*) supports companies within the Votorantim Group in developing and implementing a social action strategy that contributes to the development of the communities where we operate. The Votorantim Institute not only sets the guidelines and standards for its investments but also evaluates the investments' social impact. In 2013, the Votorantim Institute's consolidated social action investments totaled R$61.5 million, with R$55.8 million invested from its own funds and R$5.7 million from public policy initiatives. This investment was directed towards 248 projects, which the Votorantim Institute estimates benefited approximately 450 thousand people. We have established partnerships with recognized educational organizations in order to promote our corporate culture of protecting the environment and fostering both economic and educational development within our local communities.

Our History

Founded in 1933 by Mr. José Ermirio de Moraes, the Votorantim Group commenced operations of our first cement plant in the city of Sorocaba, in the State of São Paulo. Between 1940 and 1960, the Votorantim Group commenced operations of five new plants in the States of Pernambuco, Santa Catarina, Paraná, Rio Grande do Sul and Ceará.

During the 1960s and 1970s, the Votorantim Group continued its expansion in Brazil and built new plants in the States of Rio de Janeiro, São Paulo and Goiás. In addition, the Votorantim Group acquired Cimentos Itaú in 1977, increasing its Brazilian market share from 25% to 37% as a result of this acquisition, according to the SNIC.

During the 1980s and 1990s, the Votorantim Group acquired and built three new cement plants in the States of Paraíba, Alagoas and Mato Grosso. In 1986, the Votorantim Group acquired Cimentos Santa Rita and in 1996, it acquired Companhia de Cimento Ribeirão Grande in the State of São Paulo. During this time, we also began to produce mortars.

Votorantim Cimentos was founded in 1997. By 2001, we had a total of 22 cement plants. In addition, we began our international expansion strategy by acquiring cement and ready-mix concrete companies in North America, including our subsidiary St. Marys Canada. In 2002, we also acquired Engemix S.A. in Brazil, which we believe made us one of the leaders of ready-mix concrete production in Brazil.

In March 2003, we acquired a 50.0% equity interest in Suwannee as part of a joint venture with Anderson Columbia Company, Inc., a U.S. construction company that operates a cement plant in the State of Florida.

In March 2005, we strengthened our operations in the Great Lakes region of North America by acquiring two cement plants and related assets from Cemex USA. We are currently the second-largest cement producer in the Great Lakes region, according to the PCA.

In October 2007, we further expanded our operations in North America with the acquisition of Prestige Concrete Products, or Prestige, with ready-mix concrete and gunite operations in Florida, North Carolina, Texas and California. In February 2008, we acquired the ready-mix concrete, aggregate and related cartage (transport or delivery) businesses of Prairie Material, or Prairie, further enhancing our operations in the region. Headquartered in Bridgeview, Illinois, Prairie is a leading supplier of ready-mix concrete and aggregates in the U.S. Midwest, with 81 plants in Illinois, Michigan, Indiana and Wisconsin and 17 aggregate mining operations in Illinois and Indiana.

Between 2007 and 2010, we continued our international expansion strategy by acquiring equity interests in cement companies in South America, including Bío Bío in 2008 (Chile), Artigas (Uruguay) and Avellaneda (Argentina) in 2009, and in Europe through our acquisition of a 21.21% equity interest in Cimpor in 2010. In addition, we increased our cement production capacity in Brazil by developing additional cement plants in the States of Ceará, Bahia, Tocantins and Rondônia, expanding a plant in Mato Grosso and reactivating a plant in Goiás.

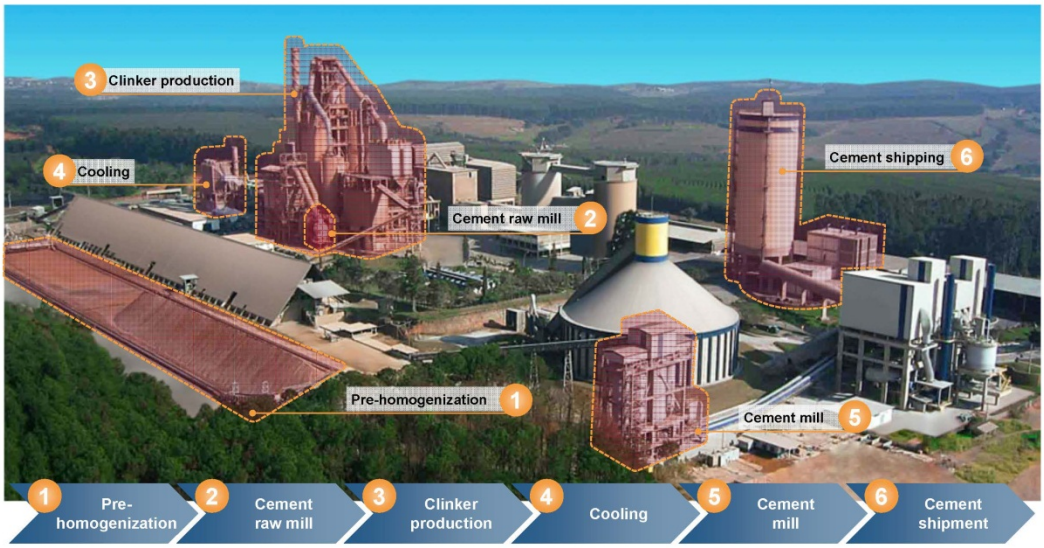
During 2011 and part of 2012, we constructed new cement plants in the States of Rio de Janeiro, Maranhão and Santa Catarina. In addition, we expanded our Salto and Poty cement plants in the States of São Paulo and Pernambuco. By the end of 2012, we added a new cement plant in the State of Mato Grosso and expanded two cement plants in Paraná (Rio Branco) and Sergipe (Cimesa).

Towards the end of 2012, we consummated the 2012 Cimpor asset exchange through which we obtained sole ownership and control of VCEAA and the Cimpor assets and 21.21% of Cimpor's consolidated net debt as of November 30, 2012.

Production Process

Cement

Limestone, clay and minor compounds (such as sand) are extracted from quarries that we own or operate in order to manufacture cement through a highly automated, computer-monitored production process involving the following six stages:



1. Pre-homogenization

The limestone rocks are loaded and transported to the primary crusher, located adjacent to the quarry. At the crusher, the limestone rocks are reduced to fragments measuring one to three inches. This crushed limestone is then transported to the cement plant by truck or conveyor belt. Clay is also transported by truck to the plants. At the clinker plant, crushed limestone is blended by reducing the variations in chemical properties in order to be pre-homogenized.

2. Cement raw mill

Pre-blended limestone, clay and other minor compounds are then mixed together. This mixture goes through a mill, which reduces the clay and limestone mixture to a powder called "raw meal," which is stored in silos for homogenization, assuring quality requirements for clinker production.

3. Clinker production

The raw meal is then taken to a heater or calciner, where it is pre-heated to transform the limestone into calcium oxide. After being processed through the tower, the raw meal is fed to the rotary kiln, where intense heat causes the calcium oxide to fuse partially with iron ore, aluminum and silica (from the clay) to form a mixture of calcium silicates and other silicates, which is called "clinker." In this stage, the oven temperature reaches approximately 1,450°C. Some of our facilities, which we refer to as "clinker plants," are dedicated exclusively to the production of clinker.

4. Cooling

To finalize the clinker production process, the clinker is then cooled on a rotary or grate cooler to a temperature of less than 200ºC.

5. Cement mill

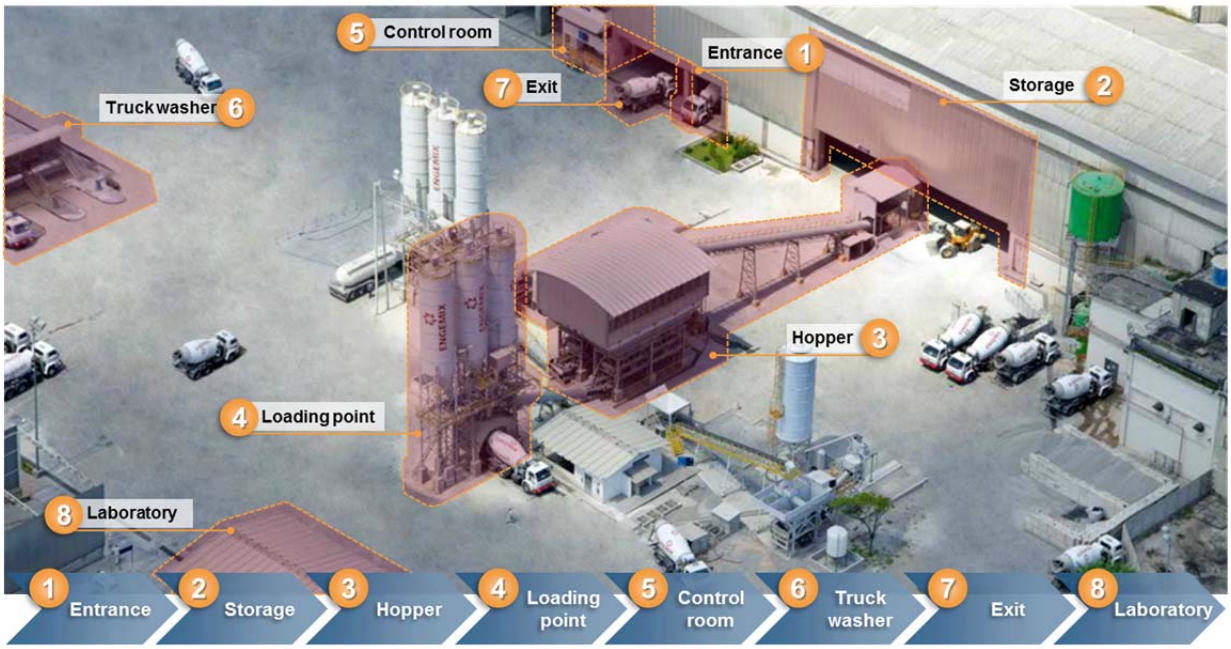
Clinker is transported to silos, where other raw materials are stored, such as gypsum, limestone, pozzolan and blast furnace slag. Depending on the percentage of each raw material, a specific type of cement is produced, according to each country's respective technical standards. The final mix is ground in a mill into a fine powder, which is the final cement product. These mills can be part of an integrated cement plant or operate as stand-alone units to which we generally refer as "grinding mills."

6. Cement shipping

After the final grinding process, the cement is stored in silos, and may be shipped (by rail or road) in bulk or packed by rotary packers into bags.

Ready-Mix Concrete

A ready-mix concrete plant primarily consists of storage silos for sand, gravel and cement and a concrete mixer. Set forth below is an illustration of the ready-mix concrete production process in eight stages:



1. Entrance

Ready-mix concrete is produced by the mixture of cement, aggregates, water and additives. The ready-mix concrete components are received by our trained personnel and tested by sampling. After their verification, the components are sent to our silos.

2. Storage

Our cement plants are equipped with dust cleaning systems and CO_2 emissions control systems that reduce the environmental impact of our cement production process, and with quality control systems that allow us to offer higher quality products to our clients.

3. Hoppers

A front-end loader transports aggregates to the silo, where a supplier belt fills boxes with aggregates. The sand, gravel and other products each have their own hopper. An automated system creates an alert if any hopper is low so that it may be replenished on a timely basis.

4. Loading Point

The component materials of ready-mix concrete are separated and weighed in the aggregate hopper and transported by conveyer belt to the loading point where they are loaded into ready-mix concrete trucks. Cement, which falls from silos located above, is combined with water and additives. This process is automated and controlled from the control room.

5. Control Room

The control room centrally coordinates all production, taking into account the various specifications of ready-mix concrete for different applications and processing and organizing customer orders and related production.

6. Holding Area

Once loaded, the ready-mix concrete trucks go the holding area, where the ready-mix concrete is mixed for approximately ten minutes.

7. Exit

Once the cement is mixed and ready for delivery, the ready-mix concrete truck is sealed and exits the plant—seal ensures to our customers that the ready-mix concrete truck left the loading facility and arrived at the delivery site without having been opened—and upon delivery the invoice is delivered to the customer.

8. Laboratory

For each 20 cubic meters of ready-mix concrete produced (compared to an industry standard of 50 cubic meters), we collect a sample for quality testing at a laboratory. We refer to these samples as test specimens, which are cast at the construction site by a truck driver. Generally, four samples are collected for the laboratory by a team of drivers within a maximum period of 48 hours. These test specimens are received at the laboratory, identified and then cured, either in a humidity chamber or a controlled-temperature water tank, until the time of testing. After this process, the test specimens are further broken down by automated laboratory presses seven and 28 days after being withdrawn from the cure. These results are analyzed, which allows us to carefully control the quality of the products produced at our facilities.

Aggregates

Before beginning the mineral extraction process for the production of aggregates, it is necessary to remove the upper layer of soil. This material is loaded into trucks and deposited into landfills. The layer of topsoil capable of supporting vegetation is separately removed and stored for the environmental rehabilitation of the area from which the minerals were extracted.

Aggregate extraction begins with the drilling and blasting plan prepared by the engineers. The exact locations are identified where rock will be drilled for the placement of explosives. The drilling rigs we use generally drill boreholes with a diameter of 3.5" to 4.5" and a depth of 15 meters. Excavators or wheel loaders load rocks compatible with the primary crusher into highway or "off-road" trucks, and these trucks unload their product at the primary crusher.

Mortars and Other Building Materials

We produce mortars, including dry and adhesive mortars, in five stages: (1) the raw materials that compose mortar (cement, sand and special additives) are transported from silos where high-performance blending and portioning occurs in an automated process; (2) the raw-material mixing equipment creates a completely homogenous and high-quality mortar; (3) computer controlled packaging equipment; (4) bags are automatically loaded onto pallets; and (5) bags of mortar are stored in warehouses and shipped to our customers and distribution centers.

For our bulk distribution matrix mortar is fabricated and stored in silos. We transport the mortar using suitable trucks. Upon their arrival at the worksite, the mortar is unloaded into mobile silos.

Lime is a product extracted from limestone using strict industrial controls and are selected, crushed and subjected to high temperatures (over a thousand degrees Celsius) in modern industrial ovens. This process of "burning" is called calcination. From this process, we produce quicklime, which is composed of calcium and magnesium oxides and is widely used in civil construction globally. Quality control for the production of lime begins at the location of the deposit, with the appropriate choice of raw materials, and continues through all the stages of its production, particularly before "burning."

Our Operations in Brazil

Overview

In Brazil, we produce and sell cement, ready-mix concrete, aggregates, mortar and other building materials through the following five entities, in which we hold equity interests, as described in further detail below: VCNNE, Sirama, Mizu, Supermix, and Polimix Concrete. As also described below, we market our cement products in Brazil using the brands Votoran, Itaú, Poty, Tocantins and Aratu, while our other building materials are marketed using the Engemix, Matrix, Votomassa, Limes (Cal Hidratada Itaú), Agricultural Inputs, White Cement and Cement Artifacts brands. Together, our Brazilian operations (including our operations in South America) represented 70.2% of our total annual revenue during 2013.

The map below sets forth our annual installed cement production capacity and market share in terms of cement volume sold in Brazil.

(1) Our annual installed cement production capacity includes our consolidated subsidiaries in Brazil. However, we also own the following equity interests in unconsolidated affiliates: a 51.0% equity interest in Mizu, with an annual installed cement production capacity of 2.9 million tons; a 38.25% equity interest in Sirama, with an annual installed cement production capacity of 2.3 million tons; a 51.0% equity interest in Polimix Cement and a 25.0% equity interest in Verona. Although we own 51.0% of the outstanding capital stock of Mizu and Polimix Cement, we do not exercise control over these companies as a result of our limited rights to influence strategic, operating and finance decisions, and therefore, we account for our interest using the equity method.

(2) As of December 31, 2013 and according to information available from the SNIC. Market share data does not include Mizu or Sirama.

The table below sets forth our sales volume, annual installed cement capacity and certain financial information for our operations in Brazil for the periods indicated:

Brazil	For the Year Ended December 31,		
	2013	2012	2011
Sales volume:			
Cement (in thousands of tons)	25,407	24,379	23,551
Aggregates (in thousands of tons)	14,930	15,070	16,696
Ready-mix concrete (in thousands of cubic meters)	4,864	4,819	4,572
Mortar (in thousands of tons)	1,763	1,699	1,587
Annual installed cement capacity (in thousands of tons)	31,734	30,063	26,246
Revenues (in millions of *reais*)	8,527.6	7,705.1	7,250.4
Adjusted EBITDA (in millions of *reais*) (1)	2,787.9	2,775.1	2,574.8
Adjusted EBITDA margin (2)	32.7%	36.0%	35.5%

(1) We define EBITDA before results of investees as net income *minus/plus* net financial results *minus/plus* income tax and social contribution *plus* depreciation, amortization and depletion *plus/minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received. The non-cash items considered as exceptional by our management generally relate to gains/losses on acquisitions, disposals or exchange of assets and/or related impairment. For a calculation of EBITDA before results of investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."

(2) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Our Products

Cement

Our range of products includes a variety of types of cement suitable for various uses, such as residential and commercial construction and civil engineering. We produce all types of cements permitted by Brazilian regulations and required for our customers' needs. Our products range from standard cements, such as Portland, to high-resistance cement and cement products specialized to meet our clients' needs.

Portland cement is a thin powder with agglutinant properties that when mixed with water and other building materials, produces cement used to build houses, buildings, bridges, dams, and other structures. Consumers take into account the use of the product in order to select the appropriate type of Portland cement.

The classifications of Portland cements in Brazil are based on different chemical compositions that modify the quality of the cement with respect to its compressive strength and chemical resistance to deterioration.

Our cement may be used in various applications, including:

- reinforced concrete structures, concrete pavements pre-stressed concrete, pre-cast, roughcast mortar, cinder block core filling, coatings, floors, subfloors, grout, pre-stressed concrete and pre-cast and fabricated concrete building materials;
- fiber cement;
- simple concrete, reinforced or machined, general concrete structures, foundations, pillars, subterranean galleries, mortar for laying or coating, and lean concrete for sidewalks and coating;
- general concrete, machined roller-compacted concrete and other concrete structures and pavements that are in regular contact with abrasive chemicals;
- concrete construction, large blocks of concrete, marine construction, sanitation projects, dams, bridges, ports and concrete pavement, in addition to concrete structures that are in regular contact with abrasive chemicals;

- bridges, dams, pavement, sanitation, concrete casts, reinforced concrete, sidewalks, in the preparation of mortars and coatings such as rough cast and plaster, core filling and subfloors, which are resistant to sulfates, which provides advantages in construction exposed to aggressive environments;

- sanitation projects at ports, dams and concrete structures that remain in direct contact with abrasive chemicals; and

- sewers, sulfated soil, marine works and dams.

Ready-mix concrete

Ready-mix concrete is produced either in concrete plants and transported directly to construction sites as ready-mix concrete in ready-mix trucks or on the construction sites. In the ready-mix concrete industry, it is crucial to have a close network of ready-mix concrete plants to meet customers' delivery needs. Because cement mixed with water enters the hydrate phase, ready-mix concrete cannot be transported over long distances. After a certain period of time, a chemical reaction hardens the ready-mix concrete into a permanent form of artificial stone. Tensile strength, resistance to pressure, durability, setting times, ease of placing, and workability under various weather and construction conditions characterize this building material.

We began production of ready-mix concrete in Brazil in 2002 through our acquisition of Engemix S.A. (formerly known as Geral de Concreto S.A.). We also have a participation of 25.0% in Supermix and 27.57% in Polimix Concrete. In Brazil, the volume of ready-mix concrete purchased compared to the volume of concrete produced at the construction site is still relatively low. However, we expect ready-mix concrete consumption to grow at higher rates than cement based on the potential increase of industrialized concrete production. Our ready-mix concrete business is one of the industry leaders in Brazil, with the Engemix brand, which has been used in construction sites across the country for four decades. We believe this position gives us a competitive advantage in light of projected trends.

Engemix is divided into four main business lines: (1) self-build: targeting retailers and small builders; (2) serial construction: supplying ready-mix concrete designed specifically for use in government-subsidized housing construction; (3) general construction: focusing on large contractors and accounting for 75% of Engemix's operations; and (4) on-site mixing, for large customers that require on-site mixing infrastructure for major construction sites.

Aggregates

Aggregates are used as raw materials for ready-mix concrete, masonry, asphalt and other industrial processes, and as base materials for roads, walkways, railways, landfills and buildings. Typical aggregates are hard crushed rock (for example limestone and granite), natural sand and gravel. Aggregates differ in their physical and chemical properties, in granularity and hardness. The type of aggregates available in a certain market is determined by local geology. Aggregates are usually consumed close to their production sites because of high transportation costs. The cost of transporting one metric ton of aggregates for 50 kilometers by truck is generally higher than the cost of producing one metric ton of aggregates, excluding labor costs.

Other Building Materials

Our other building materials business line principally comprises: dry and adhesive mortars; hydrated lime; agricultural lime and gypsum; white cement; and concrete blocks.

We produce and sell two types of premixed mortars, dry mortar and adhesive mortar. Dry mortar is an industrialized pre-mix of sand, cement and special additives sold in bulk or bags. When mixed with water it becomes mortar and can be used in a number of applications, including interior stucco, exterior stucco, filler, and joining bricks when constructing a wall. Adhesive mortar is also a mix of cement and sand containing special additives that provide plastic and adhesive properties. It is marketed in bags, and when mixed with water it can be used for flooring and tile installation projects.

Our line of dry-mix mortars, Matrix, comprises a wide range of ready-mixed products, delivered to our customers in bags or in bulk, specially developed to meet the specific requirements of each project and type of application. Pre-mixed dry mortars currently comprise a small portion of total mortar market in Brazil, which is primarily prepared on site, a more labor-intensive process. Brazil is currently experiencing a wave of industrialization in construction sites, mainly motivated by customer demand for cost savings and productivity gains. As a result, pre-mix dry mortar is a high-growth market, which is expected to grow above construction industry growth rates. We believe we are in a strong position to capture this increasing demand, as we are the leading producer of mortars in Brazil, and we strongly benefit from synergies with our other business lines, such as our aggregates business and commercial expertise in the construction industry. We have grown at an average annual rate of 12.8% since 2009, with 960 thousand tons sold in 2013.

Votomassa, our line for adhesive mortars and grouts, comprises 17 different products, 10 manufactured by us, a world-wide manufacturer of construction solutions. In 2013 we produced 805 thousand tons of adhesive mortars, representing an annual increase of 8.5% since 2009. As the second-largest producer in Brazil according to SINAPROCIM, with an estimated market share of nearly 21% as of December 31, 2013, we believe we can increase our market share in the adhesive mortar segment in the coming years by investing in brand awareness and leveraging our current client base.

In addition, according to ABPC we are the leading Brazilian manufacturer of hydrated lime, which is usually sold in bags by retailers. Hydrated lime is made by first burning limestone in kilns to form quick lime (calcium oxide) and then slaking the quick lime with water, forming calcium hydroxide. Hydrated lime is mixed with cement, sand and water to make mortar. We sell our lime in 20 kg bags under the brand "Itaú."

We also have manufactured and marketed agricultural lime since 1970. Agricultural lime is a soil additive made from crushed limestone, which is used to increase the pH of acidic soil. We are one of the leading players in the segment and have set a benchmark for product quality and customer service. We sell our agricultural lime under the brand "Itaú" in all of Brazil's main agricultural areas.

We also import and market white cement in Brazil. In addition to coloring, white cement has essentially the same properties as grey cement, but also has some thermal insulation properties due to absence of certain metallic minerals in the limestone used to produce white clinker, so it has a wide variety of applications. In Brazil it is used mainly by industries to make white mortar, concrete artifacts and industrial floors. As it provides a neutral tinting base and consistent color results, white cement is used for decorative and architectural purposes. It is still an incipient niche market with a total volume of 187.8 thousand tons imported in 2013, but we believe it can grow very rapidly in the next years. In Brazil, white cement sales have grown at an annual rate of 22.1% since 2008, and we import and sell approximately 17% of the total market volume.

Our Plants

In Brazil, we own 16 cement plants, 11 grinding mills, 119 ready-mix concrete plants, 25 aggregates facilities, one lime unit and eight mortar plants, as well as 27 limestone quarries.

Our quarries are located adjacent to or relatively close to our cement plants. We have certain facilities that are only grinding plants, as certain areas do not benefit from sufficient limestone reserves and it is easier and less expensive to transport clinker than limestone. We also have facilities that are located close to our customer clusters and sources of raw materials such as clinker, which we produce or purchase from third parties, and other additives such as slag, fly ash and pozzolan, allowing us to reduce our freight costs.

We have implemented a production quality system in all of our cement plants that we refer to as the Votorantim Cimentos Production System, or VCPS, for the implementation of best practices in cement production. All of our plants seek to maintain International Organization for Standardization, or ISO, standards for environmental and quality-process compliance.

The following table sets forth information regarding our production facilities in Brazil as of December 31, 2013:

Production Facility	Type of Plant	State	Year Operations Commenced
Brazil (1):			
Southeast:			
Cantagalo	Cement	Rio de Janeiro	1975/1982
Sepetiba	Grinding	Rio de Janeiro	2010/2011
Volta Redonda	Grinding	Rio de Janeiro	1943
Itaú de Minas	Cement	Minas Gerais	1973/1984/1996
Salto de Pirapora	Cement	São Paulo	1977/2011
Santa Helena	Cement	São Paulo	1970/1977/1986
Cubatão	Grinding	São Paulo	1986
Ribeirão Grande	Cement	São Paulo	1977/1978
South:			
Pinheiro Machado	Cement	Rio Grande do Sul	1972/1980
Vidal Ramos	Cement	Santa Catarina	2011
Rio Branco	Cement	Paraná	1976/1983/1984/1995
Itajaí	Grinding	Santa Catarina	1943
Esteio	Grinding	Rio Grande do Sul	1952
Imbituba	Grinding	Santa Catarina	2011
Center-west:			
Sobradinho	Cement	Distrito Federal	1972/1983/1996
Corumbá	Cement	Mato Grosso do Sul	1989
Nobres	Cement	Mato Grosso	1991
Cuiabá	Cement	Mato Grosso	2012
Northeast:			
Cearense	Cement	Ceará	1980/1994
Cimesa	Cement	Sergipe	1983/1998/2006
Pecém	Grinding	Ceará	2008
Poty	Grinding	Pernambuco	2011
São Luis	Grinding	Maranhão	2011
North:			
Porto Velho	Grinding	Rondônia	2009
Xambioá	Cement	Tocantins	2009
Barcarena	Grinding	Pará	2007

(1) Does not include production facilities of Mizu and Sirama.

Customers and Distribution Process

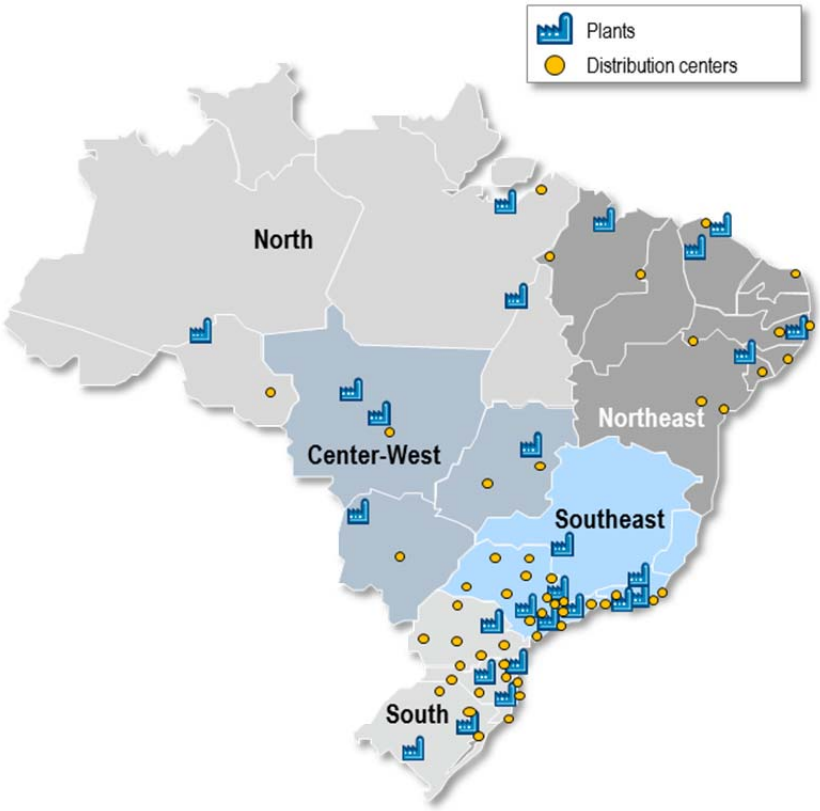
We store the cement we produce in silos at our plants in Brazil before it is packaged by automated rotary packers into bags or, in the case of bulk sales, delivered by truck. Once packaged, most of the cement is palletized and shipped to one of our warehouses or directly to the final customer. We have palletization systems in all our cement and grinding plants that pack cement in bags. We own all of our warehouses, which are located throughout Brazil and used exclusively to store cement and mortars.

Our customers take delivery of cement at one of our plants or warehouses, or we deliver the cement to locations that they designate, using mostly third-party trucks that we hire for this purpose. We plan our distribution strategy to deliver the lowest net cost cement to our customers, and we coordinate production at our plants to determine which plant can deliver cement most efficiently to our customers.

In 2013, 2012 and 2011, we invested R$671.3 million, R$1,107.3 million and R$1,228.6 million, respectively, throughout Brazil to increase production capacity by 36.6% from 23.2 million tons as of December 31, 2010 to 31.7 million tons as of December 31, 2013. We are constructing new plants for all of our products and expanding and upgrading existing facilities. Our goal is to continue to move closer to our final customers in order to accompany the growth of cement consumption throughout Brazil.

We use our operational network to promote our brand and products, as well as to ensure that we keep informed of market developments and trends. We believe that our distribution network, quality levels and long-term customer relationships enable us to build strong brand recognition.

The map below presents our distribution centers and transportation network in Brazil:



During 2013, we delivered approximately 68% of our cement sold in Brazil in industrial bags to building material retailers, distributors and construction companies, and we delivered the remaining 32% of our cement in bulk to ready-mix concrete companies, to industrial companies that use cement as a raw material and to final consumers. In addition, we sell cement in bulk to companies that manufacture prefabricated concrete elements.

We also sell our cement products for specific infrastructure projects, such as the Santo Antônio, Jirau and Belo Monte hydroelectric plants. We generally enter into long-term supply contracts for these specific projects.

Our payment terms for customers generally require payment within an average of 19 days of the date of sale, and we do not offer vendor financing. We perform credit analyses of potential customers and consider the level of our doubtful accounts receivable to be insignificant.

As a result of the largely retail nature of the Brazilian cement market, we are not dependent on a limited number of large customers. No single customer of ours accounted for more than 5% of our total Brazilian cement sales volume during 2013. We served more than 42,500 individual customers during that year, with sales to our largest 20 customers comprising only 21.5% of our total Brazilian cement sales volume during 2013.

Marketing and Branding

Our sales and marketing strategy focuses on building material stores, as most cement in Brazil is purchased in bags by individual customers, with the remainder purchased in bulk. We believe that selling through building material stores allows us to best reach individual retail customers throughout Brazil. This is consistent with how cement is generally sold in other Latin American countries, while in the United States most cement is sold in bulk. We aim to differentiate ourselves through our long history in the market and strong brand recognition, and by providing the best possible service to our customers, including efficient delivery of cement.

We use the following brands of cements in Brazil: Votoran; Itaú; Poty; Tocantins; and Aratu. According to market research on customer loyalty by Ipsos Loyalty (Brazil), during 2013, approximately 71% of our retail customers in Brazil would strongly recommend our brands.

With respect to our other building materials, we have other products and brands, including Engemix, Matrix, Votomassa, Limes (Cal Hidratada Itaú), Agricultural Inputs, White Cement and Cement Artifacts.

Seasonality

We are subject to seasonality in Brazil as a result of the rainy season in the Northeast region that occurs in July and August, which results in reduced construction and cement consumption. Our sales tend to increase throughout Brazil beginning in September through December.

In the Brazilian market, demand for cement experiences seasonal fluctuations, and certain factors influence cement consumption differently in the short- and long-term. For example, in the long-term, cement consumption is highly influenced by the availability of real-estate financing, disposable income, civil construction costs and government investments in infrastructure and housing developments; whereas in the short term, cement consumption is influenced mainly by disposable income and weather conditions.

Periods of heavy rainfall adversely affect civil construction as a whole, causing stoppages of construction work and, as a result, of concrete pouring. We experience reduced cement consumption principally from January until March as a result of the rainy season in the Southeast of Brazil and, in the Northeast of Brazil, the rainy season and subsequent reduced consumption occurs during the months of May and June.

The effect of income on our sales is mostly observed in the market segment informally referred to as "ant construction" (*construção formiguinha*), composed mainly of minor renovations and the retail market. This segment is influenced by increased income generally received by individuals at the end of the calendar year (October and November) in the form of an additional 13th monthly salary paid to formal Brazilian employees. In December, consumption is generally reduced due to vacation time granted in the construction industry and individuals spending their disposable income towards tax and education payments.

Investments

We have 38.25%, 51.0%, 25.0% and 51.0% equity interests in four Brazilian cement companies, Sirama, Mizu, Verona and Polimix Cement, respectively, and 25.0% and 27.57% equity interests, respectively, in two ready-mix concrete Brazilian companies, Supermix and Polimix Concrete. Sirama has one cement plant in the south of Brazil, while Cimento Mizu has two cement plants, two grinding mills and one cement mixing plant. Supermix and Polimix have production facilities located throughout Brazil. Although we own 51.0% of the outstanding capital stock of each of Mizu and Polimix Cement, we do not exercise control over this company as a result of our limited rights to influence strategic, operating and finance decisions, and therefore, we account for our interest using the equity method.

On February 3, 2010, we entered into a share exchange agreement with Lafarge whereby we agreed to transfer our activity, business and assets related to the former Cocalzinho, Cipasa and Aratú cement plants in Brazil to Lafarge, as well as 30% of the slag we received in our granulation facility in Santa Cruz from CSA in exchange for a 17.28% equity stake in Cimpor held by Lafarge. We received the Cimpor shares from Lafarge upon execution of the share exchange agreement and subsequently transferred these three cement plants to Lafarge on July 19, 2010. On February 11, 2010, we acquired an additional 26.0 million shares of Cimpor, representing an additional 3.93% equity interest for a purchase price of €154.5 million. As a result of this acquisition, our equity stake in Cimpor increased to a total of 21.21% of its capital stock. On June 25, 2012, we entered into an exchange agreement with Camargo Corrêa Luxembourg and InterCement Austria, in which we agreed to exchange our 21.21% equity interest in Cimpor in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's net debt. For additional information see "—The 2012 Cimpor Asset Exchange."

On May 11, 2012, Companhia de Cimento Ribeirão Grande, our wholly-owned subsidiary agreed to acquire 100% of the equity interests of PPGP Participações Ltda., for a total purchase price of R$115.2 million to be paid in

four installments. Through this acquisition, we acquired certain mineral rights and fixed assets in the State of São Paulo.

Competition

As cement is relatively expensive to transport, competition is essentially regional. Several large multinational cement companies, including Holcim and Lafarge, have operations in Brazil. We also compete with domestic producers such as InterCement, Nassau and Ciplan. Multinational companies have entered the market primarily by purchasing existing Brazilian cement producers, rather than by building new production capacity. The increase in demand for cement has resulted in announcements by a growing number of our competitors of plans to expand their production capacity.

Traditionally, cement imports and exports have not been material in the Brazilian market, accounting for approximately 1.43% and 0.04%, respectively, of Brazil sales in 2012, according to the SNIC. The relatively small import and export markets for cement are primarily the result of high transportation costs, a general lack of infrastructure in Brazilian ports for loading and unloading cement, and the distinctly regional nature of Brazil's cement market, according to the same report. In 2012, we accounted for approximately 35.4% of total Brazilian Portland cement sales, while our next-largest competitor, Intercement (including Cimpor's sales), accounted for approximately 18.2%, according to the SNIC.

Our Operations in North America

Overview

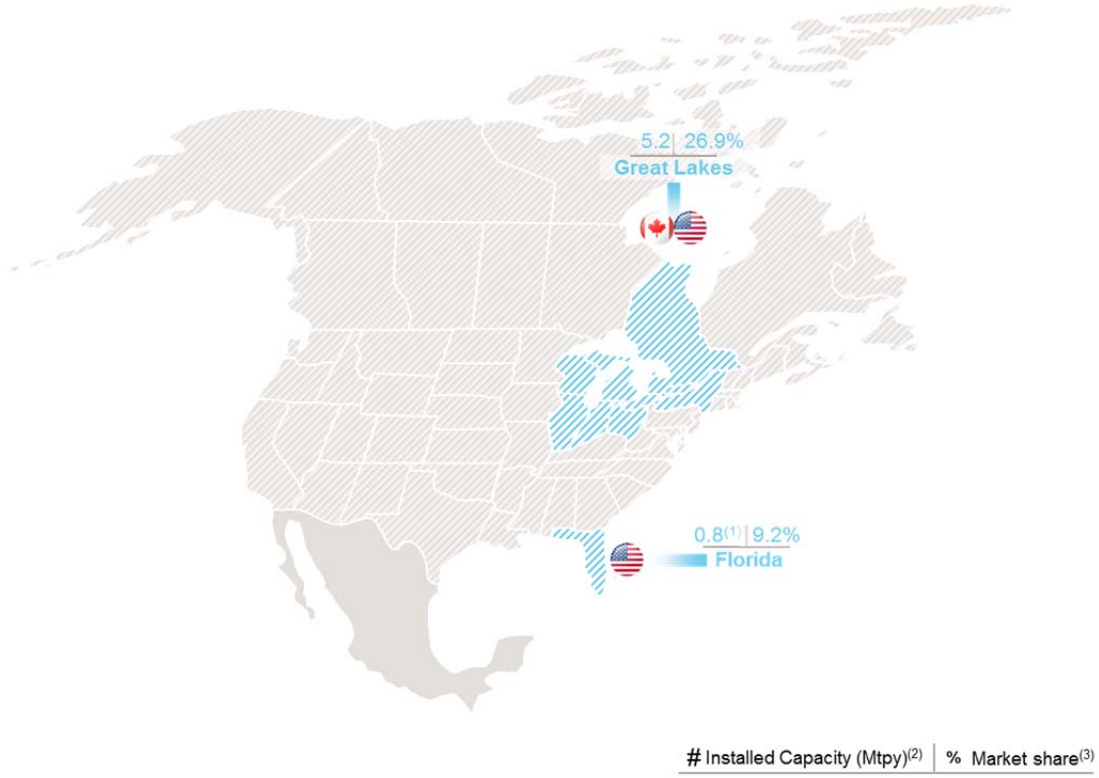
In North America we sell cement, ready-mix concrete and aggregates through five entities in which we hold equity interests, as described in further detail below: St Marys Cement Inc., or St Marys; Suwannee; Prestige; Superior; and Prairie. As also described below, we market our cement, ready-mix concrete and aggregates using the Prairie, FiberMax, Redi-Fill, Pure Color, Prairie RCC and Prairie Aggregates brands. Our operations in North America represented 16.5% of our total annual revenue during 2013.

We began production of ready-mix concrete in North America in 2001, through St Marys in Canada. We also sell aggregates for road base, asphalt manufacturing and other construction applications through St Marys in Canada and Prairie in the Great Lakes region of the United States. In 2003, we acquired Suwannee in a 50/50 joint venture with the Anderson Group, and entered the Florida market, then one of the most attractive markets for cement and ready-mix concrete in North America. We later acquired new cement factories, ready-mix concrete plants, aggregate units, and distribution terminals in the Great Lakes region and in Florida. In 2008, we also acquired Prairie, one of the leading ready-mix concrete and aggregate producers in the U.S. Midwest with a presence in Illinois, Indiana, Michigan and Wisconsin in the Great Lakes region. In addition, in 2010, VCNA entered into a joint venture agreement with Edw. C. Levy Co. with respect to Superior, a Michigan-based ready-mix and building materials company.

As of September 30, 2013, we had a market share of approximately 27% in the Great Lakes region and approximately 9% in the State of Florida through our joint venture, according to USGS and The Canada Cement Association in Ontario. We operate two cement plants in Canada (St Marys and Bowmanville, both in the province of Ontario) and three cement plants (Charlevoix, Michigan; Dixon, Illinois; and Suwannee, Florida (through a 50/50 joint venture)) and two grinding mills (Detroit, Michigan and Badger of Milwaukee, Wisconsin) in the United States. According to the PCA, cement consumption is expected to increase by approximately 21.9% in Florida and 0.7% in the Great Lakes region in 2013. Consumption in Florida is estimated to rise by 18.2% in 2014, according to the PCA.

Our payment terms for sales generally require payment within approximately 73 days from the date of sale. We do not offer vendor financing. We perform credit analyses of potential customers and consider the level of our doubtful receivables to be insignificant.

The map below sets forth our annual installed cement production capacity and market share for North America:



(1) Includes 100% of the annual installed capacity of Suwannee, which was not consolidated as of December 31, 2013.
(2) As of December 31, 2013.
(3) As of December 31, 2013 and according to USGS and The Canada Cement Association in Ontario.

The table below sets forth our financial and operational information for North America for the periods indicated:

North America	As of and for the Year Ended December 31,		
	2013(1)	2012(1)	2011(1)
Sales volume:			
Cement (in thousands of tons)	3,863	3,814	3,621
Aggregates (in thousands of tons)	10,782	11,353	10,370
Ready-mix concrete (in thousands of cubic meters)	4,255	3,921	3,984
Annual installed capacity:			
Great Lakes (in thousands of tons)	5,174	5,174	5,174
Florida (in thousands of tons) (1)	420	420	420
Revenues (in millions of *reais*)	2,002.8	1,690.3	1,448.0
Adjusted EBITDA (in millions of *reais*) (2)	356.2	296.9	201.9
Adjusted EBITDA margin (3)	17.8%	16.6%	13.9%

(1) Includes the proportional share of the operational data, sales volumes and results of operations of our 50/50 joint ventures in North America (based upon our equity participation in these companies).
(2) We define EBITDA before results of investees as net income *plus/minus* net financial results *plus/minus* income tax and social contribution *plus* depreciation, amortization and depletion *plus/minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received. The non-cash items considered as exceptional by our management generally relate to gains/losses on acquisitions, disposals or exchange of assets and/or related impairment. For a calculation of EBITDA before results of investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."
(3) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Great Lakes

Our Products

St Marys manufactures a variety of cement for different purposes: normal; high-early strength; low-heat hydration; and sulfate-resisting, as well as other supplementary products, in bulk and as bagged cement.

Since its founding in 1912 in St. Marys, Ontario, St Marys Cement has been a major producer of cement materials in the Great Lakes Region. With six plants strategically located to serve Canadian and U.S. customers and a production capacity of over five million metric tons, St Marys Cement participated in such landmark projects as the CN Tower, Roy Thompson Hall, Maple Leaf Gardens and the Darlington Nuclear Station, as well as countless other engineering, civic and residential projects that significantly contributed to the growth and prosperity of the region.

Established principally in the province of Ontario, Canada, with its headquarters in Toronto, St Marys is the building materials division of St Marys Cement. St Marys has approximately 400 ready-mix concrete trucks operating out of 38 ready-mix concrete plants. St Marys, with 22 sand and gravel operations and quarries, is also a major aggregate producer, competing in the Southern Ontario market which consumes over 152 million tons of aggregates material in 2012.

Prairie is another company in our building material divisions in North America. Owners, designers and builders rely on Prairie for innovative and reliable ready-mix concrete products. Although our custom mixes are designed to meet very specific applications, many of them fall into the following categories: (1) flowing and self-consolidating concrete, a highly workable concrete mixture that can be placed in restricted structural elements compacting by means of its own weight without vibration; (2) structural lightweight concrete, a concrete for structural applications with a density of 90-115 lb/ft³ compared to normal weight concrete of 140 to 150 lb/ft³ made with special lightweight coarse and fine aggregates and air-entrained; (3) FiberMax, a concrete that minimizes shrinkage and cracking during the early and settlement stages and offers extra support for the coarse aggregates in every cubic inch of placed concrete; and (4) aggregates and decorative materials, such as clear limestone, flagstone and boulders from our own quarries and pits in Illinois and Indiana.

Superior, our joint venture with Edw. C. Levy Co., is a ready-mix concrete supplier with production facilities located in Michigan.

Our Plants

Our Great Lakes business includes four cement plants, two grinding mills, 140 ready-mix concrete plants and 34 aggregates facilities. Set forth below is information regarding our plants in the Great Lakes:

Great Lakes Production Facility	Type of Plant	State / Province	Year Operations Commenced
Canada:			
Bowmanville	Cement	Ontario	1968/1991
St Marys	Cement	Ontario	1912/1977
United States:			
Detroit	Grinding	Michigan	1977/1991
Badger	Grinding	Wisconsin	2001
Charlevoix	Cement	Michigan	1996
Dixon-Marquette	Cement	Illinois	1955/1965

In addition, our Bowmanville, St. Marys, Detroit and Charlevoix plants have been awarded ISO 14001 certifications for their environmental protection programs. Our Detroit plant has also been awarded the British Standards Institution occupational health and safety assessment series, or OHSAS, 18001 standard system certification for its safety and occupational health program.

Customers and Distribution Process

We distribute our products through a sophisticated network of terminals throughout the Great Lakes region, which are serviced by barge, rail and truck.

In the Great Lakes region, we serve the U.S. States of Wisconsin, Illinois, Indiana, Michigan, Ohio and New York, in the United States, and the province of Ontario, in Canada. During 2013, we sold approximately 61% of our cement in the Great Lakes region to ready-mix concrete companies in bulk. Our top 10 customers accounted for approximately 25% of total Great Lakes sales for the 11-month period ended November 30, 2013. In addition, we sell cement in bulk to companies that manufacture prefabricated concrete elements and construction companies.

Seasonality

Almost all of our products are produced and consumed outdoors. Seasonal changes and other weather-related conditions, especially during winter, can affect the production and sales volumes of our products. Therefore, the financial results for any quarter do not necessarily indicate the results expected for the full year.

Marketing and Branding

Our main cement, ready-mix concrete and aggregates brands in North America include Prairie, FiberMax, Pure Color, Prairie RCC and Prairie Aggregates.

Our strategy with respect to sales and marketing in the Great Lakes region of North America is to focus on quality and services and on targeting higher margin accounts.

Competition

Large multinational cement companies, including Holcim, Lafarge, and ESSROC Italcementi Group, are our major cement competitors in the Great Lakes region.

Traditionally, cement imports to the Great Lakes region have not been significant. Importers face a barrier to entry that requires barging the finished product through the St. Lawrence Seaway system of lakes and locks, a system that shuts down for three months each winter. In addition, this system does not accommodate ocean-going vessels, requiring any importer to offload in Quebec City into smaller-sized vessels. We believe that these limitations effectively preclude importers from becoming a significant competitive factor in the Great Lakes region.

Florida region

Overview

We conduct our cement operations in Florida through Suwannee, a 50/50 joint venture with Anderson Columbia Company, Inc. Suwannee sells the vast majority of its cement production in the State of Florida and the remainder in Southern Georgia. In addition, we own 100% of Prestige, in Florida.

Our Products

Suwannee's cement products consist of Type I cement and one specialty cement.

Prestige has 30 fixed ready-mix and block locations, providing high-quality concrete for projects in North and Central Florida, Southern Georgia, and Greensboro and Winston-Salem, North Carolina. Prestige also has 11 gunite locations, with crews in Texas, California and North Carolina. Prestige's ready-mix concrete division offers a broad line of products ranging from lightweight concrete for design flexibility to high early strength concrete for fast track construction. Prestige carries a full line of additives and admixtures including structural fibers, fly ash, silica fume, water reducers and retarding/accelerating agents, among others. Prestige's ready-mix concrete division also provides a full line of building materials for the concrete construction contractor, including wire mesh, masonry cement, grouts and expansion joints.

Prestige's ready-mix concrete block division produces lightweight blocks. Through Prestige, we own a state-of-the-art plant at Groveland, Florida that consistently manufactures blocks that meet or exceed all ASTM International (formerly the American Society for Testing and Materials) standards for strength, size and weight.

Plants

Our Florida region business includes one cement plant, 27 ready-mix concrete plants, 4 block locations and 11 gunite locations.

Florida Production Facility	Type of Plant	State	Year Operations Commenced
Suwannee (1)	Cement	Florida	2003

(1) Through our joint venture in Florida.

The Suwannee cement plant has been awarded the ISO 14001 certification for its environmental protection programs. In addition, the Suwannee cement plant has been awarded the OHSAS 18001 standard system certification for its safety and occupational health program.

Customers and Distribution Process

Suwannee sold approximately 94% of its production in the State of Florida during the nine-month period ended September 30, 2013 and the remainder in Southern Georgia. Suwannee's cement sales are predominantly made in bulk, with approximately 51% of sales to ready-mix concrete producers and the remainder to concrete pre-cast and specialty producers during the same period.

When it began operations, Suwannee sold 180 thousand short tons of cement annually. In 2004, the initial sales forecast was for 400 thousand short tons, but actual sales for the year were more than double that amount. Since then, annual production has consistently met and exceeded Suwannee's customers' requirements. With a total capacity of almost one million short tons, Suwannee continues to set the standards for quality, safety, health and environmental compliance in the markets it serves. We believe that there are opportunities for growth as Suwannee plans to expand into new markets in the near future to better service the demanding needs of its customers.

During the nine-month period ended September 30, 2013, Prestige sold approximately 86% of its production in Florida, 8% in North Carolina, 4% in California and 2% in Texas. It distributes its production primarily by and truck.

Since we acquired Prestige in October 2007, although ready-mix concrete consumption in Florida has decreased by approximately 43%, Prestige has maintained a market share of approximately 4.0%.

Seasonality

We believe there is no seasonality for cement sales in Florida.

Marketing and Branding

In Florida, we market our ready-mix concrete, concrete block and shotcrete/gunite products using the Prestige brand.

Competition

Suwannee's and Prestige's main competitors in the State of Florida are Titan America LLC, Cemex USA, Vulcan Materials Company, HeidelbergCement and Cement Roadstone Holdings (CRH) in the cement market, and Lafarge in the slag market. In addition, HeidelbergCement produces cement elsewhere to sell in the Florida market.

Other than the producers mentioned above, we do not expect new entrants into the State of Florida cement market given the current excess supply in the state, which we do not expect to be balanced with market demand until at least 2020.

Our Operations in South America (excluding Brazil)

Overview

In South America (excluding Brazil) we sell cement, ready-mix concrete and limestone through five entities, as described in further detail below: Bío Bío in Chile; Avellaneda in Argentina; Artigas in Uruguay; Itacamba in Bolivia; and Cementos Portland S.A., or Cementos Portland, in Peru. As also described below, Bío Bío markets its cement products in Chile using the Cemento Bío Bío, Cement Inacesa, Ready mix and Tecnomix brands; Itacamba markets its cement in Bolivia using the Cemento Camba brand; and Avellaneda and Artigas market their cement in Argentina and Uruguay, respectively, using the Cemento Avellaneda, Hormigones Avellaneda, Cemento Artigas, Cemento Ideal and Hormigones Artigas brands. Our operations in South America (excluding Brazil) represented 3.1% of our total annual revenue in 2013.

Our equity interests in each of the companies discussed above are set forth as follows:

Company	Equity Interest (%)	Jurisdiction
Bío Bío	16.70	Chile
Avellaneda	49.00	Argentina
Artigas	51.00	Uruguay
Itacamba	66.71	Bolivia
Cementos Portland	29.5	Peru

In addition, we own a limestone quarry in Peru as a result of the 2012 Cimpor asset exchange.

The map below sets forth our annual installed cement production capacity and market share for South America (excluding Brazil):

(1) As a result of the 2012 Cimpor asset exchange, we own a limestone quarry in Peru.
(2) Includes 100% of the annual installed capacity of Bío Bío and Avellaneda, which were not consolidated as of December 31, 2013.

(3) Annual installed cement production capacity is presented as of December 31, 2013. Our total annual installed cement production capacity in South America (excluding Brazil) only includes the installed cement production capacity of Itacamba in Bolivia and Artigas in Uruguay.

(4) Market share data is based on data from the Argentine Portland Cement Manufacturers' Association (*Asociación de Fabricantes de Cemento Portland*) (Argentina), the Bolivian Cement and Concrete Institute (IBCH - *Instituto Boliviano del Cemento y el Hormigón*) (Bolivia) and the Chilean Cement and Concrete Institute (ICH - *Instituto del Cemento y del Hormigón de Chile*) (Chile) and is presented as of the most recent dates for which information is available, which is November 30, 2013 for Uruguay, Argentina, Peru and Chile and as of May 31, 2013 for Bolivia.

The table below sets forth our operational information for South America (excluding Brazil) for the periods indicated:

South America (excluding Brazil)	**As of and for the Year Ended December 31,**		
	2013	**2012**	**2011**
Sales volume (consolidated):			
Cement (in thousands of tons)	609.9	559.5	603.1
Ready-mix concrete (in thousands of cubic meters)	251.8	266.2	266.2
Annual installed cement capacity (in thousands of tons):			
Argentina (1)	2,805	2,805	2,805
Bolivia	200	200	200
Chile	2,246	2,246	2,246
Uruguay (2)	517	517	517

(1) Through our 49.0% equity interest in Avellaneda, which we acquired between December 2012 and April 2013. Prior to December 2012, VID owned a 38.39% equity interest in Avellaneda.

(2) Through our 51.0% equity interest in Artigas, which we acquired between December 2012 and April 2013. Prior to December 2012, VID owned a 38.39% equity interest in Artigas.

Our Investments

In April 2008, we completed the acquisition of a 15.2% equity interest in Bío Bío, one of the leading players in the cement, ready-mix concrete and ceramics industries in South America, through a series of transactions effected on the Santiago Stock Exchange. Bío Bío has operations in Chile. On April 18, 2013, we acquired an additional 1.549% equity interest in Bío Bío in a transaction on the Santiago Stock Exchange for a purchase price of 2,742.7 million Chilean *pesos* (equivalent to R$14.7 million using the exchange rate applicable as of April 18, 2013 of R$0.0042 per $1.00 Chilean *peso*).

On November 24, 2010, we and Bradesplan Participações Ltda., or Bradesplan, signed a share purchase agreement whereby Bradesplan transferred to us 54 registered common shares without par value of VILA, representing 6.55% of its voting capital, for total consideration of R$416.3 million. Subsequently, on November 30, 2010 we acquired an additional interest in VILA of 8.74% through a share issuance by VILA. In exchange for these additional shares, we cancelled a receivable that we held against VILA in the amount of R$285.9 million. The carrying amount of this receivable was equal to its fair value at the date of the exchange. Through these combined acquisitions, we now hold a 12.36% interest in VILA. On May 14, 2013, we entered into a share purchase agreement with VID, pursuant to which VID purchased our 12.36% equity interest in VILA, for an aggregate purchase price of R$682.5 million. On May 28, 2013, we offset dividends payable to VID in the amount of R$280.2 million against part of the amount due from VID as a result of this sale. The remaining balance was settled, against a debt that one of our subsidiaries owed a subsidiary of VID resulting from our acquisition of additional equity interests in Avellaneda and Artigas.

On November 15, 2010, we acquired a minority equity interest in Cementos Portland, a newly formed joint venture with Bío Bío, IPSA – Inversiones Portland S.A., or IPSA, a Peruvian cement company, and World Cement Group SL, or World Cement Group, a Spanish cement company. The ownership structure of Cementos Portland is as follows: VCSA (29.5%), Bío Bío (29.5%), IPSA (20.5%) and World Cement Group (20.5%).

On December 27, 2012, we acquired from Cementos Molins S.A., or Molins, a 10.61% equity interest in Avellaneda, in Argentina, and a 12.61% equity interest in Artigas, in Uruguay. On January 21, 2013, we paid to Molins U.S.$60 million related to post-closing adjustments for our acquisition of the Avellaneda equity interest and U.S.$25.0 million for our acquisition of the Artigas equity interest. As of December 31, 2012, VID owned a 38.39% equity interest in each of Avellaneda and Artigas.

On April 3, 2013, our subsidiary Votorantim Europe, S.L.U. entered into a share purchase agreement with Votorantim Andina S.A., a subsidiary of VID, pursuant to which we purchased 374,090,472 shares of Artigas, representing 38.39% of the capital stock of this company and 25,306,594 class B shares of Avellaneda, representing 38.39% of the capital stock of this company, for an aggregate purchase price of €154.6 million (equivalent to R$402.3 million using the exchange rate applicable as of April 3, 2013 of R$2.6001 per €1.00). As a result, we currently own a 51.0% equity interest in Artigas and a 49.0% equity interest in Avellaneda.

Our Plants

Our business in South America (excluding Brazil) includes six cement plants, two grinding mills, 45 ready-mix concrete plants, 18 aggregate facilities, two mortar plants, one clinker plant, four lime units and one limestone quarry. Set forth below is information regarding our plants in South America (excluding Brazil):

Production Facility	Type of Plant	Region	Year Operations Commenced
Chile:			
San Antonio	Grinding	Valparaíso	2012
Antofagasta	Cement	Antofagasta	1975
Curicó	Cement	Maule	1998
Talcahuano	Cement	Bío Bío	1961
Argentina:			
Olivarría	Cement	Buenos Aires	1919
San Luis	Cement	Cuyo	1990
Uruguay:			
Sayago	Grinding	Montevideo	1996
Bolivia:			
Itacamba	Grinding	Santa Cruz	1997

Each of the plants in Chile, Argentina, Uruguay and Bolivia has been awarded ISO 14001 certification for its environmental protection programs. In addition, each of the plants in Argentina, Uruguay and Bolivia has been awarded ISO 9000 certification.

Customers and Distribution Process

Avellaneda operates two integrated plants in Argentina – Olavarría and San Luis – with the former located near Buenos Aires, the company's most relevant market, and the latter in the western region of Cuyo, in the province of San Luis. Avellaneda sells the majority of its product in the Buenos Aires region, with additional sales in Cuyo and a small amount exported to Paraguay. It distributes its production primarily by truck.

Artigas has two different plants in Uruguay – Minas and Sayago. Artigas produces clinker at the Minas plant and then transports it to Sayago, a cement-grinding plant located near Montevideo with an annual capacity of approximately 500 thousand tons. As one of only two clinker producers in Uruguay, Artigas is a significant market player. Artigas produces cement, masonry cement and adhesive. At the same time, it sold in 2012 part of its clinker production to the other Uruguayan cement company ANCAP. The company sells most of its cement through distributors or its ready-mix concrete company. Artigas' most important ready-mix concrete client is Montes del Plata, a cellulose plant being built in Uruguay.

Bío Bío has four plants distributed throughout Chile. In the Central region Bío Bío has one grinding mill, San Antonio, and one integrated plant. In the North and South regions, both plants are integrated. In addition, Bío Bío has 56 ready-mix concrete plants and 17 aggregates facilities. In general, Chile has a very industrialized construction sector that leaves less space for retail businesses than in other South American countries such as Brazil. Most cement is sold to ready-mix companies and is distributed by truck, and Bío Bío holds a relevant share of this market. In the North region, demand for cement and ready-mix concrete is driven by important infrastructure projects, specifically mining projects in the desert regions. In addition to cement and ready-mix concrete, Bío Bío produces lime through Bío Bío Cales, which is sold mainly to industrial clients and generates a significant part of the company's revenues.

Itacamba operates one grinding mill in Bolivia, which is located in Santa Cruz. It distributes its production primarily to the Santa Cruz market, with 80% of its total sales sold in bags to the retail market.

Seasonality

Avellaneda and Artigas are subject to seasonality as a result of the rainy seasons in Buenos Aires and Montevideo, respectively, which results in reduced construction and cement consumption. Their sales tend to decrease slightly in these markets during the summer months from November to March.

Bío Bío in Chile is subject to seasonality as a result of the rainy season in the Central Region, which results in reduced construction and cement consumption in the Chilean market as a whole. Sales generally tend to decrease slightly from June to September

Itacamba is subject to seasonality in Bolivia as a result of a rainy season in the first half of the year. Its sales tend to increase slightly in the second half.

Marketing and Branding

In Argentina and Uruguay, Avellaneda and Artigas market their cement and ready-mix concrete using the Cemento Avellaneda, Hormigones Avellaneda, Cemento Artigas, Cemento Ideal and Hormigones Artigas brands.

In Chile, Bío Bío markets its cement and ready-mix concrete using the Cemento Bío Bío, Cemento Inacesa, Ready mix and Tecnomix brands.

In Bolivia, Itacamba markets its cement using the Cemento Camba brand.

Competition

Our primary competitors in the Argentine cement market are InterCement and Holcim, which together with Avellaneda represent approximately 95% of the country's installed cement production capacity, according to the Global Cement Report.

Our primary competitors in the Chilean cement market are Melón and Polpaico, which together with Bío Bío represent approximately 90% of the country's installed cement production capacity, according to the ICH.

Our primary competitors in the Bolivian cement market are Soboce, Fancesa and Coboce.

Our primary competitor in the Uruguayan market is the state-owned entity ANCAP.

Our Operations in Europe, Asia and Africa

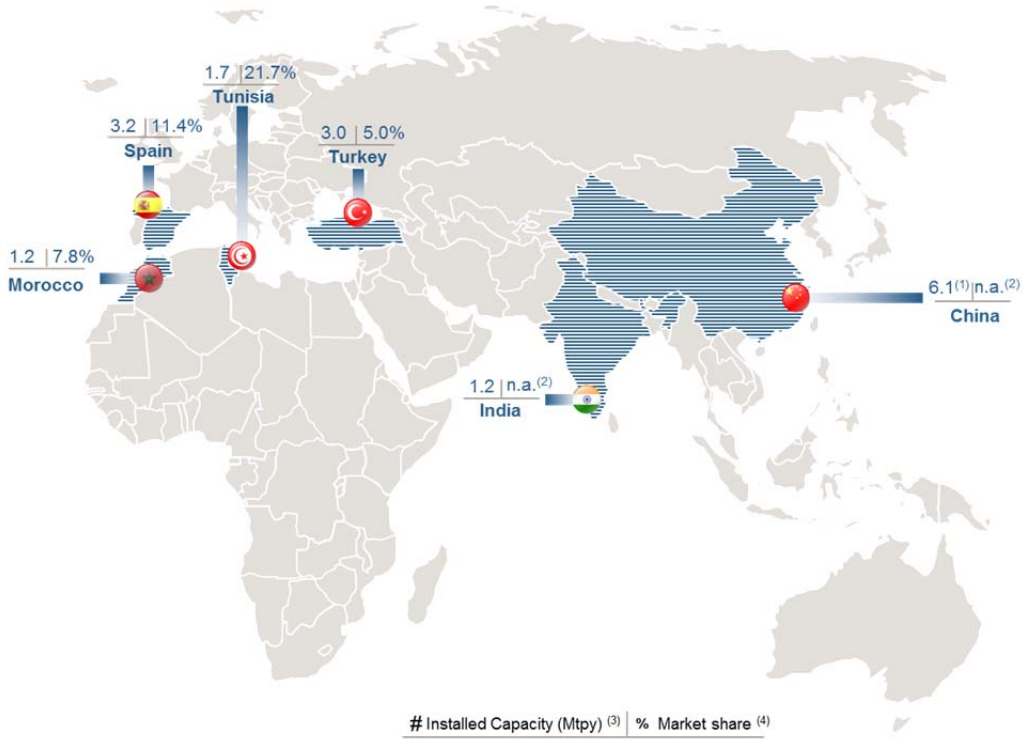
Overview

In Europe, Asia and Africa we produce and sell cement, ready-mix concrete, aggregates, mortars and other building materials through various entities, as described in further detail below. In Spain, we operate our cement business mainly through Cementos Cosmos S.A., Cementos Cosmos Sur, S.A., Comercial Cosmos Sur, S.L., and Cementos Especiales de las Islas S.A., and we market our cement using the brands Cosmos, CEISA and Teíde, our concrete using the brands Prebetong Hormigón, CEISA and HORMISOL, our aggregates using the brands Prebetong Áridos, Prebetong Lugo, Hormigones y Aridos La Barca and Canpesa, and our mortars using the brand Pulmor. In Morocco we operate through Asment de Temara, S.A and market our cement using the brand Asment Temara, our concrete using the brand Betocim, and our aggregates using the brand Grabemaro. In Tunisia, we operate through Societe des Ciments de Jbel Oust – CJO and market our cement using the brand Ciments Jbel Oust. In Turkey, we operate mainly through Yibitas Yozgat Isci Birligi Insaat Malzemeleri Ticaret ve Sanayi A.Ş., and market our cement using the brand Cimpower. In India, we operate through Shree Digvijay Cement Company Limited and market our cement using the Kamal brand.

In China, we own cement production assets mainly through Cimpor Macau Investment Company S.A., or Cimpor Macau, though we do not intend to continue our operations in the country and have implemented a plan to dispose of this business. Our management expects this transaction to be consummated during 2014.

The process for our acquisition of our subsidiaries in Europe, Asia and Africa began on June 25, 2012, when we entered into an exchange agreement with Camargo Corrêa Luxembourg and InterCement Austria, in which we agreed to exchange our 21.21% equity interest in Cimpor in return for Cimpor's subsidiaries, including its cement production assets, in Spain, Morocco, Tunisia, Turkey, India and China, and its subsidiary, including a quarry, in Peru, and 21.21% of Cimpor's consolidated net debt. On December 21, 2012, we concluded this transaction, resulting in an increase in our total annual installed cement production capacity of 16.3 million tons. As a result of certain post-closing adjustments, we paid €57.0 million to InterCement Austria on January 21, 2013.

The map below sets forth our annual installed cement production capacity and market share for Europe, Asia and Africa:



(1) We hold an 80.0% equity interest in Cimpor Macau in China, with a current annual installed cement production capacity of 6.1 million tons. Our assets related to our business in China are classified as "held for sale" in our audited consolidated financial statements. See "Presentation of Financial and Other Information—Financial Statements—Assets and Liabilities Held for Sale and discontinued Operations—China operations."

(2) Not available.

(3) Annual installed cement production capacity is presented as of December 31, 2013.

(4) Market share data is based on data from the Oficemen (Spain), TCMA (Turkey), CMA (India), China Economic Information Network (China), MHUPV (Morocco) and CNPC (Tunisia) and is presented as of the most recent dates for which information is available, which is December 31, 2013 for Morocco and Tunisia, November 30, 2013 for Spain and as of October 31, 2013 for Turkey.

The table below sets forth our operational information for Europe, Asia and Africa for the period indicated:

Europe, Asia and Africa (1)	As of and for the Year Ended December 31, 2013 (Europe, Africa and Asia)
Sales volume (in thousands of tons):	
Cement and clinker	10,852
Annual installed capacity (in thousands of tons):	
Spain	3,148
Morocco	1,245
Tunisia	1,721
Turkey	2,991
India	1,159
China	5,858
Revenues (in millions of *reais*)	1,612.0
Adjusted EBITDA (in millions of *reais*) (2)	372.6
Adjusted EBITDA margin (3)	23.1%

(1) We began consolidating this information as of December 31, 2012, consequently, we have not included information for the year ended December 31, 2012, only information related to the installed capacity is as of December 31, 2012.

(2) We define EBITDA before results of investees as net income *minus/plus* net financial results *minus/plus* income tax and social contribution *plus* depreciation, amortization and depletion *plus/minus* equity in results of associated companies and joint ventures. We define Adjusted EBITDA as EBITDA before results of investees *minus/plus* certain non-cash transactions that are considered by our management as exceptional, impairment (of goodwill, intangibles and property, plant and equipment) and dividends received. The non-cash items considered as exceptional by our management generally relate to gains/losses on acquisitions, disposals or exchange of assets and/or related impairment. For a calculation of EBITDA before results of investees and Adjusted EBITDA and a reconciliation of EBITDA before results of investees and Adjusted EBITDA to the most directly comparable IFRS financial measure, see "Selected Consolidated Financial and Other Information—Non-GAAP financial measures and reconciliation."

(3) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Our Plants

Our business in Europe, Asia and Africa includes 13 cement plants, eight grinding mills, 52 ready-mix concrete plants, 16 aggregates facilities, one mortar plant, two clinker plants and 29 limestone quarries. Set forth below is information regarding our plants in Europe, Asia and Africa:

Production Facility	Type of Plant	Region	Year Operations Commenced
Spain:			
Oural (Lugo)	Cement	Galicia	1962
Toral (Ponferrada)	Cement	Galicia	1974
Cordoba	Cement	Andalusia	1965
Niebla	Cement	Andalusia	1967
Huelva	Grinding	Huelva	1999
Narón	Grinding	Narón	2003
Tenerife	Grinding	Canary Islands	1969
Bobadilla	Grinding	Andalusia	2001
Morocco:			
Asment du Témara	Cement	Témara	1979
Tunisia:			
Jbel Oust	Cement	Jebel Oust	1985
Turkey:			
Hasanoglan	Cement	Anatolia	1992
Çorum	Cement	Black Sea	1958
Sivas	Cement	Anatolia	1943
Yozgat	Cement	Anatolia	1978
Samsun	Grinding	Black Sea	1995
Nevsehir	Grinding	Anatolia	1993
India:			
Jamnagar	Cement	Gujarat	1956
China:			
Zaozhuang	Cement	Shandong	2010
Shandong	Cement	Shandong	2003
Suzhou	Grinding	Jiangsu	1994
Huaian	Grinding	Jiangsu	2009

Other than our Huelva plant which closed, each of our plants in Europe, Asia and Africa has been awarded ISO 14001 certification for its environmental protection programs.

Spain

We operate two plants in Galicia, Oural (Lugo) and Toral (Ponferrada), and two plants in Andalusia, Cordoba and Niebla, with a total annual installed capacity of 3.1 million tons as of December 31, 2013. Our Spanish operations also include two closed grinding mills each in Huelva and Narón, one operating mill in Bobadilla (near Malaga), and one grinding mill and eight terminals in the Canary Islands.

Approximately 71.3% of our sales in Spain corresponded to bulk cement and 28.7% to bag cement, in terms of volume during 2013. Bulk cement is mainly used to produce ready-mix concrete and in infrastructure projects, while 25kg bagged cement is used mainly for retail. We mainly distribute the cement by truck or, if a small quantity, by train. We have eight distribution centers in the north of Spain, all of them supplied by railway, where we sell bag and bulk cement.

We are subject to seasonality in Spain. December is usually the month that registers the lowest sales volumes due to several holidays (only 18-19 working days) falling within the month. On the other hand, in the summer months, sales volumes tend to increase due to good weather.

The Spanish cement market is relatively consolidated with approximately 83% of the installed cement production capacity in Spain owned by six companies, according to the Global Cement Report, five of which, including our company, are controlled by multinational cement groups (Cemex, Lafarge, Holcim and Italcementi).

We market our cement in Spain using the brands “Cosmos,” “CEISA,” “HORMISOL” and “Teíde.” Our concrete in Spain is marketed using the brand “Prebetong Hormigón” and our aggregates are marketed as “Prebetong Áridos,” “Prebetong Lugo,” “Hormigones y Aridos La Barca” and “Canpesa.” Our mortars are marketed under the brand “Pulmor.”

We believe market conditions in Spain will remain challenging and we expect an additional drop in the market before the economic crisis reaches its lowest point. We expect the Spanish economy to begin to recover in the mid-term, and in the meantime we are taking important steps based on our successful turnaround experience. We intend to reorganize and streamline our operations in Spain to make them profitable. Specifically, we plan to implement

several initiatives based on our best practices, which we have already implemented across many countries in which we operate, including renegotiations of credit lines, headcount reduction, improved operating stability, enhanced marketing initiatives and logistics, and use of alternative fuels, among others. With anticipate that these measures will help us to overcome current adverse circumstances and restore our profitability.

Morocco

Morocco is one of the cement markets with the most significant historical increase in demand among our European, Asian and African operations. We operate one plant in Témara with an annual installed cement capacity of 1.2 million tons. We are the fifth-largest cement company in Morocco, with a 7.8% market share as of December 31, 2013, according to the MHUPV. Our competitors in Morocco include major international companies such as Lafarge, Holcim and Italcementi.

Approximately 19.4% of our sales in Morocco corresponded to bulk cement and 80.6% to bagged cement, in terms of volume during 2013. Bulk cement is used mainly for production of ready-mix concrete and for infrastructure projects, while 50kg bagged cement is used mainly for retail. We distribute the cement by truck directly from the plant to the customer.

We are subject to seasonality in Morocco as a result of two factors: religious feasts during the year, which usually stops construction activity and heavy rains in the winter.

In Morocco, we market our cement under the brand "Asment Temara," concrete under the brand "Betocim," and aggregates under the brand "Grabemaro."

Tunisia

We operate one plant in Jbel Oust, which has an annual production capacity of 1.7 million tons of cement.

We are the second-largest cement producer in Tunisia with a market share of approximately 21.7% as of December 31, 2013, according to CNPC. In Tunisia, the cement industry is fairly consolidated, with the top four producers accounting for approximately 80% of production. Our competitors in Tunisia include Cementos Portland Valderrivas through its subsidiary Enfidha, the country's leader; Secil, a Portuguese producer operating Gabés; Colacem, an Italian company operating CAT; and two state-owned companies, Bizerte and Ciments d'Oum Kelli.

Despite its recent political instability, Tunisia has historically been a quality market from both growth and profitability standpoints. Tunisia is ideally positioned to export mainly to Libya, in particular to serve the Tripoli market, the country's largest. Exports are currently subject to quotas imposed by the Tunisian government.

Approximately 10.1% of our sales in Tunisia corresponded to bulk cement and 89.9% to bagged cement, in terms of volume during 2013. Bulk cement is mainly used for production of ready-mix concrete and for infrastructure projects, while 50kg bagged cement is used mainly for retail inside Tunisia, with small quantities exported to Algeria and Libya by truck. We distribute our products by truck directly from the plant to the customer.

We are subject to seasonality in Tunisia as average sales levels usually go down during the Holy Month (Ramadan), which is not a fixed period of the year, and the rainy season of December and January. The best sales periods are the summer months and the month that follows Ramadan, as people resume their day-to-day activities.

In Tunisia, we market our cement under the brand "Ciments Jbel Oust," which was created in 1978 in the Tunis region.

Turkey

We operate in Turkey mainly through our equity participations in Çimento Sanayi and Yibitas Yozgat, AS. We have 3.0 million tons of annual cement production capacity and operate in the regions of Central and East Anatolia and in the Black Sea. We have four cement plants: Hasanoglan, Çorum, Sivas, and Yozgat. We also operate two grinding mills in Samsun and in Nevsehir.

From a market standpoint, we focus on Central and East Anatolia as well as on the Black Sea markets. Their attractive characteristics include, among others, distance to major ports and generally greater price resilience than on the Mediterranean coast.

Turkey's cement sector has been posting robust results over the last two years. According to the Global Cement Report, the country produced approximately 69 million tons of cement in 2012, of which approximately 56 million tons of cement were sold domestically. The residential segment was expected to account for approximately 50-55% of total local demand, in 2012, followed by the infrastructure segment with 35%, according to the Global Cement Report.

We are the tenth-largest cement company in Turkey in terms of installed capacity, according to the Global Cement Report, with a 5.0% market share of total domestic sales volume as of September 30, 2013, according to TCMA. The market is highly fragmented and composed of both local and foreign players. In 2012, the market leader was OYAK, owned by the Turkish armed forces pension fund and responsible for 16.9% of the total annum cement production capacity, followed by a local industry conglomerate Limak Holding with 11.2% and Akçansa, a joint venture between HeidelbergCement and the Turkish industrial group Sabanci,, and, which has a 9.7 million tons per annum cement production capacity, according to the Global Cement Report.

Approximately 16.1% of our sales in Turkey corresponded to bagged cement and 83.9% to bulk cement, in terms of volume during 2013. Bulk cement is used mainly to produce of ready-mix concrete and for infrastructure projects, while 50kg bagged cement is used mainly for retail. Our distribution is made only by truck directly from the plant to the customer.

We are subject to seasonality in Turkey as a result of the weather conditions. During the low season of November to March, the monthly sales volume represents approximately 4.5% to 7.5% of the total yearly sales volumes. During the high season of April to October, the percentage can increased to between 9.5% and 11% of the total annual sales volume.

India

We operate one plant near Jamnagar, in the State of Gujarat, with an annual cement production capacity of 1.2 million tons.

India is the second-largest cement market in the world, according to the Global Cement Report. Additionally, according to India Ratings and Research Private Limited, a Fitch Group company, demand for cement in India is estimated to increase by approximately 5% to 8% over 2013-2014. This comes as a result, among other things, of continued government support (in 2011-2012, it allocated tax-free bonds worth U.S.$6.5 billion to the sector), as well as strong incremental demand from the housing sector that accounts for approximately 60% of total domestic demand, according to the CMA.

While global cement companies, such as Holcim, Lafarge, Italcementi and HeidelbergCement are active in this market, the largest operator, Ultratech, is Indian. The market remains fairly fragmented, with small to medium sized companies of mostly uneconomically sized operations. The industry in India is unique with 57% of the cement capacity being consolidated with the top eight players in the country.

Approximately 93.2% of our sales in India corresponded to bagged cement and to 6.8% bulk cement, in terms of volume during 2013. Bulk cement is mainly used to produce ready-mix concrete and for infrastructure projects, while 50kg bagged cement is used mainly for retail. Our distribution is made mainly by truck or, if a small quantities, by rail. We have four distribution centers in Gujarat State, where we offer bag cement.

We are subject to seasonality in India. Normally the peak period for cement sales is between December and May, which typically accounts for approximately 55 to 60% of sales for the year. Sales decrease between June and November due to the rainy season and religious festivals.

We market our cement in India using the "Kamal" brand, which was established fifty years ago in the Gujarat region.

China

We operate two integrated cement plants in the Province of Shandong, at Zaozhuang and Shandong; a clinker production unit in the Province of Jiangsu in Liyang; and two grinding mills, one in Suzhou and another in Huaian. Our annual cement production capacity in China is 6.1 million tons.

Our plants are located in the northeast region of China within close proximity to large urban centers such as Shanghai and in a region where a large number of small- and medium-size cement companies also operate. The cement market in this region is undergoing a strong consolidation phase led by some of the major Chinese cement companies, which has created attractive market conditions for the sale of assets located in this area. Approximately 31.1% of our sales volume in 2013 China corresponded to bagged cement and to 68.9% bulk cement.

On January 10, 2013 and on April 16, 2013, we acquired an aggregate 30% equity interest in Cimpor Macau in China. These acquisitions were part of our strategy to facilitate the proposed sale of our operations in China. As of December 31, 2013, we hold an 80.0% equity interest in Cimpor Macau.

Because we do not intend to continue our operations in China and have implemented a plan to dispose of this business during 2014, we record our China business on our balance sheet as assets held for sale. See "Presentation of Financial and Other Information—Financial Statements—Assets and Liabilities Held for Sale and discontinued Operations—China operations."

Raw Materials and Energy Sources

Raw Materials

The principal raw materials used in the production of cement are: (1) limestone, pozzolan, clay and gypsum for the production of clinker; (2) clinker additives, including blast furnace slag and fly ash; and (3) bags. We produce almost all of the clinker we use to manufacture cement. During 2013, 2012 and 2011, the cost of our main raw materials accounted for 7.3%, 9.3% and 15.0%, respectively, of our total costs and expenses. Certain of our raw materials, such as slag, are supplied by various producers and transported by trucks to our cement plants.

Energy Sources

Fossil & Alternate Fuels

We use thermal energy that we obtain through a mix of fossil fuels and recycling of alternate fuel to power our plants. Our kilns use petcoke (petroleum coke) purchased in the international market as our main fossil fuel, and provided approximately 89.0%, 86.7% and 85.8% of our total energy needs during 2013, 2012 and 2011, respectively. Petcoke is a solid or fixed carbon substance that remains after the distillation of hydrocarbons in petroleum and that may be used as fuel in the production of cement.

Our kilns also use recycled alternative fuel such as biomass and waste materials co-processing, and provided for approximately 11.0%, 13.3% and 14.2% of our total energy needs 2013, 2012 and 2011, respectively.

Electric Energy. Our production facilities consume significant amounts of electricity. During 2013, 2012 and 2011, electricity costs represented 8.5%, 7.9% and 8.6%, respectively, of our total costs and expenses. We own one hydroelectric plant (Pedra do Cavalo) in the Northeast region of Brazil with a total installed capacity of 160 MW and a 5.6% equity interest in a hydroelectric plant (Machadinho) located in the South with a total installed capacity of 1,140 MW. We also own four additional small hydroelectric stations with a combined installed capacity of 12.2 MW in the States of Minas Gerais and Paraná. Furthermore, we hold equity interests in companies that own three hydroelectric plants in the States of Mato Grosso, Rio Grande do Sul/Santa Catarina and Pará/Tocantins, for which environmental licenses have been requested since 1988, 2002 and 2002, respectively, and which are currently not operational. We were waiting for environmental licenses that will enable us to begin construction of these plants. However, we concluded that the probability of our receiving these environmental licenses was remote. Therefore, during 2013, we recognized an impairment in our investment in these companies of R$26.4 million, corresponding to the aggregate book value of our investment in these entities. Our power plants and power plants in which we hold

an interest supplied approximately 23.7%, 27.5% and 27.8% of the electric energy needs of our Brazilian operations in 2013, 2012 and 2011, respectively.

On October 22, 2013, our management approved the sale of our 5.6% equity interest in Consórcio da Usina Hidrelétrica de Machadinho to our affiliate CBA, a subsidiary of VID. On December 26, 2013, our management approved the transfer of our Pedra do Cavalo's concession to our affiliate Votorantim Metais e Zinco S.A., or VMZ, a subsidiary of VID, together with the assignment of the financing agreement with BNDES related to that concession. Also on December 26, 2013, our management approved the transfer of our share in Consórcio Empresarial Pai Querê and our concession in Aproveitamento Hidroelétrico Salto das Nuvens for amounts yet to be discussed and determined, to Votener. These transfers remain subject to and conditional on approval from Agência Nacional de Energia Elétrica - ANEEL.

We also purchase electricity from our affiliate Votener, which manages electricity generation for VID's industrial operations, under long-term contracts with an initial five-year term, which generally expire in December 2016. Votener supplied approximately 51.8%, 43.0% and 53.0% of the electricity needs of our Brazilian operations in 2013, 2012 and 2011, respectively. We acquire the remainder of the energy consumed in our cement operations through one-year contracts with third parties which are automatically renewed unless otherwise terminated by either party with a six-month prior written notice and that allow us to revise and adjust the energy to be purchased on a semi-annual basis. In North America, we purchase electricity in the spot market and under long-term agreements. In 2013, 2012 and 2011, our purchases in the spot market supplied approximately 75% of the total electricity needs of our North American operations. We have a long-term power supply agreement for one of our cement plants in North America which expires on December 31, 2016, which agreement accounted for approximately 25% of the total electricity needs of our North American operations.

Mineral Reserves

Our mineral reserves include only materials meeting specific quality requirements for each process and product. In order to ensure the competitiveness of our operations, we utilize technological upgrading, innovation in products and processes, as well as constant research in our cement, aggregate, mortar and agricultural lime businesses in order to meet their respective mineral resource needs.

The principal requirements are based on a chemical composition that matches the quality demanded by the cement production process. With many production sites located to serve the market and to different qualities of mineral resources, even within the same site, we conduct geostatistical chemical tests to determine the best blending proportions to meet product requirements and production volume, and to use a ratio of close to 100% of the mineral reserves for these products.

Our reserves are a sum of proven and probable reserves. Proven reserves are those for which size, shape, depth and mineral content of reserves are well-established, revealed by geological surveys, drilling campaigns, chemical analysis or geological modeling. All of these activities will determine the quantity of minerals that matches the quality required by the production process. In addition to the foregoing, we consider reserves to be proven if they are present on land we own and if related environmental permits have been granted.

Probable reserves are those for which quantity or quality are computed from information similar to that used from proven reserves, but the sites for inspection, sampling, and measurement are farther apart. The degree of assurance, although sometimes lower than that for proven reserves, is high enough to assume continuity between points of observation. In addition to the foregoing, we consider reserves to be probable if they are not present on land we own or if related environmental permits have not been granted.

Our proven and probable reserve estimates are based on estimated recoverable tons. We did not employ independent third-parties to review reserves over the three-year period ended December 31, 2013. Our mineral reserves data are prepared by our engineers and geologists and are subject to further review by our corporate staff. We believe that our engineers and geologists are qualified to prepare our mineral reserves data in Brazil and outside of Brazil. Given that we prepare our mineral reserve data in-house, our engineers and geologists have acquired important technical know-how, which helps us to maintain our cost competitiveness.

To further maintain our cost competitiveness, we obtain nearly all of our mineral resources from our own quarries, using, in most cases, our own mining equipment (drilling machines, excavators, wheel loaders, trucks, etc.) and crushing systems, with as few contractors as possible. During 2013, approximately 100% of our limestone was from our own quarries and more than 50% of our aggregates was from our own quarries.

We store limestone, clay and minor compounds extracted from our quarries (almost all are developed in open pit) on our properties. After locating sufficient limestone, the material covering the quarry, or "overburden" (from which we may extract clay), is cleared by bulldozers or hydraulic excavators and stored in controlled deposits meeting specifications of environmental regulations. After the removal of this top material, extracting the limestone requires drilling into the quarry to locate limestone in sufficient quantities and quality and then, in nearly all of the quarries, blasting the quarry with explosives to extract rocks of limestone measuring roughly up to one meter in diameter.

We conduct annual operational governance, checking our released mineral reserves and reviewing new production volumes and geologic aspects to maintain high safety standards and sufficient volume to last roughly 12 months without overburdening our activities.

We seek to maintain legal and environmental compliance by continually maintaining best practices. We are a member of the CSI.

Our mining capital expenditures are focused on developing new quarries and sustaining investments, and are used mainly for mining equipment, crushing systems, safety equipment and environmental compliance.

In 2013, our total quarry material production was approximately 70 million tons, of which approximately 100% was used for our own consumption to produce cement, ready-mix concrete and other products.

As of the date of this offering memorandum, we operated 61 limestone quarries across our global operations, serving our facilities dedicated to cement production, which are located near these quarries. We estimate that our proven and probable limestone reserves have an average remaining life of 60 years, assuming we were to operate at our maximum capacity production as of December 31, 2013.

As of the date of this offering memorandum, we operated 56 aggregates quarries across our global operations dedicated to serving our ready-mix and aggregates businesses. We estimate that our proven and probable aggregates reserves, on a consolidated basis, have an average remaining life of 44 years in Brazil and 65 years in North America, assuming 2013 average production levels.

We do not classify our reserves by average grade.

We distinguish recoverable limestone from waste by evaluating whether the limestone rocks are adequate to be used in raw meal, which is a powder composed of a clay and limestone mixture. In order to meet raw meal specifications, we generally use limestone with at least a 75% concentration of calcium carbonate ($CaCO_3$). Although there is no specific cutoff grade for aggregates, we distinguish recoverable aggregates from waste by segregating the type of rock extracted from the quarry. The most common rocks used for aggregates production are granite, gneiss, basalt, limestone, sand or gravel.

We have not disclosed our clay reserves, as we believe they are not relevant to our cement production process given that we extract clay from our overburden, and we can use other materials, such as iron ore, alumina and silica as substitutes for clay purchased externally.

Research and Development

Specialists at our Technical Center provide technical support at our industrial plants, assist with the development of new processes and products, integrate new technologies acquired from third parties or that we developed and assist our plants in improving overall performance. Our Technical Center continuously trains and qualifies individuals in cement manufacturing to work in our production plants.

We seek to maintain our position as a reference for high standards through investment in technology, innovation in products and processes, competitive studies, energy efficiency and environmental management. We offer high-quality products and services by actively monitoring and managing the main risks of our plants.

Our Research and Development area seeks to develop and improve products and improve the use of cement substitutes that replace clinker and reduce CO_2 emissions during the cement production process. We work in partnership with universities.

Awards

In 2011, we were considered one of the 150 Best Places to Work in Brazil, according to *Guia Você S.A./Exame*, a Brazilian business magazine. Developed by *Exame* and the Business School of the University of São Paulo (*Fundação Instituto de Administração da Universidade de São Paulo*), or FIA-USP, this study classifies thousands of companies evaluating their human resources policies and practices and the level of satisfaction of their employees. We believe this award is recognition of our constant commitment to the development and well-being of our employees.

Information Technology

We believe that an appropriate information technology infrastructure is important in order to support the growth of our business. Our data collection processes and software allow us to accurately monitor the quality of the products manufactured at our various facilities, ensuring consistency and enabling us to adjust quickly in the event of any variations. Furthermore, our enterprise resources planning software allows us to develop production, sourcing and pricing models based on anticipated consumer demand.

Our information technology services are performed by the Center of Competency in Information Technology (*Centro de Competência em Tecnologia da Informação*), or CCTI. CCTI was created and is managed by VID and provides information technology services to VID's different lines of businesses. The service is provided pursuant to a services agreement entered into between us and CCTI and includes the description of all services with the respective benchmarks.

These information technology services are supervised and controlled by us and have received the ISO 20,000 certification, for compliance with the best practices for technology information, and International Standards for Assurance Engagements, or ISAE, 3402 certification, for companies with effective internal controls.

Intellectual Property

Our major brand names are Votoran, Itaú Cimentos, Poty, Tocantins, Aratu, Votomassa, Matrix and Engemix in Brazil, and Prairie, Prestige, FiberMax, Redi-Fill, Pure Color, Prairie RCC and Prairie Aggregates in North America. We believe our brand names enjoy widespread recognition and strong customer loyalty. We believe that they are important, particularly for our retail customers who develop loyalty based on the quality of our products. We believe that the high quality of our products and the link of quality with our brand names provide us with a competitive advantage. We own or have the right to use most of the relevant trademarks used in connection with our brand names and the marketing of our products generally.

We are currently developing a new corporate global brand, which will comprise not only cement, but a broader portfolio of our other building materials. We have not yet established the launch date for our new corporate global brand.

The registration of our brand name "Itaú Cimentos" has been cancelled by the National Industrial Property Institute (*Instituto Nacional da Propriedade Industrial*), or INPI, due to the assignment of the similar brand name "Itaú." In accordance with the Brazilian Industrial Property Law, all identical or similar brand names related to identical or similar products/services owned by the assignor must be assigned together, otherwise those brand names that are not transferred may be cancelled by INPI, which was the action taken by INPI for "Itaú Cimentos." This obligation aims to prevent identical or similar brand names with similar or identical products or services being held by different owners, which may cause confusion for consumers and unfair competition. However, in our case, both the assignor and the assignee are companies within the same economic group, and therefore, we believe there is no

risk of confusion to consumers or unfair competition. We have appealed the cancellation of this registration and are awaiting this decision.

Because the cement production process is largely in the public domain, we do not own any patents relating to the production process. In addition, we do not rely on any patented technology of any third party to produce cement.

Insurance

We maintain insurance policies against damages to third parties, with coverage and conditions comparable to those of companies engaged in similar businesses in Brazil, North America, Asia and Africa, respectively.

We have property and business interruption insurance against damages to our eight most important plants in Brazil, which represent approximately 78.9% of our total assets. We base our insurance coverage decisions on a risk analysis conducted annually by our external insurance consultants. For our plants in North America, Europe, Asia and Africa, we maintain insurance policies covering property loss and business interruption risks to our plants, equipment and inventory from operational risks and certain acts of God.

Employees

As of December 31, 2013, we had approximately 16,228 employees as set forth in the table below:

	Number of Employees
Brazil	9,392
North America	3,552
South America (excluding Brazil)	306
Europe, Asia and Africa	2,978
Total	**16,228**

Most of our employees in Brazil are represented by labor unions. In Brazil, labor unions are organized on a regional basis by type of activity. Due to the diversity of our activities and our presence in different regions of Brazil, our Brazilian employees belong to several different labor unions.

We negotiate annual collective bargaining agreements with the various unions with which our employees are affiliated. We consider our relationship with our employees and their respective unions to be good.

We have established our benefit packages for our employees to exceed the standards required in our collective bargaining agreements. In addition to the benefits required to be provided by law (illness and accident assistance, periodic medical exams, laboratory exams, maternity and paternity leave, variable compensation and transportation), all of our employees have medical, dental and life insurance, and private pension plans. We also seek to cover employees with customized benefits by line of business and/or region.

We regularly invest in programs that seek employee advancement and meet our specific business needs while continuously enhancing the qualifications of our staff so as to maintain and enhance our competitiveness and our know-how as we continue to grow. The training programs that we have created and developed include "Technical Operational Training (TTO)," "Routes to Development," "Knowledge Factory," "Young Technicians" and "Fast Track." In addition, Votorantim has a Trainee Program and the Academy of Excellence, a program created by Votorantim Industrial for leaders within Votorantim.

Sustainability and Safety

We believe that sustainability is a strategic part of our management model.

We are a founding partner in the CSI and a strong supporter of responsible use of energy and climate protection. We believe that we are pioneers in the use of alternative fuels in Brazil, and we believe we are one of the lowest CO_2-emitting cement companies in the world, based on our estimates. We will continue to explore the use of environmentally friendly techniques in order to lower our CO_2 emissions. Our CO_2 emission reduction strategy includes: (1) investing in research and development in order to cut down on the use of clinker whilst maintaining or

even improving product performance; (2) investing in technologies that improve thermal efficiency; (3) optimizing the energy matrix using more biomass and industrial waste, thus resulting in lower emissions (kg CO_2/kcal). The tool for measuring CO_2 emissions has been implemented in all of our plants, which results are audited annually.

From 2005 to 2008, we co-processed 1.5 million tons of residues from 11 factories, which were principally composed of used tires, chemical solvents and oils. In 2010, we launched an initiative with the National Council for the Atlantic Forestry Reserve (*Conselho Nacional da Reserva da Biosfera da Mata Atlântica*), or CN-RBMA, and the Brazilian Speleological Society (*Sociedade Brasileira de Espeleologia*), or SBE. This partnership offers new opportunities to: (1) implement measures to protect the ecosystem; (2) develop a policy and strategy on biodiversity and karst areas; and (3) implement enhanced environmental standards.

Furthermore, we use co-processing as one of our clean development mechanisms (recommended by the Kyoto Protocol) in our cement production process. As a result, we eliminate residue from other industries in our cement kilns in an economic, efficient and environmentally friendly manner.

The Votorantim Institute (*Instituto Votorantim*) supports companies within the Votorantim Group in developing and implementing a social action strategy that contributes to the development of the communities where we operate. The Votorantim Institute not only sets the guidelines and standards for its investments but also evaluates the investments' social impact. In 2013, the Votorantim Institute's consolidated social action investments totaled R$61.5 million, with R$55.8 million invested from its own funds and R$5.7 million from public policy initiatives. This investment was directed towards 248 projects, which the Votorantim Institute estimates benefited approximately 450 thousand people.

Our ReDes Program (a partnership between the Votorantim Institute and BNDES to encourage local production in Brazilian cities) had 115 of its projects receive technical support for the development of business plans in 25 cities across ten Brazilian States, where Votorantim Industrial's subsidiaries in the building materials, metal, steel and pulp industries operate. Of these projects, 45 were selected to receive funding grants. In the third stage of the ReDes Program, which ends in 2015, the selected organizations are expected to receive approximately U.S.$33.0 million in technical support and specialized consulting in business management in order to realize the proposed operations and generate job opportunities and income.

The Votorantim Institute's methodology of Engagement with Stakeholders (*Engajamento com Partes Interessadas*), which is designed to provide management tools to the public to improve business operations, was applied in 18 countries in 2012.

The Votorantim Education Partnership Program (*Programa Parceria Votorantim pela Educação*) is a highlight of our efforts in education. This program mobilizes school principals, parents, school administrators and the community to discuss challenges to education within a municipality. The PVE has been in operation since 2009, and in 2013, an impact assessment was performed, which demonstrated that the program has advanced the growth of the Basic Education Development Index (IDEB) of the municipalities involved by 1.5 years, and of Basic Education by one year. At the junior high school level, this project has had an even more impressive result, accelerating the IDEB by five years, with the participation of 21 municipalities in 2013.

We are committed to eliminating accidents. Health and safety are among our highest priorities. We have been improving safety and reducing the rate of fatal accidents in conformity with the cement standards. As result of our investments in health and safety, between 2008 and 2011 our loss time injury frequency and employee fatality accident rates were lower than the average, according to CSI Benchmarking. We will continue to invest in health and safety with a goal of zero fatal accidents.

Legal Proceedings

As of December 31, 2013, we were party to various legal, governmental and administrative proceedings relating to labor, civil, environmental and tax matters involving an amount in controversy of approximately R$7,071.3 million for probable and possible claims. Except with respect to tax proceedings challenging the legality or constitutionality of a tax obligation, in which case provisions are recorded regardless of the likelihood of a favorable outcome, it is our policy to make provisions for legal contingencies when, based upon our judgment based on the advice of our legal advisors, the risk of loss is probable. As of December 31, 2013, we had established a provision

in the amount of R$1,189.2 million, to cover contingencies for proceedings for which the risk of loss was deemed probable. Moreover, as of December 31, 2013, we also made judicial deposits in the amount of R$481.0 million related to our probable claims and R$259.9 million related to our possible and remote claims.

The following table summarizes legal, governmental and administrative proceedings to which we are party, the amounts in dispute in these proceedings in which a loss is considered probable or possible and the aggregate amount of the provision established for losses that may arise from these proceedings:

	As of December 31, 2013	
	Total Claims(1)	Total Provisions
	(in millions of *reais*)	
Civil and other proceedings (2)	4,078.3	113.1
Tax legal and administrative proceedings	2,677.9	1,043.7
Labor legal and administrative proceedings	315.2	32.2
Total	7,071.3(3)	1,189.2

(1) Claims with expectation of loss classified as probable and possible
(2) Includes environmental legal and administrative proceedings.
(3) Considering the amount of R$2,400 million related to the "Civil Class Action – Cartel" as described below, which we estimate as our share of the total liability based on our market share. However, since the claim is for joint liability, there can be no assurance that our apportionment will prevail and that we will not be liable for a larger portion or for the entire amount of the claim.

Material Civil and Environmental Liabilities and Contingencies

Civil Class Action – Particulate Matter Emissions of Itaú de Minas Cement Plant

On November 21, 2013, the Public Prosecutor filed a class action suit us, claiming that the levels of carbon monoxide and particulate matter emissions produced by our Itaú de Minas cement plant can not deviate from the Emissions Control Laws. On November 26, 2013, an injunction was issued providing that in the case we failed to comply with the emissions control laws, we would be fined R$1.0 million. If we fail to obey the injunction at any point in the future, we could be forced to close our Itaú de Minas cement plant. On January 17, 2014, we obtained the dismissal of the injunction. Based on the advice of our external legal counsel, we believe the probability of loss under this claim is probable. We have not recorded any provision with respect to this claim. The amount in dispute is approximately R$1.0 million.

Civil Class Action – Port of Imbituba

In July 2011, the *Associação dos Moradores da Rua de Baixo*, the *Instituto Conexão Ambiental* and the *Associação de Surf de Imbituba* filed a class action against CRB Operações Portuárias S.A., or CRB, our indirect subsidiary, Companhia Docas de Imbituba, the city of Imbituba and the Environment Foundation (*Fundação do Meio Ambiente*), or FATMA, claiming that the storage and transportation of petcoke in the Port of Imbituba resulted in environmental damage and also adversely affected the health of residents of the area. The plaintiffs also claim that CRB breached a conduct agreement (*termo de ajustamento de conduta*) it entered into with the State Attorney's Office, pursuant to which it: (1) would adopt steps towards adequate storage of petcoke at the terminal of the Port of Imbituba; (2) would adequately store petcoke in the terminal until November 30, 2003; (3) would provide an environmental operating permit to FATMA by the end of 2003; (4) would delay restrictions on the use of the property of the city's fire department until the end of the concession of the Port of Imbituba, intermediate with the federal government the permanent transfer property ownership to the facilities of the city's fire department and stimulate the local business community by donating R$52,000 to the Municipal Fund of the Fire Department (*Fundo Municipal do Corpo de Bombeiros*), or FMCB, by the end of 2003; (5) would donate R$100,000 to the FMCB for the acquisition of a paramedical vehicle to be used in the city by the end of 2003; and (6) the State Attorney would agree not to take any legal action against the agencies, entities or individuals that signed the conduct agreement in the event the conditions of the conduct agreement were fulfilled during the applicable period. In addition, an injunction was issued against CRB and other defendants that prohibited these companies from storing and transporting petcoke in the Port of Imbituba. CRB has provided evidence demonstrating the renovations and

investments made and appealed the injunction that caused it to close its petcoke operations at the port and appealed a daily fine of U.S.$100,000 in the event that CRB did not close its petcoke operations. As a result of the appeal, the injunction was temporarily suspended.

On December 12, 2011, the CRB and the plaintiffs reached a partial agreement before the District Court of Imbituba, pursuant to which CRB has undertaken to carry out six proposed improvements. Moreover, on January 5, 2012, CRB entered into an adjustment of conduct agreement (*termo de ajustamento de conduta*) with FATMA, pursuant to which FATMA agreed to reduce certain previously imposed penalties in light of the costs involved in implementing the improvements. In May 2012, the District Court of Imbituba appointed expert testimony to provide support for the alleged environmental damage arising from the storage of petcoke at the terminal of the Port of Imbituba. The District Court notified the parties to present their inquiries and the names of their technical assistants. We are currently waiting for the expert report to be prepared and issued by the court's expert. Based on the advice of its external legal counsel, CRB believes the probability of loss under this claim is probable.

Fishermen's Litigation

On October 9, 2003, the association of fishermen of the State of Goiás made a claim against us seeking the annulment or suspension of certain environmental licenses granted by the Brazilian Institute of the Environment and Renewable Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*), or IBAMA, to companies operating in the Serra do Facão region. The suspension of these licenses would continue until the applicable parties amend the concession agreement to include, among other things: (1) construction of a mechanism that permits the transfer of fishes from the dam site; (2) measures to contain the expansion of diseases in the region; and (3) reposition of 59% of the forest, or 12,390 hectares, equivalent to the area that was drowned. The association is also seeking monetary damages in an amount to be established by the court. We have presented our defense and in May 2004, temporary relief was granted against us and the other defendants. On June 28, 2013, the court demanded that the Public Prosecutor decide whether to amend the initial pleading because of conflicts with the current data of the licensing processes of the companies operating in the Serra do Facão region. In February 2014, the court decided to dismiss the claim against us. As a result, all environmental licenses granted by the Brazilian Institute of the Environment and Renewable Natural Resource for the companies operating in the Serra do Facão region are deemed to be valid. We had not recorded any provision with respect to this claim.

Civil Class Action – Paraguai/Paraná River

On December 11, 2000, the Public Prosecutor of Mato Grosso filed a civil class action against us seeking the annulment of certain environmental licenses granted to us and the suspension of our operations in the Paraguai/Paraná River. The court excluded us from the civil class action and the Public Prosecutor has appealed. In August 2007, a court, in a unanimous decision, agreed that IBAMA correctly granted the licenses to us. We are awaiting a final decision from a higher court. Based on the advice of our external legal counsel, we believe the probability of loss under this claim is 50% possible. We have not recorded any provision with respect to this claim.

Civil Class Action – Serra do Mar Degradation

The Office of the Public Prosecutor of the State of São Paulo has filed a civil class action against VCSA and other companies alleging that their respective operations caused environmental damage in the Serra do Mar region and consequently an indemnification has been requested in order to compensate such damage. The court has ordered expert testimony to estimate the environmental damages allegedly caused in the Serra do Mar region. However, this expert testimony has yet to be presented. The parties are currently negotiating a settlement with the Public Prosecutor of the State of São Paulo. Based on the advice of our external legal counsel, we believe the probability of loss under this claim is probable, and we have recorded a provision of R$7.5 million in connection with this claim.

Transklein Litigation

In August 2010, Transklein Transporte e Carga Ltda., or Transklein, filed a claim against VCNNE seeking compensation for damages in the amount of R$123.7 million, alleging that VCNNE failed to comply with the minimum volume of transportation established in the cement transportation agreement entered into by the parties. VCNNE was notified of this claim in March 2011 and presented its response, which was replied by Transklein,

which also made a plea of lack of jurisdiction. In June 2012, the court determined that Transklein should present a response regarding its request for an exemption from its obligation to pay for legal fees in connection with this matter. We presented a formal objection against the court's decision, and the proceeding was suspended until the court issues its ruling on this matter. On January 22, 2013, the court published its decision accepting our plea and transferring the case to the civil court in the city of Recife. The case was remitted to Recife on March 4, 2013, however, it has not yet been assigned to a competent court. Transklein has appealed, and in December 2013, the case was transferred to the civil court in the city of São Luís. Based on the advice of its external legal counsel, VCNNE believes the probability of loss under this claim is 50% possible and 50% remote. We have not recorded any provision with respect to this claim.

Tabernaculo Litigation

In September 2005, Tabernaculo Comercial e Transportadora Ltda., or Tabernaculo, filed a claim against VCB (which was merged into us) seeking compensation for material damages in the amount of R$84.2 million and moral damages in an unspecified value, alleging that we failed to perform two oral contracts entered with it: a cement transportation agreement, in which we did not comply with the minimum volume of transportation established, and a reverse repurchase agreement, in which we did not respect the conditions established in the business relations. Tabernaculo argues that those breaches caused the discontinuance of the activities of the sales department and huge losses to its transportation area.

We presented our response in September 2009, sustaining that (1) the statute of limitations had expired; (2) we did not change the general conditions of the reverse repurchase agreement; and (3) Tabernaculo was unable to conduct the business and caused its own insolvency.

In August 2011, the court had denied the argument of the expiration of the statute of limitations alleged by us and determined the implementation of the expert examination requested by Tabernaculo, which was completed in June 2013. In September 2013, the parties submitted additional questions regarding the expert examination, and we are currently awaiting the expert's response.

The expectation of loss for the different claims under dispute is considered probable for 1% (R$1.6 million) of the amount involved and possible for the remaining amount (R$157.0 million). As of December 31, 2013, the amount under discussion was R$157.6 million and we had recorded a provision of R$1.6 million in connection with this claim.

Class Action

In August 2007, Marcelo Soares de Oliveira filed a class action (*ação popular*) against VCNNE the legal representative of Companhia de Mineração do Tocantins - Mineratins, the State of Tocantins, State Governor of Tocantins and the President of the Permanent Commission for Tender Processes of the Treasury Secretariat of State of Tocantins, claiming that the tender process by means of which VCNNE won the rights to be the assignee of the mineral rights related to the DNPM Process No. 860.933/1982 then held by Companhia de Mineração do Tocantins – Mineratins should be nullified due to failure in the tender procedures which shall cause damages to the State Treasury. It is also requested an injunction in order to immediately suspend the effects of the tender, which has not been decided by the court yet.

In May 2008, VCNNE presented defense arguing that such lawsuit is related (*conexo*) to another lawsuit and, therefore, this new one should be judged together with the previously filed one and requesting the lawsuit to be dismissed. In April 2009, the State Prosecutor agreed that the lawsuits are related and should be judged together. On April 10, 2013, the court decided this matter in our favor and transferred the case to be judged together with the one previously filed. The expectation of loss under this claim is considered possible, and we have not recorded any provision in connection with this claim.

Arbitration Proceeding

In February 2014, we were notified of the commencement of an arbitration proceeding before the Chamber of Conciliation, Mediation and Arbitration of CIESP/FIESP brought by Messrs. Mario de Souza Gonzaga and Mario de Souza Gonzaga Filho against our subsidiary Pedreira Pedra Negra Ltda., or PPN, involving an estimated amount

being sought from us of R$250.0 million. The plaintiffs were the sellers under a quota purchase agreement and related management agreement entered into with PPN involving the sale of two quarries. The plaintiffs are claiming damages arising out of the alleged breach by PPN of its obligations under the quota purchase agreement and the related management agreement. Each party has appointed an arbitrator to participate on the arbitral tribunal, and we are awaiting the appointment of the third arbitrator to preside over this proceeding. This arbitration proceeding is in a preliminary and administrative stage, and we and our external counsel are in the process of assessing the probability of loss under this claim.

Material Tax Liabilities and Contingencies

In December 2011, eight tax assessments in the total amount of R$448.2 million were issued by the Brazilian Federal Revenue Service (*Receita Federal do Brasil*), or RFB, against us alleging failure to pay IRPJ and CSLL in respect of the 2006 and 2007 tax years. The tax assessments issued in relation to the 2006 tax year are based on the allegation of tax planning using the taxation under the presumed profits regime after we assumed operations previously performed by other entities of the same economic group that were taxed under the real profits regime. According to the tax authorities, the lack of presentation of documents in the course of the tax audit and the nature of the tax planning lead to having taxable profits in the 2006 tax year.

The tax assessments issued in connection with the 2007 tax year are based on the argument of tax authorities that, due to the restructuring performed in 2006, we lost the right to enjoy the tax losses that were carried forward over the years, which reduced the taxable profits assessed in 2007. The expectation of loss under these claims is considered possible with respect to 9% of the total claimed amount and remote with respect to the remaining 91%. As of December 31, 2013, the total amount under discussion was R$524.7 million, and we had not recorded any provision in connection with these tax assessments. In March 2013, the lower administrative court significantly reduced the tax assessment. Both VCSA and the tax authorities appealed this decision. This appeal is pending.

In December 2011, a tax assessment in the amount of R$184.7 million was issued by the RFB against VCSA charging IRPJ and CSLL related to the period between 2006 and 2010 due to VCSA alleged: (1) incorrect amortization of goodwill; (2) use of tax loss carry forwards in excess of the 30.0% limit permitted under applicable tax regulations; and (3) lack of payment of the IRPJ and CSLL monthly's anticipations. The expectation of loss under these claims is considered probable with respect to 0.1% of the total claimed amount, possible with respect to 59.5% of the total claimed amount and remote with respect to the remaining 40.4%. As of December 31, 2013, the amount under discussion was R$216.3 million and we had recorded a provision of R$0.1 million in connection with this tax assessment. In July 2013, the lower administrative court significantly reduced the tax assessment. Both VCSA and the tax authorities appealed this decision. This appeal is pending.

In January 2010, two tax assessments in the amount of R$97.7 million were issued by the Distrito Federal (the Brazilian District Capital) against us related to ICMS credits (use and consumption of petcoke) which were allegedly erroneously recorded by us during the period between September 2006 and June 2009 as well as uncollected ICMS liabilities related to interstate transactions. A final administrative decision is pending. The expectation of loss under these claims is considered remote. As of December 31, 2013, the amount under discussion was R$133.3 million, and we had not recorded any provision.

The DNPM issued several tax assessments against us, alleging that we owed CFEM related to the period of 1991 until 2011. As of December 31, 2013, the amount involved was R$430.0 million, of which approximately R$338.4 million is considered to be a possible loss and R$92.0 million is considered to be a probable loss. We have established a provision of R$92.0 million with respect to these tax assessments.

In October 2013, a tax assessment in the amount of R$106.8 million was issued by the tax authorities against us, charging IRPJ and CSLL on profits earned by our subsidiaries located abroad related to the period between 2008 and 2010. The chances of loss are possible. As of December 31, 2013, the total amount under discussion was R$109.0 million and we had not recorded any provision in connection with this tax assessment. In March 2014, the lower administrative court issued its decision against us, which we may appeal.

Material Antitrust Matters

The following is a description of our most significant antitrust matters:

Department of Justice and Florida Attorney General

Prestige was party to two consolidated civil class actions alleging antitrust violations by a number of companies having cement and ready-mix concrete operations in the State of Florida. The court dismissed certain of the claims and parties in motions to dismiss and subsequently refused to certify any classes. The cases were all settled and/or voluntarily dismissed in February and March 2012. Subsequent to the commencement of the civil class actions, the Florida Attorney General and the U.S. Department of Justice conducted investigations having, to our knowledge, similar subject matter but a narrower scope than the civil class actions. The last communications with either agency occurred in May, 2012 with no indication by either agency of any intention to conduct further investigation or to file any charges.

Administrative Proceedings by SDE

In 2003, the SDE initiated an administrative proceeding against the largest concrete producing Brazilian cement companies, including us. This proceeding relates to allegations by certain ready-mix concrete producers that the large cement companies may have breached Brazilian antitrust law by allegedly not selling certain types of cement to ready-mix concrete companies. If the defendants are found to have violated Brazilian antitrust law, certain individuals could be subject to criminal penalties, and we could be subject to administrative fines, including fines that could range from 1.0% up to 30.0% of our annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated, or, if the new Brazilian antitrust law is applied, that could range from 0.1% up to 20.0% of the annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated and deriving from the cement and concrete business activities of VID and its subsidiaries. The General Superintendent of CADE, which, after the new Brazilian antitrust law entered into force, assumed the functions of the SDE, continues to analyze these allegations, and it is not possible to foresee whether the agency intends to conduct further investigation. There is no formal deadline for a decision in this proceeding to be rendered, so a decision may be rendered at any time. Our expectation of loss under this matter is considered possible. We have not established a provision for this matter.

In 2006, the SDE initiated an administrative proceeding against the largest Brazilian cement companies, including us. This proceeding relates to allegations of anti-competitive practices that include price fixing and the formation of a cartel. If the defendants are found to have violated Brazilian antitrust law, certain individuals could be subject to criminal penalties, and we could be subject to administrative fines, including fines that could range from 1.0% up to 30.0% of our annual gross revenues relating to its fiscal year immediately prior to the year in which the administrative proceeding was initiated, or, if the new Brazilian antitrust law is applied, that could range from 0.1% up to 20.0%, of the annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated and deriving from the cement and concrete business activities of VID and its subsidiaries. The SDE issued a non-binding recommendation to CADE on November 10, 2011 to impose fines and other non-monetary penalties as set forth by the Brazilian antitrust law on the cement companies under investigation, including our Brazilian cement company, for breach of Brazilian antitrust law. For further information relating to possible penalties, see "*Risk Factors—We are subject to certain investigations in Brazil in connection with alleged antitrust violations, as well as other pending litigation that may materially adversely affect our financial performance and financial condition.*" This opinion was sent to CADE for its analysis, but is not binding on CADE.

On January 22, 2014, CADE commenced a hearing regarding the administrative proceeding initiated in 2006 by the SDE, with four of the five commissioners voting to: (1) impose sanctions on trade associations, certain individuals and six of the largest cement companies in Brazil, including our company; (2) recommend fines in the aggregate amount of R$3.1 billion to be paid by the defendants, of which we would be required to pay R$1,565.0 million; (3) condemn four of the five defendant companies, including our company, to sell a portion of their cement assets in Brazil, representing approximately 24% of the total installed capacity of the cement market in Brazil, which in the case of our company would be equivalent to 11 million tons (representing approximately 35%, as of December 31, 2013) of our installed capacity in Brazil; (4) recommend that the defendant companies, including our company, be required to dispose of their minority equity interests in other cement and ready-mix companies in Brazil; (5) recommend that four of the five defendant companies, including our company, have restricted access to

public financing and tax benefits until the defendants sell those assets referred to in clause (3); (6) prohibit the defendant companies from entering into any transaction that would result in market concentration (such as mergers, acquisitions or joint ventures) during a period of five years and, in the case of our company, during a period of 10 years; and (7) impose other non-monetary sanctions. According to the proposal of the commissioner who drafted CADE's decision, the cement assets for sale by each of the defendant companies, including our company, should be grouped and sold as a package to individual buyers, so as to allow new significant players to enter the Brazilian cement market.

The January 22, 2014 CADE hearing was suspended following the request for additional review by the commissioner who has yet to cast his vote. There is no formal deadline for this commissioner to complete his analysis of this matter or for CADE to issue its final decision. Until this CADE hearing has officially concluded and a final decision has been issued by CADE, any commissioner may revise and change his vote.

We are awaiting CADE's final decision, and in the event that the sanctions announced at the January 22, 2014 hearing are ratified or another adverse decision were to be announced by CADE, we intend to challenge CADE's decision before the Brazilian courts, as we believe that CADE's decision is without merits, and therefore, we should not be subject to any administrative and/or criminal sanctions or penalties in connection with this matter. Any adverse decision and/or fine could have a material adverse effect on our financial condition and results of operations. Our expectation of loss under this matter is considered possible, and we have not established any provision for this matter.

Civil Class Action – Cartel

The Office of the Public Prosecutor of Rio Grande do Norte filed a civil class action against VCSA, together with eight other defendants, including several of Brazil's largest cement manufacturers alleging breach of Brazilian antitrust law as a result of alleged cartel formation, and seeking, among other things, that: (1) defendants pay an indemnity, on joint basis, in the amount of R$5,600 million in favor of the class action plaintiffs for moral and collective damages; (2) defendants pay 10.0% of the total amount paid for cement or concrete acquired by the consumers of the brands negotiated by the defendants, between the years 2002 and 2006, as compensation for damages to individual consumers; and (3) defendants suffer the following penalties under Articles 23, Item I and 24 of the Law No. 8.884/94: (i) in addition to the fine referred to in item (1) above, a fine ranging from 1.0% to 30.0% of the annual gross revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated, which may never be in an amount less than the monetary advantage gained; and (ii) ineligibility, for a period of at least five years, to obtain financing from governmental financial institutions or to participate in competitive government bidding processes conducted by federal, state or municipal governmental entities or with governmental agencies. Because the total amount of the claims referred to in item (1) above amounts to R$5,600 million and the claims allege joint liability, we have estimated that, based on our market share, our share of the liability would be approximately R$2,400 million. However, there can be no assurance that this apportionment would prevail and that we will not be held liable for a different portion, which may be larger, or for the entire amount of these claims. Furthermore, there can be no assurance that we will not be required to pay other amounts as compensation for damages caused to consumers in accordance with item (2) above, and/or the fine referred to in item (3) above. Our expectation of loss under this matter is considered possible, and we have not established any provision for this claim.

Regulatory Matters

Mining Regulations

Mining activities in Brazil are governed by the Brazilian Federal Constitution of 1988, the Brazilian Mining Code and other decrees, laws, ordinances and regulations. These regulations impose several obligations on mining companies relating to, among others, the manner in which mineral deposits are exploited, the safety of workers and local communities where mines are located, and environmental protection and remediation. They also set forth the Brazilian federal government's jurisdiction over, and scope of activities within, the industry.

Mining activities within Brazil are regulated by the MME and the DNPM. The MME is responsible for formulating and coordinating Brazilian public policies regarding mineral resources and energy production, and has jurisdiction over the government agencies and federal public companies in charge of executing such policies in the

electric, oil and gas, mining and other energy sectors. The DNPM was created as an agency within the MME in 1934, and is empowered to monitor, analyze and promote the performance of the Brazilian mineral economy; to award rights for the exploration and exploitation of mineral resources; to take other actions as required under the governing mining legislation; and to plan and inspect mining exploration and exploitation activities in Brazil.

Under the Brazilian Federal Constitution, surface property rights are distinct from rights in mineral resources, which belong exclusively to the Brazilian federal government, the sole entity responsible for governing mineral resources and deposits, mining and metallurgy. The governing legislation provides that mining companies incorporated under Brazilian law and headquartered and managed in Brazil may retain ownership of certain mineral products from their mines after due authorization from Brazilian authorities.

The Brazilian Mining Code currently establishes five different regimes for regulating mineral exploration in Brazil, which vary according to mineral type and project size. These are:

- Exploration authorization (*autorização de pesquisa*);
- Mining concessions (*concessão de lavra*);
- Mining licenses (*licenciamento mineral*);
- Small-scale mining permits (*permissão de lavra garimpeira*); and
- Monopoly (*monopólio*).

Our mining activities are subject to the three first regimes.

Exploration authorization and mining concession regimes

The process for approving exploration authorizations begins with the interested party filing a request for the authorization with the DNPM, stating its case for conducting the exploration. If the necessary legal requirements are satisfied, DNPM issues an Exploration Permit (*Alvará de Pesquisa*) for the mining company to examine the availability of resources and evaluate the feasibility of production within the requested area for a period from one to three years (renewable for an equal period if certain conditions are met).

Once exploration is complete, a final exploration report must be submitted for DNPM's review and approval. If approved, the next step is to file, within one year, a mining concession request. This request must satisfy certain mining legislation requirements, including establishing the technical and economic feasibility of a mining project for that specific deposit, and the presentation of the mining company's plan for economic exploitation (*Plano de Aproveitamento Econômico*), or PAE.

While the DNPM reviews the concession request, the applicant retains the exclusive right to apply for this concession in the area covered by its Exploration Permit, provided that the applicant does not lose the mineral right for any reason. The holder of a mining claim will only be entitled to mine the deposit upon approval of its mining concession request, which shall occur by publication of a Mining Concession (*Portaria de Concessão de Lavra*) issued by the MME, and provided that the respective environmental licensing claim is also approved pursuant to applicable environmental laws.

Notably, MME does not grant title to the mineral deposit, but only to the materials produced by the mine, which must be operated in compliance with the PAE approved by DNPM and environmental authorities. The holder of a Mining Concession must begin work within six months after publication, and as a rule, cannot suspend work absent DNPM's prior authorization.

Mining Concessions are currently granted for an indefinite period and remain valid until the deposit's mineral reserves are exhausted.

Mining concessions may be transferred to eligible third parties with DNPM's prior approval, pursuant to applicable legislation.

Lawsuits related to Mining Concessions are not uncommon, with concession holders often disputing easements or rights-of-way necessary for the installation of mining facilities, especially in areas of extensive mining activities and adjacent concessions.

DNPM may revoke mineral rights (including exploration authorizations and mining concessions) after due administrative process under certain circumstances, including, but not limited to:

- stoppage of all mining activities by the mining right holder for more than six months without DNPM's prior approval;
- failure to pay the relevant duties (royalties or other fees and duties relating to the Exploration Permit or Mining Concession, as applicable); and
- failure to perform exploration or mining activities, as applicable, in accordance with the plans filed with DNPM.

Mining licensing regime

The licensing regime, which also governs part of the Company's mining activity, permits the exploitation of specific minerals such as sand, gravel and clay for immediate use in civil construction, without the need for prior exploration.

For this purpose, it is necessary to register with DNPM the specific license issued by the local administrative authority of the municipality where the deposit is located, and specify the term of the license. Once the term expires, the holder must request a new license or the area will become available again.

Only holders of the surface rights, or parties they authorize, may use this regime. Exceptions include where (1) a governmental entity owns property or (2) the property is located in areas subject to cancelled licenses. In these cases, the holder of the surface rights is entitled to compensation for occupation of the area.

Mining activities in the area may only begin if the environmental license issued by the competent agency is presented to DNPM within 180 days as of the issuance.

Land access and occupation

If the Exploration Permit or Mining Concession holder does not own the land where the mineral resources or mining-related infrastructure (such as electricity transmission lines and tailings dams) are located, they may be entitled to gain access and/or occupy the land pursuant to mining easements (*servidão minerária*) granted by DNPM under the Brazilian Mining Code upon request.

Exploration Permit holders must pay a fee for access to and use of the land to the landowner or possessor and must indemnify them against any damage to the property. These amounts may be freely negotiated between the parties, so long as DNPM is subsequently informed. In the absence of an agreement, after granting the Exploration Permit, DNPM will request a competent court to determine the amounts to be paid.

Absent a separate agreement, once a Mining Concession is granted, the land owner or possessor is entitled to receive monthly payments equal to 50% of the CFEM. Notwithstanding this compensation, indemnification for damages and a fee for occupation are still required in relation to areas dedicated to ancillary facilities.

Mining charges

Revenues from mining activities are subject to CFEM, which is paid to DNPM. DNPM, in turn, transfers the fee to the states, Federal District, municipalities, and the Federal Union. CFEM is assessed on a monthly basis based on the sales value of materials produced by the mine, net of taxes (ICMS, PIS and COFINS) and transportation and insurance expenses. When the produced materials are used in our internal industrial processes, CFEM is assessed based on the costs incurred to produce them. The rate to be applied varies according to the mineral product (currently between 0.2% and 3%).

During the exploratory phase, an annual tax per hectare is due to DNPM, which currently translates to R$2.36 per hectare for exploration authorizations granted for the first time and R$3.38 per hectare for exploration authorizations that have been renewed. These amounts are regularly adjusted by the DNPM.

In addition, some Brazilian states (such as Minas Gerais, Amapá, Pará and Mato Grosso do Sul) have recently enacted the Control, Monitoring and Supervision Tax related to the Exploration, Production, Exploitation and Utilization of Mineral Resources (*Taxa de Controle, Monitoramento e Fiscalização das Atividades de Pesquisa, Lavra, Exploração e Aproveitamento de Recursos Minerários*), a monthly inspection tax related to the transfer and commercialization of certain minerals within these states.

Other issues affecting mining activities

Since 2009, the Brazilian government has announced that a new mining regulatory framework would soon be established to replace the existing Mining Framework. Pursuant to circulars made available by the government and based on the previously proposed laws, it is expected that the new mining regulatory framework will create a new agency to replace the DNPM, a new formula for applying the CFEM and a potential increase of the CFEM rates, a bidding system for granting exploration licenses and mining concessions depending on the mineral type and the strategic and economical relevance of the mine, changes to the terms granted under the Brazilian Mining Code (including a set term for the validity of mining concessions) and new terms and conditions for exploration licenses and mining concessions, including the potential creation of minimum investment targets for each stage of exploration.

Aggregate mining regulations in North America

In North America, we operate a number of limestone and aggregate pits and quarries, which are governed by provincial and municipal legislation in Canada, and by state, county and local legislation in the United States. The procedures, length of time, expense and risk involved in obtaining a new aggregate extraction permit vary significantly by local jurisdiction. In particular, the regulatory process in the Province of Ontario is relatively complex and costly.

Fuel storage

Any company that purchases fuel for its own activities and has facilities capable of storing over 15 cubic meters of fuel (including diesel) dedicated to the supply of mobile equipment, land vehicles, aircraft, vessels or locomotives is required to obtain prior permission from the National Petroleum Agency (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), or ANP, to build and operate such installations, pursuant to ANP Resolution Nº 12/2007.

Should a company fail to comply with the resolution's provisions, penalties may apply, varying from fines to temporary, total or partial suspension of the facilities' activities, cancellation of the facilities' registration, and revocation of the authorization to operate.

Environmental Regulations

Environmental Liability

The Brazilian National Environmental Policy sets forth strict civil liability for environmental damages. The fact that the wrongdoer's operations are licensed does not waive such liability. Under Brazilian law, legal entities and individuals directly or indirectly involved in the damaging or polluting activities are subject to joint and several liability.

Criminal liability also attaches to both individuals and legal entities that violate environmental laws. As a result, a legal entity's officer, administrator, director, manager, agent or proxy may also be subject to criminal liability if he is negligent or commits environmental crimes. Settlement of civil and administrative proceedings does not prevent criminal prosecution. Freedom-restricting penalties (confinement or imprisonment) are often reduced to right-restricting penalties, such as community services.

Administrative penalties include daily fines, full or partial suspension of activities, right-restricting penalties, orders to redress damages, among others. Fine amounts range from R$50 to R$50,000,000. In addition to criminal and administrative sanctions, Brazilian environmental laws require the offender to repair or indemnify for damages caused to the environment and to third parties. Enforcement of fines may be suspended upon settlement with environmental authorities for damage redress. In the event of failure to redress damages or to pay fines, the corporate veil piercing doctrine may apply. Therefore, new stockholders may be held liable for environmental damages regardless of the fact that the stock acquisition took place after the damages or administrative infractions were committed.

Environmental Licenses

The Brazilian Constitution grants federal, state and municipal governments the authority to issue environmental protection laws and to publish regulations based on those laws. While the Brazilian federal government has authority to issue environmental regulations setting minimum standards for environmental protection, state governments have the authority to issue stricter environmental regulations. Municipal governments may only issue regulations regarding matters of local interest, or which supplement federal or state laws.

Under Brazilian law, the construction, installation, expansion and operation of any establishment or activity that uses environmental resources, or is deemed actually or potentially polluting, as well as those capable of causing any kind of environmental degradation, is subject to a prior licensing process.

The environmental licensing process, regulated by the Brazilian National Council for the Environment (*Conselho Nacional do Meio Ambiente*), or CONAMA, Resolution No. 237/1997 and by Complementary Law No. 140/2011, consists of a three-step system, in which each license is contingent upon the issuance of its precedent, as follows:

- Preliminary License – Granted at a preliminary planning stage for the project, this license signals approval of its location, concept and environmental feasibility. It establishes the basic requirements to be met during subsequent implementation phases.

- Installation License – This license authorizes the setting up of the enterprise, the construction of the enterprise based on the specifications set forth in the previous license, and the approved plans, programs and project designs, including environmental control measures.

- Operating License – This license authorizes the operation of the enterprise upon compliance with the Preliminary and Installation Licenses, including any environmental control measures and operating conditions.

We attempt to periodically review all requests for renewal of our operating licenses. The maximum term for environmental licenses is five years for Preliminary Licenses, six years for Installation Licenses, and 10 years for Operating Licenses.

Occasionally, conflicts of jurisdiction arise between environmental licensing authorities when the proposed exploratory activities are located at a site that is regulated by more than one municipality or state, or is under the jurisdiction of both the state and federal governments. According to CONAMA Resolution No. 237/1997 and to Complementary Law No. 140/2011, the state government has jurisdiction in licensing facilities to be built within its territory, unless the environmental impacts spread across its borders. In those cases, the Brazilian federal government has licensing jurisdiction. In addition, municipalities have jurisdiction to license enterprises with strictly local impact. Nevertheless, projects must ultimately be licensed by a single federal entity, thereby avoiding licensing processes at different levels of government.

Notably, in addition to the general guidelines set by the Brazilian federal government, each state is legally competent to promulgate specific regulations governing environmental licensing procedures under its jurisdiction. Furthermore, depending on the level of environmental impact caused by the exploratory activity, the procedures for obtaining an environmental license may require assessment of the environmental impact and public hearings, which may considerably increase the complexity and duration of the licensing process and expose the exploratory activity to potential legal claims.

All of the renewal requests for environmental licenses must be submitted for consideration by the requisite environmental body at least 120 days prior to expiration. Under these circumstances, the validity of the license will be extended automatically until the environmental body has rendered a decision on renewal. In contrast, there is no guarantee of automatic extension if a request is submitted outside this period.

Failing to secure licenses or authorizations from the necessary environmental agencies for the construction, implementation, modification, expansion and operation of potentially pollutant activities and/or enterprises will subject the violator to criminal and administrative sanctions that may result in fines ranging from R$500 to R$10,000,000. Typically, maximum fines are only imposed when the absence of the appropriate license triggers a high environmental risk or may cause serious environmental damages. In addition to fines, violators may also be subject to penalties such as suspension of activities, deactivation and demolition, among others. These penalties are also applicable if a project developer fails to fulfill the conditions established in its environmental license. In light of this, we seek to obtain all environmental licenses required to the regular exercise of its activities.

In addition, all of our plants are in the process of renewing their ISO 9001 Certifications pursuant to international quality standards. The Salto de Pirapora, Itaú de Minas, Cantagalo, Rio Branco do Sul, Bowmanville, St Marys, Suwannee, Detroit and Charlevoix plants obtained ISO 14001 Certification for their environmental protection programs. We use advanced non-pollutant equipment and technologies, adhering to strict environmental management and social responsibility rules, and we were granted the ISO 14000 Standard System certification.

Registration with the Brazilian Institute of the Environment and Renewable Natural Resources

Every legal entity or individual involved in activities considered to have actual or potential polluting effects is required to enroll with IBAMA. Registration is also required for extraction, production, transportation and sale of products considered hazardous to the environment, including forest or fauna products or their byproducts. After registration, annual reports to IBAMA detailing the entity's or individual's activities are required.

Non-compliance with the registration requirement is subject to a R$9,000 fine. Failure to render annual reports is subject to fines ranging from R$1,000 to R$100,000.

Furthermore, our activities are subject to the payment of the Environmental Control and Monitoring Tax (*Taxa de Controle e Fiscalização Ambiental*), or TCFA, pursuant to IBAMA Ordinance Nos. 31/2009 and 06/2013. The amount due depends on the size of the company and on the intensity of the potential polluting effect of its activities, and ranges from R$200 to R$10,000 per year. Non-payment of the tax is subject to a 20% fine plus 1% monthly interest.

Regulations governing protected areas

Our activities are subject to environmental legislation governing protected areas, as described below.

A Permanent Preservation Area (*Área de Preservação Permanente*), or APP, is defined by law as the "protected area, either covered by native vegetation or not, with the environmental function of preserving water resources, the landscape, geological stability and biodiversity, facilitating gene migration of both fauna and flora, as well as protecting the soil and securing the well-being of human populations." For this reason, these areas receive special protection. Areas designated as APPs include hill tops and areas bordering rivers or any streams and surrounding springs, even if intermittent.

Damaging or destroying forests or other forms of natural vegetation in an APP without the authorization from the necessary agency, as required, or in violation of the authorization obtained, is considered an administrative infringement. The sanction applicable to infringements is a fine ranging from R$5,000 to R$50,000 per hectare, or a fraction thereof. In addition, the removal of trees from an APP may be subject to a fine ranging from R$5,000 to R$20,000. The competent authorities may also suspend or demolish the works after taking into account the severity of the circumstances. These circumstances include (1) the reasons for the infringement and the consequences to public health and the environment, (2) the history of the violator regarding compliance with environmental legislation and (3) the economic conditions of the violator.

Additionally, in the event of suppression of the vegetation in an APP, the owner of the area, its possessor or occupant will be required to promote the vegetation's regeneration.

A Legal Reserve (*Reserva Legal*), or Legal Reserve, in turn, is defined as the area located inside a rural property designed to ensure sustainable use of the natural resources, the conservation of biodiversity and the protection of native fauna and flora. A Legal Reserve area does not include APPs, except where specifically provided by law.

The obligation to maintain a Legal Reserve is an encumbrance affecting the real property, and consequently its owner or possessor, irrespective of how the property was acquired. The Legal Reserve area must correspond to 20% of the total area of a rural property, except in the Amazon region (*Amazônia Legal*), where the percentage is 80% for the areas of forest biome and 35% for the areas of savannah biome.

Recently, the Rural Environmental Record (*Cadastro Ambiental Rural*), or CAR, was created, and Legal Reserves must now be registered with a municipal, state or federal environmental agency by enrolling in the CAR. The CAR is a nationwide electronic public registry that is mandatory for all rural properties and is aimed at gathering environmental information on rural properties and possessions, creating a database for environmental and economic control, and monitoring and planning in order to combat deforestation. If the Legal Reserve has been recorded, and the record sets forth the property's perimeter and area location, then the owner will be exempted from providing this type of information in the CAR records. In that situation, the owner must submit the certificate of real property registration demonstrating the recording of the Legal Reserve or the signed commitment agreement to the relevant environmental authority.

Meanwhile, Conservation Units (*Unidades de Conservação*), or UCs, are territorial reserves created by federal, state and municipal governments. UCs may serve either purely conservational purposes by permitting no human interference, or may authorize sustainable use of natural resources. Examples of UCs include ecological stations, biological reserves, national parks and national forests, among others.

Any development within UCs must comply with the provisions of the legal instrument creating them, as well as those of their respective management plans. Moreover, any development in environmentally protected areas requires the prior consent of their managing agencies. Absence of such consent and failure to comply with rules governing the use of a UC, in addition to damaging it, is subject to several administrative and criminal sanctions, including fines up to R$10,000.

Regulation of pollution/contamination

Our activities are also subject to several environmental laws and regulations issued by governmental authorities regarding air emissions, discharge of elements, solid residues (including hazardous substances) and odors.

Final disposal of residues is a subject that directly affects both the environment and public health. Therefore, Brazilian legislation, specially the Solid Residues National Policy, outlined by Federal Law No. 12,305/2010, determines that transportation, management and final disposal of residues must not cause any damage to the environment or any harm to public health and welfare. Brazilian legislation regulates the segregation, collection, storage, transportation, treatment and final disposal of residues and also states that parties outsourcing these activities are joint and severally liable with contracted third parties.

Improper disposal of solid residues produced by our activities, as well as accidents resulting from the transportation of these residues, may cause soil and underground water contamination and give rise to the application of administrative and criminal sanctions. Administrative penalties applicable to any such improper disposal, whether it ultimately causes pollution or not, include suspension of work and fines up to R$50,000,000, among others. In general, the maximum pecuniary penalty is only imposed in case of severe damage to the environment. Notably, Brazilian law states that parties outsourcing disposal activities are jointly and severally liable for damages caused by third parties.

Adequate transportation, treatment and final disposition of a residue depend on its classification, and such projects are subject to prior approval by the necessary environmental agency. Importantly, residue treatment activities are subject to licensing, and companies contracted to perform these activities must demonstrate licenses in good standing.

The contamination of the soil and/or underground waters represents environmental liabilities that must be handled with caution, once the claim for the recovery of an environmental damage is not subject to status of limitation. In other words, the liability for an environmental damage does not expire by lapse of time.

The areas where pollution actually occurred through the disposal, accumulation, storage or infiltration of hazardous substances and residues are considered contaminated areas and deserve specific legal and technical expertise for being dealt with, since the current costs for remediation may be decisive in going forward or not with a site of industrial plant acquisition, for instance.

Areas considered "contaminated" include those where pollution is proven to be caused by the disposition, accumulation, storage or infiltration of substances or residues, with a negative impact on the protected property.

The owner of a contaminated property automatically undertakes the obligation to redress any environmental damages or correct adverse impacts, regardless of the causes of the contamination. In this sense, the owner of a property the soil or groundwater of which is contaminated by hazardous materials shall be subject to a notice of infringement issued by an environmental authority demanding the cleaning of the land, a circumstance that may entail significant expenditures. Nevertheless, should such liability reach the new owner, it may exercise its right of recourse against the person that has caused the environmental damage.

We have contaminated areas, as well as areas that are being monitored in the following municipalities: São Paulo, São Paulo; Cubatão, São Paulo; Sorocaba, São Paulo; Sobral, Ceará; and Xambioá, Tocantins.

In the State of São Paulo, we are subject to certain state laws and regulations governing the management of contaminated areas. State law holds the following legally, joint and severally liable for preventing, identifying and remediating contaminated areas: (1) the person who has caused the contamination and his successors; (2) the landowner; (3) the holder of surface rights; (4) the holder of effective possession; and (5) whoever directly or indirectly benefits therefrom.

Notably, remediation processes in Brazil involve intensive interaction with environmental agencies, which must approve all corrective measures and evaluate their effectiveness. These remediation processes may include: (1) the removal of the sources of contamination using excavation; (2) the treatment of material obtained to permit decontamination of the soil and underground water; and (3) the transfer of solid waste for treatment and final disposal at properly licensed units. In addition, the suspicion of contamination generally requires the following studies: (1) a preliminary evaluation; (2) a confirmatory investigation; (3) a detailed investigation; and (4) a risk analysis.

Once the need to remove an identified contaminant from an area is established, we may be required to present a remediation plan in accordance with applicable regulations. After the contaminated area is remediated, the environmental agency may monitor the efficiency and efficacy of such remediation.

Once the level of risk acceptable to human health has been reestablished, the environmental agency shall declare it a remediated area for a declared use, taking into account the site's intended uses.

Archaeological and historical considerations

The Brazilian Constitution provides that the government and civil society are responsible for protecting Brazilian cultural heritage. Before we can begin work in areas with potential archeological sites and other areas of historical and cultural interest, we are required to secure authorization from the National Institute of Historic and Artistic Heritage (*Instituto* do *Patrimônio Histórico e Artístico Nacional*). Unauthorized interference with cultural, historical or archaeological areas is considered an administrative infraction subject to embargoes and fines ranging from R$10,000 to R$100,000.

Water resources

We must obtain and pay for the use of water rights. Pursuant to Federal Law No. 9,433/1997, the following activities require permission from public authorities: (1) deviation or capture of water existing in a body of water for the purpose of consumption, including public supply or production processes; (2) capture of water from an

underground body of water for final consumption or production process; (3) disposal of sewage waste and other liquid or gaseous residues, whether treated or not, into a body of water for dilution, transportation or final disposal; (4) utilization of hydroelectric resources; and (5) other uses that alter the system, quantity or quality of the water existing in a body of water.

Every grant of water rights shall: (1) be conditioned to usage priorities established in water resource plans; (2) take into account the class to which the body of water pertains, as well as the maintenance of appropriate waterway transportation, if applicable; and (3) be issued by means of an act by the appropriate federal, state or federal district executive authority. The absence of a water right is considered an administrative infraction subject to sanctions such as warning, suspension of activities, or fines (one-time or daily) ranging from R$100 to R$10,000.

Carbon emissions and climate change

Climate change could adversely affect the technical requirements for our projects, the way in which we use our equipment and the way we render our services. Variations in weather caused by climate change may lead to postponements of project schedules, which in turn could lead to increased costs. Our inability to adapt our operations to climate change and maintain our quality standards may lead to a decrease in our revenues or our market share, adversely affecting our business and financial results.

The Brazilian Policy on Climate Change was instituted by the Federal Law No. 12.187/2009 and provides for the preparation of mitigation plans with specific emissions reduction targets for the following sectors: (1) energy; (2) transport; (3) transformation industry; (4) chemical industry; (5) paper and mill; (6) mining; (7) civil construction; (8) agriculture; and (9) health services.

The cement manufacturing process and mining activities require the combustion of large amounts of fuel and creates CO_2 as a by-product of the calcination process. Accordingly, efforts to address climate change through other national, state and regional laws and regulations, as well as through international agreements, to reduce the emissions of GHGs, may directly affect our business and require us to, among other things, purchase allowances or credits to meet GHG emission caps, and purchase equipment to reduce emissions to comply with GHG limits or required technological standards.

Environmental Laws and Regulations in North America

In North America, we are subject to federal, state and local environmental laws and regulations in the United States and federal and provincial laws and regulations in Canada concerning, among other matters, air emissions, waste disposal and water discharge.

Many of the raw materials, products and by-products associated with the operation of any industrial facility, including those for the production of cement or concrete products, contain chemical elements or compounds that are regulated. Examples include, among others, trace metals present in raw materials, finished products, CKD, and the ignitability of alternative fuels used as a primary or supplementary fuel substitute for non-renewable fossil fuels for our cement kilns. Currently, the CKD we generate is exempt from hazardous waste management standards under the United States Resource Conservation and Recovery Act, or the RCRA. In some of our facilities, we sell CKD for various beneficial uses, including use as a potash/lime substitute in agriculture. Although we use hazardous materials such as motor vehicle fuels, lubricants, solvents and chemicals, as well as materials designated or characterized as “hazardous waste” by the EPA, we do not use any designated hazardous waste as fuel for cement production at our cement plants. As a result, we need to ensure that our employees comply with the more exacting requirements of applicable environmental laws and regulations related to these activities. The failure to observe these exacting requirements could jeopardize our hazardous waste management permits and, under certain circumstances, expose us to significant liabilities and costs of cleaning up releases of hazardous substances into the environment or claims by employees or others alleging exposure to hazardous substances.

In recent years, we have introduced the use of alternative fuels at some of our cement plants. In each case, we comply with all applicable permitting requirements.

In the United States, the EPA has finalized new standards for Portland cement, the National Emission Standards for Hazardous Air Pollutants, introducing stricter controls for substances emitted in cement production such as mercury, total hydrocarbons, hydrochloric acid and particulate matter. These standards come into effect in 2015, and we are well positioned, in relation to our competitors in North America, to achieve compliance with the new regulations. Additionally, the EPA has recently introduced a Federal Implementation Plan to impose BART on our Charlevoix cement plant that establishes stricter controls for nitrous oxides. We have submitted a response to the EPA stating that the Charlevoix plant is not subject to BART, amongst other statements, a position that is supported by the State of Michigan. The EPA is reviewing our submissions, and we will take legal action, if necessary, to avoid application of the plan to introduce BART, which would require significant capital expenditures to achieve compliance.

We intend to comply with all legal requirements regarding environmental and health and safety matters, but as many of these requirements are subjective and therefore not quantifiable, are presently not determinable, or are likely to be affected by future legislation or rulemaking by government agencies, it is not possible to accurately predict the aggregate future costs of compliance and their effect on our business, results of operations or financial condition. Notwithstanding our intention to comply with all legal requirements, if injury to persons or damage to property or contamination of the environment has been or is caused by the conduct of our business or by our use, generation, or disposal of hazardous substances or waste, we may be liable for such injuries and damages, and be required to pay the cost of investigation and remediation of such contamination. The amount of such liability could be material, and we may incur material liability in connection with possible claims related to our operations and properties under environmental, health and safety laws.

Future regulations & expenditures

We further strive to comply with all environmental laws and regulations. However, we cannot anticipate if compliance with existing or future environmental laws and regulations may demand significant capital expenditures. Accordingly, we cannot guarantee that the application of more stringent environmental regulations in the future will not result in our incurrence of significant additional expenses.

Antitrust regulations

Law 12.529/11, or the New Antitrust Regime, entered into force on May 29, 2012, and established new rules with respect to the Brazilian antitrust system. Under the new system, as amended by the Interministerial Ordinance no. 994 of May 30, 2012, a merger filing is mandatory when one of the economic groups involved in a transaction has gross revenues in Brazil of at least R$750,000,000 and one of the other economic groups involved in the transaction has gross revenues in Brazil of at least R$75,000,000 in the fiscal year prior to the transaction.

The New Antitrust Regime has adopted a pre-merger control system, under which parties are prevented from consummating the transaction prior to receiving clearance from the CADE. Accordingly, CADE's clearance is a condition precedent to closing. Parties that close a transaction before receiving CADE's approval or that engage in gun jumping will be subject to fines ranging from R$60,000 to R$60,000,000.

However, Law 8.884/94, or the Old Antitrust Regime, which was in force until May 28, 2012, set forth different thresholds for merger control filings in Brazil. Under the Old Antitrust Regime, a merger filing was deemed to be required whenever: (1) one of the economic groups involved in the transaction had gross revenues in Brazil in excess of R$400 million on its last income statement; or (2) the resulting company had at least a 20% share in a given relevant market. The merger control filing system was post-merger, i.e., filing could be submitted after closing and the parties were not prohibited from consummating the transaction before CADE's clearance.

In the event the transaction met any of the thresholds set forth by the Old Antitrust Regime and the parties failed to submit it, they would be subject to the payment of a fine for late filing ranging from 60,000 Tax Reference Units (*Unidade fiscal de referência*), or UFIRs, to 6,000,000 UFIRs (R$63,846 to R$6,384,600). The statute of limitations was five years, meaning that CADE had five years to impose any fine if the parties take any measure to consummate the transaction.

The Old Antitrust Regime sets forth fines and other non-monetary penalties for antitrust violations. Companies found guilty will be subject to fines ranging from 1% to 30% of its annual gross revenues in the year prior to the

commencement of the administrative proceeding, excluding taxes. Moreover, directors and officers of any companies that were involved in the conduct may also be investigated and, if found guilty, would be subject to fines ranging from 10% to 50% of the fine applicable to the legal entity.

Under the New Antitrust Regime, antitrust violations are punishable with fines ranging from 0.1% to 20.0% of the company's, group's or conglomerate's revenues in its "line of activities" in the fiscal year prior to the commencement of the administrative proceeding. A company's executives are subject to penalties ranging from 1% to 20% of the fine imposed on the company. Non-monetary penalties such as publication of the summary decision in a newspaper, ineligibility to contract with official financing institutions or participate in competitive bidding with government agencies, spin-off of the company, transfer of corporate control, sale of assets or partial cessation of its activity, among others) can also be applied under the New Antitrust Regime.

However, under the Old Antitrust Regime, antitrust violations were punishable with fines ranging from 1.0% to 30.0% of the gross sales of the company (or all companies of the group which might benefit from the violation in the fiscal year prior to the commencement of the administrative proceeding).

Therefore, for those administrative proceedings which were initiated when the Old Antitrust Regime was in force, it could be expected, according to Brazilian Law, that the least severe provision between the two laws (the old and the new one) would be applied to the defendants in such proceedings. It is difficult, at this early stage of the New Antitrust Regime, to foresee which provision will prevail, according to the Brazilian antitrust authorities' understanding.

Notably, transactions executed under the Old Antitrust Regime (i.e., up until May 28, 2012) are subject to the rules set forth by the Old Antitrust Regime, while the transactions under the New Antitrust Regime are subject to the new regulation indicated above.

Anti-dumping regulations

Anti-dumping in Brazil is governed by Federal Decree No. 1,602, of August 23, 1995. This law establishes detailed rules and general procedures for the initiation of anti-dumping investigations and for the application of anti-dumping measures against products imported into Brazil at dumped prices.

Upon receipt of a petition from a domestic industry, the Department of Commercial Defense, or DECOM, of the Secretary of International Trade, or SECEX, of the Ministry of Development, Industry and Foreign Trade will conduct an administrative anti-dumping investigation. Once DECOM's investigation is complete, SECEX will issue a final decision, published in the Official Gazette, on whether grounds exist to apply an anti-dumping measure, and if such grounds exist, applying such a measure.

Once applied, anti-dumping measures will last for as long as the measures are deemed necessary to protect the domestic industry against threats or damages arising from the import of the dumped products, or in any case for a minimum of five years as of the date of the measures' application or the date of the last review of such measures' terms.

Labor regulations

According to Brazilian law, the execution of a written employment agreement governing an employment relationship is not required, though it is a common procedure for Brazilian companies. In the absence of a written employment agreement, employment relationships are governed by the Brazilian labor laws and the interpretation of such laws by the labor courts.

In the event the parties choose to execute an employment agreement, it may be executed for either a limited or unlimited term.

Except as otherwise stipulated in the employment agreements or collective bargaining agreements (but only for less hours), regular working hours are limited to 44 hours per week and 8 hours per day. Employees working more than the legal working hours or more than the working hours set forth in their employment agreements, are entitled to get paid for the corresponding overtime hours (limited to two hours daily), increased by, at least 50% (or 100% if

the overtime work occurs during the employee's weekly day-off or holidays), unless otherwise agreed upon in any employment agreement or collective bargaining agreement (but only for higher percentages).

For each continuous period of work exceeding six hours, an interval for rest and a meal of at least one hour must be granted, which is not included in the working hours and, therefore, does not need to be compensated. There must also be at least 11 hours between two daily shifts.

Occupational Health and Safety

Brazilian rules concerning safety and medical procedures related to the work environment state that no workplace can start its activities without previous inspection by the competent authorities.

Companies are obligated to provide and maintain specialized services related to health and safety procedures in the workplace. Companies are also requested to draft specific documents, such as an Environmental Risk Prevention Programs (*Programa de Prevenção dos Riscos Ambientais*), or PPRA, an Occupational Health and Medical Control Program (*Programa de Controle Médico de Saúde Ocupacional*), or PCMSO, a Work Environmental Conditions Technical Report (*Laudo Técnico de Condições Ambientais do Trabalho*), or LTCAT, and also an Ergonomic Report.

Notably, under Regulatory Rule No. 5 issued by the Ministry of Labor and Article 163 of the Labor Code, the implementation of an Internal Accident Commission for Prevention of Accidents (*Comissão Interna de Prevenção de Acidentes*), or CIPA, may be mandatory depending on the number of employees and the type of activities performed by the company.

Tax Incentives

We benefit from certain tax incentives granted by authorities of the Brazilian states where our plants are located, which are mainly related to ICMS levied by the states and reduce income tax. The following is a description of our most significant tax benefits.

FDI - Establishment of Sobral - CE

The Industrial Development Fund of Ceará (State Law No. 10,367 of December 7, 1979 and State Decree No. 29,183 of February 8, 2008), or FDI Program, is a program created by the State of Ceará in order to promote the development of industrial activities in the State through tax and financial benefits. The FDI Program seeks the development, expansion, modernization, diversification or business recovery, through fiscal and financial incentives. Under this program, we benefit from the following tax incentives until September 12, 2016: (1) deferral of ICMS imposed on the import of fixed assets and raw material; and (2) financing of 75.0% of the ICMS imposed on the sales of manufactured products with payment of 25% of this amount starting after 36 months.

PRO-DF II - Establishment of Sobradinho - DF

The Program for Development of the Federal District (District Law No. 3,196 of September 29, 2003 and District Decree No. 24,430 of March 2, 2004), or Pró DF-II was created to promote the economic and social development of the Federal District. Under this program, since August 2, 2010 we are beneficiary of advances made from a government-administered fund in the amount of 70.0% of the ICMS imposed on the sales of goods we manufacture. Therefore, we collect only 30.0% of the ICMS due. These advances must be repaid in up to 300 months from the date of the release of the advance and each advance must be repaid with monetary adjustment and interest on the outstanding amount at a rate of 0.2% per month.

PRODIC - Establishment of Porto Velho - RO

The Industrial, Commercial and Mineral Development Program of Rondônia State (State Law No. 61of July 21, 1992 and State Law No. 1,558 of December 26, 2005), or PRODIC, was created to promote the development, expansion and modernization of State of Rondônia through tax and financial benefits. Under this program, we benefit from the following tax incentives until May 30, 2018: (1) presumed credit of 85.0% of the ICMS; (2) deferral of the ICMS imposed on the import of raw material without a similar material in the national market; and

(3) 50.0% reduction in the calculation basis of ICMS on the acquisition of electricity and interstate transport and communication services.

Competitive Paraná Program - Establishment of Rio Branco do Sul - PR

The Competitive Paraná Program (State Decree No. 630, of February 24, 2011) was created to promote industrial development of the State of Paraná, through tax and financial benefits.

In connection with this program, we requested and obtained on December 5, 2011 the application of a special regime under which we benefit from the following tax incentives indefinitely:

- payment of the incremental ICMS (increase due to tax benefits) imposed on sales of manufactured goods in two installments: 10.0% in the subsequent month after the taxable event and 90.0% after eight years with monetary adjustment;
- deferral of the ICMS imposed on electricity and natural gas acquisitions for eight years;
- suspension of payment of the ICMS imposed on the import of fixed assets acquisitions by means of registering of credit and debt in our tax books;
- suspension of payment of the ICMS imposed on the intrastate and/or interstate acquisition of fixed assets;
- suspension of the ICMS imposed on the import of raw material, intermediate material and packing material until the output of industrialized products;
- possibility of transferring ICMS credits accumulated in our tax books to another taxpayer enrolled with the State of Paraná; and
- possibility of receiving ICMS credits accumulated in tax books of another taxpayer enrolled with the State of Paraná.

PSDI - Establishment of Laranjeiras - SE

The PSDI was created to promote the social and economic development of the State of Sergipe through tax and financial benefits. In connection with this program, we requested and obtained the application of a special regime under which we benefit from the following tax incentives until June 30, 2016: (1) deferral of ICMS imposed on the import of raw material to be used exclusively on our manufacturing process and (2) payment of only 8.0% of incremental ICMS imposed on additional production sales of manufactured goods.

PRODEIC – Industrial and Commercial Development Program – Establisments of Nobres and Cuiabá – MT

The Industrial and Commercial Development Program of the State of Mato Grosso (State Law No. 7,958 of September 25, 2003) was created to promote the development of the State's industrial, commercial and services industries through tax and financial benefits. Under this program, we benefit from the following tax incentives until August 31, 2021 (Nobres branch) and May 25, 2023 (Cuiabá branch): (1) 85.88% and 90% reduction in the calculation basis of ICMS on sales of cement and clinker produced in our Nobres and Cuiabá branches, respectively, in the State of Mato Grosso; (2) presumed credit of 85.88% and 90% of ICMS on intrastate sales of cement and clinker produced in our Nobres and Cuiabá branches, respectively; (3) deferral of ICMS imposed on imports of raw materials with no substitutes in the State's market; and (4) deferral of ICMS imposed on the imports of fixed assets with no substitutes in the State's market.

PROINDÚSTRIA – Industrial Development of Tocantins - Establishment of Xambioá - TO

Program of Directed Industrialization (State Law No. 1,385 of July 9, 2003), or PROINDÚSTRIA, is a program created by the State of Tocantins in order to promote the development of industrial activities in the State, through tax and financial benefits.

In connection with this program, we requested and obtained on November 20, 2010 the application of a Special Regime under which we benefit from the following tax incentives between February 27, 2008 and February 26, 2023:

- we pay an effective tax rate of 2.0% of ICMS imposed on sales of manufactured goods;
- we are exempt from the ICMS tax substitution on goods or services to be used in the process of production, manufacturing, processing or handling;
- we are exempt from the ICMS imposed on the import of raw material (including semi-finished or finished products and goods for packing) and fixed assets without similar in state market to be used exclusively in our manufacturing process: and
- we are exempt from the ICMS imposed on the interstate acquisition of fixed assets.

Income tax incentives - SUDAM and SUDENE - Establishments of Xambioá – TO, Caucaia – CE, Sobral – CE, Laranjeiras – SE, Nobres – MT, Porto Velho – RO and Barcarena - PA

Some of our plants are beneficiaries of income tax incentives granted by the Superintendency for the Development of the Northeast (*Superintendência do Desenvolvimento do Nordeste*), or SUDENE, and by the Superintendency for the Development of the Amazon (*Superintendência do Desenvolvimento da Amazônia*), or SUDAM, Brazilian governmental agencies created to stimulate economic growth in the Northeast and North regions of Brazil, respectively. These incentives correspond to a reduction of 75.0% of income tax calculated based on income from exploitation activities. Income from exploitation activities is the net operational revenue before deduction of income tax, adjusted by the additions and exclusions imposed by Brazilian tax regulations. These benefits have different starting dates (from 2006 to 2011) and all of them are valid for 10 years.

MANAGEMENT

Board of Directors

Our board of directors is responsible for managing our affairs and determining our short- and long-term policies in accordance with our bylaws and Brazilian corporate law.

Pursuant to our bylaws, our board of directors must be composed of five to nine members and an equal number of alternates, 20% of whom must be independent directors in accordance with our bylaws, or in accordance with Brazilian corporate law. Pursuant to our bylaws and Brazilian corporate law, our directors are elected by the general meeting of our shareholders, which also determines the aggregate remuneration of our management. Members of our board of directors are appointed for a two-year term and may be reelected. Members of our board of directors may be removed at any time, with or without cause, by a resolution adopted at a general meeting of our shareholders. In case of absence or temporary disqualification of a member of our board of directors, he must be represented by his alternate. If there are no alternates, the board of directors shall continue to function with the remaining board members, provided that there are a minimum number of board members that allow proper functioning by the board of directors. In a case of permanent absence of a member of our board of directors, the remaining directors shall then elect a new director, who shall be in office until the following extraordinary general meeting of our shareholders, which shall elect a new board member. Pursuant to our bylaws, members of our board of directors cannot also act as members of our senior management.

The following table sets forth our directors and alternate directors, and their respective positions as of the date of this offering memorandum as well as their respective date of election to our board of directors. The term of all of our directors expires at our annual shareholders' meeting to be held in 2015.

Name	Age	Position	Date of Election
Paulo Henrique de Oliveira Santos	55	Chairman of the Board	December 30, 2013
João Carvalho de Miranda	50	Vice-Chairman of the Board	April 5, 2013
José Ermirio de Moraes Neto	60	Director	April 5, 2013
Fabio Ermirio de Moraes	52	Director	April 5, 2013
Johann Markus Akermann	66	Director (1)	June 5, 2013
Luiz Alberto de Castro Santos	63	Director	December 30, 2013
José Écio Pereira da Costa Junior	61	Alternate (1)	June 5, 2013
José Roberto Ermirio de Moraes	55	Alternate	April 5, 2013
Cláudio Ermirio de Moraes	48	Alternate	April 5, 2013
Clóvis Ermirio de Moraes Scripilliti	54	Alternate	April 5, 2013
Maria Leticia de Freitas Costa	53	Alternate (1)	April 30, 2013
Edward Ruiz	63	Alternate (1)	April 30, 2013

(1) Independent director.

The business address of our directors is Rua Gomes de Carvalho, 1996, 12º andar, 04547-006, São Paulo, State of São Paulo, Brazil.

We present below a brief biographical description of each member of our board of directors:

Paulo Henrique de Oliveira Santos. Mr. Oliveira Santos was appointed as the Chairman of our Board of Directors in December 2013. Previously, he acted as our Chief Executive Officer since December 2012. Mr. Oliveira Santos is currently the Business Development Officer of VID, and he has acted as Chief Executive Officer of Votorantim Novos Negocios and Executive Officer of Votorantim Energia. He has held several positions at Votorantim Industrial, including Chief Financial Officer of VMSA between June 1996 and March 2000 and Executive Director of Banco Votorantim responsible for corporate finance between March 1993 and May 1996. In addition to Banco Votorantim, he worked for eight years in several positions in the banking industry in Brazil and abroad from treasury to international corporate finance. Mr. Oliveira Santos also worked at Brasilpar, where he served as Chief Financial Officer between May 1988 and June 1989. He is currently an alternate board member at Fibria and a board member at Tivit S.A. He graduated with a degree in Engineering from the Faculdade Engenharia

Industrial and a specialization course in Business Administration from FGV. He also attended the OPM - Owners, President, Management Program at Harvard Business School.

João Carvalho de Miranda. Mr. Miranda was appointed as Vice-Chairman of our Board of Directors in April 2013. Since January 2014 he has been the Chief Executive Officer of VID and served as its Chief Financial Officer and Chief Investor Relations Officer from March 2009 to December 2013. He has also served as a member of the board of directors of Fibria since November 2009. He was the Executive Vice-President of Banco Citibank S.A. in Brazil from 2006 until 2009. He was also, from 2004 to 2006, the CEO of Citibank N.A. in Chile, and, from 1998 until 2004, the Head of Corporate Bank of Citibank in Brazil. Mr. Miranda is an economist and graduated from Pontifícia Universidade Católica do Rio de Janeiro and attended the masters of science in administration program at COPPEAD - Instituto de Pós-Graduação e Pesquisa em Administração of Universidade Federal do Rio de Janeiro where he also completed an extension course at the Wharton School of the University of Pennsylvania.

José Ermirio de Moraes Neto. Mr. Ermirio de Moraes Neto was appointed as a member of our Board of Directors in April 2013. He has been a member of the board of directors of VPar since October 2001. He has also been President of the board of directors of Votorantim Finanças since August 2000, President of the board of directors of Banco Votorantim since February 1991, and President of the deliberative board of Instituto Votorantim since March 2003. He was also an officer and President of Indústrias Votorantim S.A. He graduated with a degree in Business Administration from FGV.

Fabio Ermirio de Moraes. Mr. Ermirio de Moraes was appointed as member of our Board of Directors in April 2013. He currently serves as a member of the board of directors of VPar. He began working for the Votorantim Group in April 1985 and has served as Vice President of our company and Chief Executive Officer of Cia. Cimento Portland Itaú, Cimentos Tocantins S.A. He graduated with a degree in Mechanical Engineering from the Fundação Armando Álvares Penteado – FAAP.

Johann Markus Akermann. Mr. Akermann was appointed as an independent member of our Board of Directors in June 2013. Mr. Akermann currently serves as a member of the board of directors and a member of the audit committee of Outokumpu OYJ, a publicly traded company on the Nasdaq OMX Nordic. Mr. Akermann served as a member of the board of directors of Holcim Ltd. until April 2013 and served as a member of the board of directors of the following subsidiaries of Holcim Ltd. until March 2012: ACC Limited from 2005 to 2012; Ambuja Cements Ltd. from 2006 to 2012; Holcim (España) S.A. from 1994 to 2012; and Holcim Apasco S.A. de C.V. from 1994 to 2012. He also served on the executive committee of the World Business Council for Sustainable Development until 2011. Mr. Akermann served as Chief Executive Officer of Holcim Ltd. from January 2002 to January 2012. Mr. Akermann joined the Holcim Group in 1978 (when it was known as Holderbank Group), and he was appointed area manager for Latin America and international trade in 1986. In 1993, Mr. Akermann was appointed as a member of the executive committee with responsibility for Latin America, international trade, corporate human resources and training. Prior to joining the Holcim Group, Mr. Akermann worked at UBS AG (formerly the Swiss Bank Corporation) for three years.

Luiz Alberto de Castro Santos. Mr. Castro Santos was appointed as a member of our Board of Directors in December 2013. He was also chief of strategic investments and corporate affairs. Over the past 36 years, Mr. Castro has held several positions in our company including chief of cement operations, production control manager, production manager, officer, regional superintendent and commercial officer. Mr. Castro started his career in the chemistry industry working for Poliquima Industrial and for Cimento Portland Itaú, one of our subsidiaries.

José Écio Pereira da Costa Junior. Mr. Pereira da Costa Junior was first appointed as an independent member of our Board of Directors in April 2013, and in June 2013 he became an alternate member. He currently also serves: on the audit committee of VID; as an independent director of Fibria Celulose S.A., where he served as chairman of the audit committee from December 2009 until March 2013; as a director and chairman of the audit committee of Gafisa S.A.; and as a director of BRMalls S.A., Princecampos Participações S.A. and the Brazilian Institute of Financial Executives – Paraná (*Instituto Brasileiro de Executivos de Finanças – Paraná*). Since December 2007, Mr. Pereira da Costa Junior has worked as a business management consultant with JEPereira Consultoria em Gestão de Negócios, which he founded. Previously, he worked from June 1986 until May 2002 as an audit partner with Arthur Anderson in Brazil, and as an audit partner with Deloitte Touche Tohmatsu in Brazil from June 2002 until June 2007, when he retired from Deloitte. Mr. Pereira da Costa Junior graduated with a degree in Business Administration from FGV, and a degree in Accounting from the University of São Judas Tadeu.

José Roberto Ermirio de Moraes. Mr. Ermirio de Moraes was appointed as an alternate member of our Board of Directors in April 2013. He currently serves as Vice President of the board of directors of VPar. He served on the board of directors of Aracruz from 2002 to 2004 and is currently a member of the Strategic Board of IEDI – Instituto de Estudos para o Desenvolvimento Industrial and the higher strategic board of industry of FIESP – Federação das Indústrias do Estado de São Paulo. From 1980 until 2005, he was also the President of Votocel Filmes Flexíveis Ltda. From 1984 until 2000, he was an officer of Votorantim Indústrias S.A. From 1989 until 2000, he worked as President of VCPS. He was the President of Cimento Rio Branco S.A. and Cimento Gaúcho from 1980 until 1989. Mr. Ermirio de Moraes graduated with a degree in metallurgical engineering from the Faculdade de Engenharia da Fundação Armando Álvares Penteado – FAAP, and completed a university extension course in Production Engineering at Fundação Vanzolini (Universidade de São Paulo).

Cláudio Ermirio de Moraes. Mr. Ermirio de Moraes was appointed as an alternate member of our Board of Directors in April 2013. He currently serves as a member of the board of directors of VPar. In December 1987, he became an assistant to the board of directors of the company. In 1989, he became the President of Citrovita Agroindustrial. He was a trainee at Nitro Química from 1985 until 1987, developing several projects related to nitrocellulose and project SO2 and participating in several training programs at the company's plants. He graduated with a degree in Chemical Engineering from the Fundação Armando Álvares Penteado – FAAP.

Clóvis Ermirio de Moraes Scripilliti. Mr. Ermirio de Moraes Scripilliti was appointed as an alternate member of our Board of Directors in April 2013. He currently serves as a member of the board of directors of Hejoassu, and is a member of the board of directors of VPar. He has worked with the Votorantim Group since 1980.

Maria Letícia de Freitas Costa. Mrs. Freitas Costa was appointed as an alternate member of our Board of Directors in April 2013. She currently also serves as an independent member of the boards of directors of Localiza Rent a Car S.A., Marcopolo S.A. and Technip S.A. She is a partner at Prada Assessoria, a company dedicated to corporate consulting, and she is also a coordinator of non-degree post-graduate studies at Insper (*Centro de Pesquisa em Estratégia do Insper*) in São Paulo. She began her career as a systems analyst at Indústrias Villares. In 1986, she joined Booz Allen Hamilton, now Booz & Company, where she worked until 2010, and where she served as President of Brazilian Operations from 2001 until her retirement in 2010. She previously served as an independent member of the boards of directors of Sadia S.A. until 2011, and of Gafisa S.A. in 2012. She graduated in Production Engineering from the Polytechnic School of the University of São Paulo (Universidade de São Paulo), and also obtained her MBA from the Johnson School at Cornell University.

Edward Ruiz. Mr. Ruiz was appointed as an alternate member of our Board of Directors on April 30, 2013. He also serves as an independent member of the board of directors of the transport and logistics company Trafti Logística S.A. in Sao Paulo. Until his retirement from Deloitte in May 2012, Mr. Ruiz was a partner with Deloitte Brazil, responsible for technical matters relating to IFRS and prior to that, Brazil's Capital Markets Group. He previously, worked in the financial departments of PepsiCo and JP Morgan in the United States. He began his career at Arthur Young & Company. A specialist in US GAAP and IFRS, he has significant experience with SEC reporting, PCAOB standards and conversion of financial statements between different international accounting standards, and has led teams working on a variety of IPOs and other public offerings. Mr. Ruiz holds a bachelor's degree in business administration and accounting from Pace University in New York, and is finalizing an international executive MBA from the FIA Business School in São Paulo. He became a Certified Public Accountant in 1972, holds a certificate of specialization in IFRS from the Association of Chartered Certified Accountants, or ACCA, is a candidate for a degree in IFRS specialization from ACCA, and holds a IBGC certificate from the Course for members of boards of directors (*Curso de Conselheiros de Administração)*.

Senior Management

We have a global senior management team and three regional teams for our operations in: (1) Brazil (including other South American countries); (2) North America; and (3) Europe, Africa and Asia. Each regional team has a senior management structure that adheres to the structure of our global senior management team.

Our members of the global senior management are currently as follows:

Name	Year of Birth	Position
Walter Herbert Dissinger	1962	Chief Executive Officer South American Operations Vice-President(1)
Lorival Nogueira Luz Junior	1971	Chief Financial and Investor Relations Officer
Paulo Oliveira Motta Junior	1962	South American Operations Vice-President(2)
Martin Fallon	1964	North American Operations Vice-President
Erik Madsen	1953	European, African and Asian Operations Vice-President
Claudia Elisa de Pinho Soares	1968	People, Performance and Communications Executive Director
Marcelo Chamma	1951	Corporate Development Executive Director
Edvaldo Araújo Rabelo	1958	Energy, Safety and Sustainability Executive Director
Alexandre Silva D'Ambrosio	1962	General Counsel

(1) Until June 2014.
(2) After June 2014.

The business address of the members of our management team in Brazil is Rua Gomes de Carvalho, 1996, 12º andar, 04547-006, São Paulo, State of São Paulo, Brazil.

We present below a brief biographical description of each member of our global senior management:

Walter Herber Dissinger. Mr. Dissinger was appointed as our Chief Executive Officer in January 2014 and will serve as our South American Operations Vice-President until June 2014. He previously acted as our Head of Brazilian and other South American Operations between July 2013 and December 2013. Prior to joining us, he held several positions at BASF, including Director of Strategy and Business Development, Global Vice-President of Performance Chemicals, Regional Vice-President of Agricultural Products and Global President of Nutrition & Health. Mr. Dissinger was also a member of BASF's Global Executive Committee. He graduated with a degree in Industrial Engineering from Karlsruhe University, completed graduate coursework in finances from INSEAD and completed an executive education program in negotiation and strategy from Harvard Business School.

Lorival Nogueira Luz Junior. Mr. Luz is our Chief Financial and Investor Relations Officer. Prior to joining Votorantim Cimentos, he was the Chief Financial and Investor Relations Officer of CPFL Energia S.A. and the Chief Financial Officer of CPFL Paulista, CPFL Piratininga, CPFL Geração, RGE and other subsidiaries of CPFL Energia S.A. During 2010 and 2011, he worked at VID as Chief Treasury and Investor Relations Officer. During 2008 and 2009, he was the Chief Financial and Investor Relations Officer of Estácio Participações. Prior to that, Mr. Luz worked for 17 years at Citibank, in several positions, including Corporate Bank Chief of Staff, Relationship Senior Manager, Senior Treasury Manager, Loan Portfolio Manager and Analyst of the Controller Department in Brazil. He was also the Chief Treasury Officer of Credicard and Banco Citicard. He graduated with a degree in Business Administration from Fundação Armando Álvares Penteado – FAAP and has completed several specialization courses in Brazil and abroad.

Paulo Oliveira Motta Junior. Mr. Motta will serve as our South American Operations Vice-President after June 2014. He joined Votorantim Cimentos in September 2010 after heading the zinc business of Votorantim Metais for six years. He was a member of the board of directors of Milpo between 2005 and 2010 and Vice President of the International Zinc Association from 2008 to 2010. Before joining the Votorantim Group, he was Business Officer at Alcan Aluminum S.A. Mr. Motta graduated with a degree in Engineering from Escola de Minas de Ouro Preto and also obtained his MBA from Universidade Federal da Bahia e from McGill University.

Martin Fallon. Mr. Fallon is the Head of our North American Operations. He is also the Chief Executive Officer of VCNA since 2012 and President of Suwannee, a position which he has held since 2008. Between 2007 and 2012, he was VCNA's Vice President of Business Development. Mr. Fallon has worked for our company since January 2003, when he rejoined Votorantim Industrial as President of Sales for St. Marys. He previously worked for Blue Circle Cement and Lafarge North America, where he began his career as Syracuse NY Terminal Manager in 1990. Mr. Fallon has been Chairman of the Cement Association of Canada since July 2012 and Chairman of the Florida Concrete & Products Association since June 2012. He graduated with a degree in Mechanical Engineering Maintenance from Bolton Street College of Engineering in Dublin, Ireland, in 1986 and completed an executive education program in general management at the Harvard Business School in 2011.

Erik Madsen. Mr. Madsen has been the Head of our European, African and Asian Operations since 2012. He has been with our company since January 2004, when he joined us as Head of Mergers & Acquisitions. He previously led VCNA as President and Chief Executive Officer from 2005 to 2012 and currently serves as the Chief Executive Officer of VCEAA. Prior to joining us, he worked for 25 years at FLSmidth & Co., serving as Executive Vice President. Mr. Madsen graduated with a M.Sc. in Chemical Engineering from the Technical University of Denmark in 1977 and has completed various business school programs in London, France, United States, Switzerland and Denmark since 1985.

Claudia Elisa de Pinho Soares. Ms. Soares has been our People, Performance and Communications Executive Director since July 2013. Prior to joining us, she held various positions in human resources and finance at Ambev and Grupo Pão de Açúcar in Brazil, Venezuela, England and Germany. Ms. Soares has a degree in Business Administration from Pontifícia Universidade Católica do Rio de Janeiro (PUC - RJ) and an MBA from INSEAD and also in Human Resources from FIA – USP.

Marcelo Chamma. Mr. Chamma is currently responsible for VCPro, our business unit in charge of other products, and our marketing activities through June 2014 and he is expected to become our Corporate Development Executive Director commencing in June 2014. He is also responsible for. He joined Votorantim Cimentos in 2001 and has held various positions in our company in marketing, planning and commercial operations for our product lines, and in trading. Prior to joining us, Mr. Chamma worked for companies such as Group Bunge, Serrana S.A Mineração, Quimbrasil - Química Industrial Brasileira S.A and currently works for Votorantim Group as Corporate Development Executive Director. Mr. Chamma has a degree in Mining Engineering from the University of São Paulo and Marketing Administration from FGV, with an Executive MBA from Sertão/Brasil and MBA in Franchising from Louisiana State University.

Edvaldo Araújo Rabelo. Mr. Araújo Rabelo is our Chief Technical Support Officer. He began working as a trainee at Cimento Portland Itaú in 1982 and has since served as manager, controller and plant manager. He served as one of VID's officers from 2000 until 2003 and as vice president of operations of VCNA from 2003 until 2006. He graduated with a degree in chemical engineering from the Universidade Federal de Minas Gerais in 1982, and he received an international master's degree in Business Administration from FEA of the University of São Paulo in 1995. He also completed an executive education program in general management at the Harvard Business School in 2006.

Alexandre Silva D'Ambrosio. Mr. D'Ambrosio was appointed as our General Counsel on January 2, 2014. Prior to joining us, Mr. D'Ambrosio was the Chief Corporate Officer and General Counsel of VPar since June 2003, and he has been a member of the board of directors of Fibria since November 2009. From 2001 to 2003, Mr. D'Ambrosio served as Vice President for Legal and Corporate Affairs of Global Village Telecom Ltda. He previously practiced corporate law in the United States from 1986 through 1996, as an associate and partner at major law firms in Washington, D.C. and New York City. He is licensed both as a Brazilian and U.S. lawyer and is an active member of the *Ordem dos Advogados do Brasil* (OAB São Paulo), the District of Columbia Bar, and the Court of International Trade in New York. Mr. D'Ambrosio received his law degree from the University of São Paulo (LL.B) and master degrees from Harvard Law School (LL.M) and the National Law Center of George Washington University (MCL).

Committees of our Board of Directors

Our board of directors has a statutory audit committee, a finance committee, a human resources and compensation committee and a strategy committee. We expect our board of directors to have such other committees as it may determine from time to time. Each of the standing committees of our board of directors has the composition and responsibilities assigned to them by our board of directors.

Audit Committee

On May 10, 2013, our board of directors established a statutory audit committee composed of three members. The Chairman of our audit committee is Mr. José Écio Pereira da Costa Junior and the other members are Mr. Edward Ruiz and Ms. Maria Letícia de Freitas Costa, each of whom our board of directors has determined is financially literate. Our board of directors has also determined that each member of our audit committee is "independent" under the regulations of the CVM. Our statutory audit committee may be composed of three to five members. Our audit committee qualifies as a statutory audit committee in accordance with the CVM regulations. In addition, our board of directors has designated Mr. José Écio Pereira da Costa Junior as the audit committee's financial expert.

Our audit committee's primary responsibilities are to assist the board of directors' oversight of: our accounting practices; the integrity of our financial statements; our compliance with legal and regulatory requirements; the qualifications, selection, independence and performance of our independent auditor; and our internal audit function. We adopted an audit committee charter defining this committee's primary duties in a manner consistent with the rules of the CVM and market standards.

Finance Committee

Our board of directors established a finance committee on May 20, 2013. Our finance committee reports to our board of directors and may be composed of three to five members, each elected by our board of directors for a term of one year. Our board of directors has elected João Carvalho de Miranda, Sergio Malacrida and Paulo Henrique de Oliveira Santos. At least one member of our finance committee shall be a professional with proven financial expertise.

Our finance committee is responsible for: (1) presenting medium- and long-term market scenarios to our board of directors; (2) proposing and monitoring annual performance targets for us and our subsidiaries, and the budgeting necessary to achieve them; (3) monitoring our performance through analysis of our results, market developments, and ongoing internal and external benchmarking; (4) analyzing, monitoring and offering suggestions to our board of directors regarding tax and regulatory matters; (5) analyzing and monitoring our annual investment plan; (6) analyzing and monitoring our capital structure and cash flow; and (8) analyzing and monitoring our working capital needs and those of our subsidiaries, as well as adequate financing alternatives.

Human Resources and Compensation Committee

Our board of directors established a human resources and compensation committee on August 27, 2013. Our human resources and compensation committee reports to our board of directors and may be composed of three to five members, each elected by our board of directors for a term of one year. Our board of directors has elected Gilberto Lara, Paulo Henrique de Oliveira Santos e Eduardo Borges de Andrade Filho to serve as its initial members.

Our human resources and compensation committee is responsible for: (1) compensation models by establishing corporate guidelines and standards for recruiting, human resources and compensation and proposing and implementing evaluation processes and professional improvement of the members of the board of directors, of the committees and the chief executive officer; (2) compensation of the executive board, the committees and of the chief executive officer; (3) appointing candidates for the management; (4) identifying abilities, profiles and talents needed for the company's aspirations, matching its ethical and moral principles; and (5) corporate culture, values and beliefs, ethics and conduct established by the board of directors and its adequate dissemination through the company.

Strategy Committee

Our board of directors established a strategy committee on August 27, 2013. Our strategy committee reports to our board of directors and may be composed of three to five members, each elected by our board of directors for a term of one year. Our board of directors has elected Paulo Henrique de Oliveira Santos, Markus Akermann, Eduardo Borges de Andrade Filho and Luis Vilar de Carvalho to serve as its initial members.

Our strategy committee is responsible for: (1) monitoring the industry context and its implications to the company's position in terms of competition, opportunities and risks; (2) assessing strategic matters at a short, medium and long terms, including competitiveness, new markets and products, innovation and sustainability; (3) orientation regarding investments and disinvestments opportunities; (4) establishing our long term strategic vision and strategic guidelines; and (5) suggesting ways of alignment and incentive.

Fiscal Council

According to Brazilian corporate law, a fiscal council (*Conselho Fiscal*), if constituted, must be a body independent of the company's management and external auditors. The main responsibility of the fiscal council is to oversee the activities of company's management and to analyze the financial statements. According to our bylaws, whenever appointed, it must consist of three to five members, with an equal number of alternates.

The fiscal council cannot include members of our board of directors, our senior management or employees, members of the board of directors or senior management, or employees of any company that we control or that is under common control with us, or spouses or relatives of our management.

Under Brazilian corporate law, each member of the fiscal council is entitled to receive as compensation an amount equal to at least 10.0% of the average salary paid to the each of company's board of executive officers excluding fringe benefits, allowances, and profit sharing arrangements.

We currently do not have a fiscal council.

Transactions in which Officers or Directors have a Conflict of Interest

Brazilian corporate law prohibits a director or officer from:

- performing any charitable act at our expense, except for such reasonable charitable acts for the benefit of employees or of the community in which we participate, upon approval by our board of directors or our executive board;
- receiving any type of direct or indirect personal advantage from third parties, by virtue of the director's or officer's position, without authorization pursuant to our bylaws or by a resolution of a general shareholders' meeting;
- borrowing money or property from us or using our property, services or credits for the director's or officer's own benefit, for the benefit of another company in which the director or officer has an interest or for the benefit of a third party, without the prior approval of resolution of a general shareholders' meeting or our board of directors;
- taking part in any corporate transaction in which the director or officer has an interest that conflicts with our interests, or in the decisions made by other directors or officers on the matter;
- using, for the director's or officer's own benefit or for the benefit of third parties, with or without prejudice, commercial opportunities made known to him as a result of his participation in our management;
- failing to exercise or protect our rights or, for the purposes of obtaining benefits for him or third parties, missing business opportunities for us;

- purchasing, for resale, assets or rights known to be of interest to us or necessary for our activities, or that we may intend to acquire; or

- making use of any material information not disclosed to the market which could affect the trading of our securities or from taking, for the director's or officer's own benefit or for the benefit of third parties, advantage through the purchase or sale of securities.

As of the date of this offering memorandum our directors or officers were in compliance with Brazilian corporate law relating to conflicts of interest and, to the best of our knowledge, there were no conflicts of interests between the private interests or other duties of our directors or officers and their duties to our company.

Compensation

Senior Management

Our senior management receives compensation for the services they provide to us. The aggregate cash compensation paid to our senior management in 2013 (composed mainly of our senior management team and our board of directors as of December 31, 2013) was approximately R$50.5 million, including pension, retirement or similar benefits.

The compensation that we pay to members of our senior management is evaluated on an annual basis considering the following primary factors: (1) individual performance during the year; (2) compensation paid in the market for similar positions; and (3) the individual's anticipated contribution to us and our growth. Members of our senior management are also eligible to participate in other benefits generally available for companies of comparable size. We believe that the compensation that we pay to members of our senior management is consistent with that of our peers.

Directors

Pursuant to our bylaws and Brazilian corporate law, our directors' compensation is determined by our shareholders, on an aggregate basis, and individually by the board of directors itself. We believe that our director fee structure is customary and reasonable for companies of our kind and size and consistent with that of our peers. We may increase these fees from time to time by a resolution of the general meeting of shareholders.

Share Ownership

As of the date of this offering memorandum our directors and members of our senior management did not own, beneficially or of record, any shares of our capital stock.

PRINCIPAL SHAREHOLDERS

The table below sets forth information regarding the beneficial ownership of our outstanding shares as of the date of this offering memorandum. Unless otherwise noted below, each shareholder's address is Rua Amauri, 255, 13th floor, São Paulo, SP 01448-000, Brazil.

	Common Shares	
Name of Beneficial Owner	**Number of Shares**	**% of Total**
VID	5,422,032,048	100.0%
VPar	1	0.0%
Total	**5,422,032,049**	**100.0%**

(1) The 5,422,032,048 shares owned by VID include 5,121,460,620 common shares and 300,571,428 preferred shares.

As of the date of this offering memorandum, our directors and executive officers did not own, beneficially or of record, any shares of our capital stock.

VID

The following table sets forth information concerning the current ownership of VID's capital stock, which consists solely of common shares:

	Common Shares	
Shareholders	**Number of Shares**	**% of Total**
VPar	17,687,578,914	100.0%
José Roberto Ermirio de Moraes	1	0.0%
Total	**17,687,578,915**	**100.0%**

VPar

The following table sets forth information concerning the current ownership of VPar's capital stock, which consists solely of common shares:

	Common Shares	
Shareholders	**Number of Shares**	**% of Total**
Hejoassu (1)	5,380,879,050	100.0%
Ermirio de Moraes family (2)	8	0.0%
Total	**5,380,879,058**	**100.0%**

(1) Hejoassu is wholly-owned by the Ermirio de Moraes family.
(2) References to the Ermirio de Moraes family are to Mr. Antonio Ermirio Moraes, Mr. Ermirio Pereira de Moraes, Mrs. Maria Helena de Moraes Scripilliti and Mr. José Ermirio de Moraes Neto and their descendants.

A description of any material relationship that our principal shareholders have had with us or any of our predecessors or affiliates within the past three years is included under "Certain Relationships and Related Party Transactions."

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with our shareholders and with companies that are owned or controlled, directly or indirectly, by us in the ordinary course of our business. We conduct these transactions on an arms' length basis and in accordance with the applicable legal requirements.

Pursuant to Brazilian corporate law, including rules and precedents of the CVM, any of our shareholders or any member of our board of executive officers or board of directors engaged in any transactions with us must abstain from voting at our general shareholders' meeting or at meetings of our board of executive officers or board of directors, as the case may be, with respect to: (1) approval of valuation reports of our assets used to capitalize our company in exchange for an issuance of capital stock; (2) approval of accounts as a member of our management; and (3) any transaction that may privately benefit such shareholder or member of our board of executive officers or board of directors, or where such individual's interest conflicts with our interest.

Brazilian corporate law also prohibits our directors and executive officers from: (1) undertaking any transaction using our assets that is detrimental to us; (2) receiving, based on the individual's position, any direct or indirect personal benefit from third parties, without authorization according to our bylaws or the consent of our shareholders approved at a general shareholders' meeting; and (3) participating in any of our business operations or decisions in which such director or executive officer has a conflict of interest with us. See "Transactions in which Officers or Directors have a Conflict of Interest" for more detail.

We maintain certain agreements with other companies controlled by our controlling shareholder in the ordinary course of business in order to share costs and expenses related to the use and maintenance of certain shared administrative functions. These transactions comply at all times with legal requirements regarding conflict of interests, and are monitored closely by our management.

As of the date of this offering memorandum, we do not have any loans or other financing agreements with any of our directors and executive officers. Our related party transactions consist mainly of loans and financings and purchases of electricity and petcoke. For more information, see note 14 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Set forth below is a description of our material related party transactions during the last three fiscal years.

Voto-Votorantim Overseas Trading Operations III Limited – Voto III

On January 23, 2004, Voto-Votorantim Overseas Trading Operations III Limited, "Voto III," a wholly-owned subsidiary of VID, issued 7.875% senior notes due 2014, or the Voto III 2014 Notes, in an aggregate principal amount of U.S.$300.0 million and maturing on January 23, 2014. These notes were unconditionally and irrevocably guaranteed by VPar, VCSA, Fibria Celulose S.A., Votorantim Metais S.A. and Votorantim Metais Zinco S.A. The indenture governing the issuance of these notes limited our liability pursuant to our guaranty to 45.0%, Fibria Celulose's liability under its guaranty to 15.0% and the liability of Votorantim Metais S.A. and Votorantim Metais Zinco S.A. under their guarantees together to 40.0%, in each case, of the outstanding principal amount of these notes. On December 28, 2012, Voto III redeemed the total outstanding principal amount under these notes.

Voto-Votorantim Overseas Trading Operations IV Limited – Voto IV

On June 24, 2005, Voto-Votorantim Overseas Trading Operations IV Limited, or Voto IV, a wholly-owned subsidiary of VID and Fibria at the time, issued 7.75% senior notes due 2020, or the Voto IV 2020 Notes, in an aggregate principal amount of U.S.$400.0 million and maturing on June 24, 2020. These notes are unconditionally and irrevocably guaranteed by VPar, VCSA and Fibria Celulose S.A. The indenture governing the issuance of these notes limits each of our and Fibria Celulose's liability to 50.0% of the outstanding principal amount of the Voto IV 2020 Notes. These notes bear interest at a rate of 7.75% per annum, payable on a semiannual basis on June 24 and December 24 of each year. As of December 31, 2013, the aggregate principal amount outstanding under these notes was U.S.$350.6 million.

In 2005, we entered into an intercompany loan with Voto IV in an aggregate principal amount of U.S.$200.0 million, and received 50.0% of the net proceeds from the offering of the Voto IV 2020 Notes. This intercompany

loan bears interest at a rate of 8.5% per annum, payable on a semi-annual basis, and matures on June 24, 2020. As of December 31, 2013, the aggregate principal amount outstanding under this intercompany loan was U.S.$155.3 million.

On September 30, 2013, VID made a capital contribution in-kind, whereby it contributed 50% of the outstanding shares of Voto IV to us.

Voto-Votorantim Overseas Trading Operations V Limited – Voto V

On September 25, 2009, Voto-Votorantim Overseas Trading Operations V Limited, or Voto V, a wholly-owned subsidiary of VID, issued its 2019 Notes in an aggregate principal amount of U.S.$1,000.0 million and maturing on September 25, 2019. These notes were unconditionally and irrevocably guaranteed by VPar, our company and CBA. Each of our and CBA's guarantee under these notes was limited to 50.0% of the principal amount outstanding. The 2019 Notes bear interest at a rate of 6.625% per annum, payable on a semiannual basis on September 25 and March 25 of each year. As of December 31, 2013, the aggregate principal amount outstanding under these notes was R$2,171.9 million (U.S.$927.1 million).

On March 10, 2010, we entered into an intercompany loan with Voto V in an aggregate principal amount of U.S.$492.0 million, corresponding to 50.0% of the net proceeds of the offering of the 2019 Notes. This intercompany loan bears interest at a rate of 6.92% per annum, payable on a semi-annual basis in September and March of each year, and had a maturity date on September 25, 2019.

On October 28, 2010, CBA assumed Voto V's obligations as issuer under the 2019 Notes, although the VPar (100%) and our (50.0%) guarantees remained in place. CBA also assumed our obligations under the related intercompany loan on October 28, 2010 and released us from all of our related obligations under this intercompany loan. On July 2, 2013, VID assumed CBA's obligations as issuer under the 2019 Notes, although the VPar (100%), CBA (50.0%) and our (50.0%) guarantees remained in place.

On March 10, 2014, VID commenced a cash tender offer for any and all of its 2019 Notes. As of the commencement of the 2019 Notes tender offer, U.S.$911.2 million in aggregate principal amount of the 2019 Notes was outstanding (including U.S.$74.0 million of 2019 Notes held by VID or its affiliates). VCSA, VPar and CBA are guarantors under the 2019 Notes. The 2019 Notes tender offer expired on March 21, 2014. U.S.$585.9 million in aggregate principal amount of the 2019 Notes were tendered in the 2019 Notes tender offer, all of which were accepted and purchased by VID.

Concurrently with the 2019 Notes Tender Offer, VID solicited consents to proposed amendments to eliminate substantially all of the restrictive covenants as well as various events of default and related provisions contained in the 2019 Notes Indenture. Adoption of the proposed amendments to the 2019 Notes required the consents of holders of a majority in aggregate principal amount of the outstanding 2019 Notes (excluding any 2019 Notes held by VID or its affiliates). The requisite consents were obtained and a supplemental indenture to the 2019 Notes Indenture including the proposed amendments to the 2019 Notes became effective as of March 28, 2014.

Voto-Votorantim Limited – Voto VI

On April 5, 2010, Voto-Votorantim Limited, a wholly-owned subsidiary of VID, issued the 2021 Notes in an aggregate principal amount of U.S.$750.0 million and maturing on April 5, 2021. These notes were unconditionally and irrevocably guaranteed by VPar, our company and CBA. Each of our and CBA's guarantee under these notes was limited to 50.0% of the principal amount outstanding. These notes bear interest at a rate of 6.75% per annum, payable on a semi-annual basis on April 5 and October 5 of each year. As of December 31, 2013, the aggregate principal amount outstanding under these notes was U.S.$713.5 million).

In 2010, we entered into an intercompany loan with Voto-Votorantim Limited in an aggregate principal amount of U.S.$370.0 million, corresponding to 50.0% of the net proceeds from the offering of the 2021 Notes. This intercompany loan bore interest at a rate of 6.96% per annum, payable on a semi-annual basis in April and October of each year and mature on April 5, 2021.

On October 1, 2010, CBA assumed Voto-Votorantim Limited's obligations as issuer under the 2021 Notes, although the VPar (100%) and our (50.0%) guarantees remained in place. CBA also assumed our obligations under the related intercompany loan on October 1, 2010 and released us from of all of our related obligations under this intercompany loan.

On March 10, 2014, CBA commenced a cash tender offer for its 2021 Notes, for up to an amount equal to (1) U.S.$1.0 billion less (2) the aggregate principal amount of 2019 Notes accepted for purchase in the 2019 Notes tender offer. VCSA and VPar are guarantors under the 2021 Notes. As of the commencement of the 2021 Notes tender offer, U.S.$713.5 million in aggregate principal amount of the 2021 Notes was outstanding (including U.S.$94.0 million of 2021 Notes held by CBA or its affiliates). The 2021 Notes tender offer expired on April 4, 2014. U.S.$295.3 million in aggregate principal amount of the 2021 Notes were tendered in the 2021 Notes tender offer, all of which were accepted and purchased by CBA.

Transactions with Votorantim GmbH

Purchases of petcoke

We enter into transactions with Votorantim GmbH, a wholly-owned subsidiary of VID, to purchase petcoke. Votorantim GmbH buys this petcoke from third-party suppliers and resells it to us with a margin with respect to its purchase price of between 14% and 15% as compensation for services provided, which we believe is consistent with market practice. We do not expect to negotiate any material changes in the terms and conditions of our purchases of pet coke from Votorantim GmbH after this global offering; however, we may decide in the future to purchase pet coke directly from third-party suppliers. In 2013, 2012 and 2011, we made payments to Votorantim GmbH for purchases of petcoke in an aggregate amount of R$356.0 million, R$230.2 million and R$415.5 million, respectively.

We intend to incorporate a new subsidiary that will act as the new purchaser of pet coke. We expect that this new subsidiary will be created before the end of 2014.

Loans

From time to time, we enter into loan agreements with Votorantim GmbH. As of December 31, 2013, 2012 and 2011, the aggregate amount of outstanding loans made by Votorantim GmbH to us was R$37.3 million, R$18.5 million and R$17.9 million, respectively. These loans generally have a term of two to five years and bear interest at a fixed rate of between 2.0% and 5% or at LIBOR *plus* a margin. Set forth below is a description of our principal loan agreements with Votorantim GmbH that were outstanding during the last three fiscal years.

Purchases of electricity from Votener

We purchase electricity from Votener, a subsidiary of VID, in the ordinary course of business. As of December 31, 2013, we had entered into several power purchase agreements with Votener to supply electricity for certain of our production facilities in Brazil. The terms of these agreements vary between four to six years and the price of the electricity is based on market prices. We do not expect to negotiate any material changes in the terms and conditions of our power purchase agreements with Votener after this global offering. In 2013, 2012 and 2011, we made payments to Votener in an aggregate amount of R$242.3 million, R$174.6 million and R$253.7 million, respectively, for purchases of electricity.

Transactions with Votorantim Industrial and VPar

Loans

From time to time, we enter into loan agreements with VPar and Votorantim Industrial.

As of December 31, 2013, 2012 and 2011, the aggregate amount of outstanding loans made by VPar to us was R$0.7 million, R$33.4 million and R$16.7 million, respectively. These loans generally have a term of up to seven years and bear interest at the SELIC rate.

As of December 31, 2013, 2012 and 2011, the aggregate amount of the outstanding loans made by Votorantim Industrial to us was R$83.6 million, R$0 and R$293.5 million, respectively. These loans generally have a term of between two and five years and bear interest at the SELIC rate. Set forth below is a description of our principal loan agreements with Votorantim Industrial outstanding during the last three fiscal years.

On April 30, 2010, we entered into a loan agreement with VID, as borrower, in an aggregate principal amount of R$600.0 million with a five year term. This loan bears interest at the SELIC rate during this period. As of December 31, 2011 and 2010, the aggregate outstanding amount under this loan was R$0.4 million and R$18.0 million, respectively. As of December 31, 2012, we had repaid all outstanding amounts under this loan.

Cost-sharing agreement and information technology agreement

We entered into an agreement with VID on April 13, 2005 for services provided by the Shared Solutions Center (*Centro de Soluções Compartilhadas*), or CSC, of VID related to administrative activities, human resources, back office, accounting, taxes, technical assistance, training, as well as leasing of equipment and office space for companies controlled by VID. Because these services are contracted to benefit of all of the companies controlled by VID, we reimburse the expenses related to these services to VID based upon the services actually provided to us by the CSC. We do not expect to negotiate any material changes in the terms and conditions of our cost-sharing agreement with VID after this global offering.

In addition, our information technology services are performed by the CCTI. CCTI was created and is managed by VID and provides information technology services to each of VID's different lines of businesses. These services are provided pursuant to a services agreement entered into between us and CCTI on June 19, 2012, which includes a description of all services provided with their respective benchmarks. We do not expect to negotiate any material changes in the terms and conditions of our information technology agreement with VID after this global offering.

Guarantees

VPar, the controlling shareholder of VID, and VID have guaranteed our obligations under certain of our financing agreements, including certain of our working capital facilities, debentures and international bonds. As of December 31, 2013, VPar and VID, individually or jointly, guaranteed R$10,443.9 million of our outstanding indebtedness, which total accounts for the removal of VID's guarantees under amendments to certain of our financing agreements. Although we do not currently compensate VPar or VID in exchange for their provision of these guarantees, we may begin to pay a guarantee fee on market terms to VPar and VID in respect of our net guaranteed obligations with VPar and VID at some point following the consummation of this global offering.

CBA, a wholly-owned subsidiary of VPar, guarantees 50.0% of the principal amount outstanding under our 2017 Euro-denominated Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness and Financing Strategy—Long-Term Indebtedness—International Bonds." As of December 31, 2013, CBA guaranteed R$1,254.7 million of these notes. Although we do not currently compensate CBA in exchange for its provision of this guarantee, we may begin to pay a guarantee fee on market terms to CBA in respect of our net guaranteed obligations with CBA at some point following the consummation of this global offering.

We intend to seek to enter into financings in the future without guarantees.

Share Purchase Agreements

On April 3, 2013, our subsidiary Votorantim Europe, S.L.U. entered into a share purchase agreement with Votorantim Andina S.A., a subsidiary of VID, pursuant to which we purchased 374,090,472 shares of Artigas, representing 38.39% of the capital stock of that company and 25,306,594 class B shares of Artigas, representing 38.39% of the capital stock of that company, for an aggregate purchase price of €154.6 million (equivalent to R$402.3 million using the exchange rate applicable as of April 3, 2013 of R$2.6001 per €1.00).

On May 14, 2013, we entered into a share purchase agreement with VID, pursuant to which VID purchased our 12.36% equity interest in VILA, for an aggregate purchase price of R$682.5 million. On May 28, 2013, we offset dividends payable to VID in the amount of R$280.2 million against part of the amount due from VID as a result of

this sale. The remaining balance was settled against a debt that one of our subsidiaries owed a subsidiary of VID resulting from our acquisition of additional equity interests in Avellaneda and Artigas.

Transactions with Hejoassu

Guarantees

Hejoassu, the controlling shareholder of VPar, has guaranteed our obligations under certain of our financing agreements with BNDES. As of December 31, 2013, Hejoassu guaranteed R$1,523.1 million of our outstanding indebtedness. Although we do not currently compensate Hejoassu in exchange for its provision of these guarantees, we may begin to pay a guarantee fee on market terms to Hejoassu in respect of our guaranteed obligations at some point following the consummation of this global offering. We intend to seek to enter into financings in the future without these guarantees.

DESCRIPTION OF THE NOTES

The notes are to be issued under an indenture (the "Indenture") among Votorantim Cimentos S.A. (the "Issuer"), Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), Deutsche Bank Luxembourg S.A., as registrar (the "Registrar"), Deutsche Bank AG, London Branch, as paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent"), and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as principal paying agent (the "Principal Paying Agent," and together with any other paying agents to be appointed pursuant to the Indenture, the "Paying Agents"). The Registrar, the Transfer Agent and the Paying Agents are collectively referred to herein as the "Agents." In this description, the term the "Issuer" refers only to the Issuer and not to any of its Subsidiaries. The statements under this caption relating to the notes and the Indenture are summaries and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein. Where reference is made to particular provisions of the Indenture or to defined terms not otherwise defined herein, those provisions or defined terms are incorporated herein by reference. Copies of the Indenture are available at the designated corporate trust office of the Trustee and also may be obtained from the Issuer. See "—Covenants—Provision of financial information."

General

The initial principal amount of the notes will be €650.0 million. The notes will be general unsecured, unconditional and unsubordinated obligations of the Issuer and will mature on April 25, 2021. Interest will accrue on the Outstanding principal amount of the notes from the original date of issuance of the notes at a rate of 3.250% and will be payable annually in arrears on April 25, commencing on April 25, 2015 to the Person in whose name the note is registered at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive, except December 25 and January 1. Principal (and premium, if any) and interest on the notes will be payable, and the notes may be presented for registration of transfer and exchange, at the specified office of the Registrar or any Transfer Agent maintained for that purpose, and, for so long as the notes are listed on the official list of the Irish Stock Exchange (Global Exchange Market) and the rules of such exchange so require, in the Republic of Ireland, provided that, at the option of the Issuer, payment of interest on the notes may be made by check mailed to the address of the Person entitled thereto as it appears in the Register. Deutsche Bank Trust Company Americas will be the trustee under the Indenture, Deutsche Bank Luxembourg S.A. has been appointed by the Issuer as registrar, and Deutsche Bank AG, London Branch has been appointed by the Issuer as transfer agent and paying agent with respect to the notes. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has been appointed by the Issuer as principal paying agent with respect to the notes.

The notes will be issued only in fully registered form, without coupons, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of notes.

The principal of and interest on the notes will be payable exclusively in euros or in such other coin or currency of the European Economic Area as at the time of payment is legal tender for the payment of public and private debts.

The Issuer may from time to time, without the consent of the Noteholders, create and issue additional notes under the same terms and conditions as the notes in all respects, except that the issue date, the issue price and the first payment of interest thereon may differ; *provided, however*, that unless such additional notes are issued under a separate ISIN number, either such additional notes are part of the same "issue" for U.S. federal income tax purposes or are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes. Additional notes issued in this manner shall be consolidated with and shall form a single series and vote together with the previously outstanding notes for all purposes hereof.

If any payment date or redemption date falls on a day which is not a Business Day, any payment of interest and principal with respect to the notes will be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest on such payment will accrue from and after such due date.

Ranking

The notes are general unsecured, unconditional and unsubordinated obligations of the Issuer, will rank at least equally in right of payment among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer (other than obligations preferred by statute or by operation of law).

As of December 31, 2013, on a consolidated basis, the Issuer had R$$13,501.3 million (U.S.$5,763.4 million) in aggregate principal amount of indebtedness outstanding.

Interest

The notes will bear interest from April 25, 2014 (the "Issue Date") at the rate of 3.250% *per annum* on the Outstanding principal amount thereof, payable annually in arrears on April 25 in each year (each, an "Interest Payment Date"), commencing April 25, 2015. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period."

Each note will cease to bear interest from the due date for redemption unless, upon due presentation of the global note(s) or certificated note(s) relating thereto, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such note up to that day are received by or on behalf of the relevant Noteholder and (b) the day the Registrar receives all sums due in respect of the notes (except to the extent that there is any subsequent default in payment).

With respect to a full Interest Period, the amount of interest payable on a note will be calculated by applying the rate of interest to the principal amount of such note and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any period other than a full Interest Period, the amount of interest payable on such note will be calculated by applying the rate of interest to the principal amount of such note, multiplied by the Actual/Actual (ICMA) day count fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

"*Actual/Actual (ICMA)*" means if interest is required to be calculated for a period of less than one year, the number of days in the relevant period divided by the number of days in the Interest Period in which the relevant period falls.

Covenants

The Indenture contains, among others, the following covenants:

Limitation on liens

The Issuer may not, and may not permit any of its Designated Subsidiaries to, Incur or suffer to exist any Lien on or with respect to any property, assets or Capital Stock now owned or hereafter acquired by the Issuer or Designated Subsidiary to secure any Indebtedness without making, or causing such Designated Subsidiary to make, effective provision for securing the notes (x) equally and ratably with (or prior to) such Indebtedness as to such property, assets or Capital Stock for so long as such Indebtedness will be so secured or (y) in the event such Indebtedness is Indebtedness of the Issuer or Designated Subsidiary which is subordinate in right of payment to the notes, prior to such Indebtedness as to any such property, assets or Capital Stock for so long as such Indebtedness will be so secured.

The foregoing restrictions shall not apply to:

(i) any Lien on the inventory or receivables and related assets (other than those described in clause (iii) below) securing obligations:

(A) under any short term lines of credit, entered into in the normal course of business, or

(B) under any working capital facility;

(ii) Liens created solely for the purpose of securing the payment of all or a part of the purchase price (or the cost of construction or improvement, and any related transaction fee and expenses) of assets or property (including Capital Stock of any Person) acquired, constructed or improved after the Issue Date; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens shall not exceed the purchase price of the assets or property so acquired, constructed or improved, (b) such Liens shall not encumber any assets or property other than the assets or property so acquired, constructed or improved and (c) other than any unimproved real property on which the property so constructed, or the improvement, is located shall attach to such assets or property within 365 days of the construction, acquisition or improvement of such assets or property; *provided, further*, that to the extent that the property or asset acquired is Capital Stock, and subject to the limitations in clause (c) above, the Lien also may encumber other property or assets of the Person so acquired, *provided, further*, that any Lien is permitted to be incurred on the Capital Stock of any Person securing any Indebtedness of that Person that is (a) non-recourse to the Issuer or the Designated Subsidiary, and (b) incurred solely for purposes of financing the acquisition, construction or improvement of any property or assets of such Person;

(iii) Liens on accounts receivable and related assets in connection with any credit facility, including export or import financings and other trade transactions, or in connection with any Securitization Transaction; provided that the aggregate amount of any Receivables sold or transferred in such Securitization Transaction securing Indebtedness shall not exceed (a) with respect to transactions related to revenues from exports, 80% of such Person's consolidated net sales from exports; or (b) with respect to transactions related to revenues from domestic sales, 80% of such Person's consolidated net sales in the jurisdiction in which such Person is located;

(iv) Liens granted to secure borrowings from (i) *Banco Nacional de Desenvolvimento Econômico e Social-BNDES*, or any other federal, regional or state governmental development bank or credit agency, or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(v) Liens existing on the Issue Date;

(vi) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary; provided that the Liens may not extend to any other property owned by such Person;

(vii) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; provided that the Liens may not extend to any other property owned by such Person;

(viii) Liens securing Indebtedness or other obligations of a Subsidiary of such Person owing to such Person or a Subsidiary of such Person;

(ix) Liens in favor of surety bonds or letters of credit issued pursuant to the request of, and for the account of, such Person in the ordinary course of its business;

(x) Liens securing obligations under hedging agreements not for speculative purposes;

(xi) any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of), in whole or in part, any Lien referred to in clauses (ii), (iv), (v), (vi) or (vii) above; provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement except for any increase reflecting premiums, fees and expenses in connection with such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements on such property); and

(xii) any Lien that does not fall within clauses (i) through (xi) above and that secures Indebtedness which, exclusive of Indebtedness secured by other Liens permitted under this covenant, does not exceed an aggregate principal amount equal to 15% of Consolidated Total Assets.

Ranking

The Issuer shall ensure that the notes will constitute general unsecured and unsubordinated obligations of the Issuer and will rank at least equally to all other present and future unsecured and unsubordinated obligations of the Issuer (other than obligations preferred by statute or by operation of law). No obligation will be considered to be senior to the notes by virtue of being secured on a first or junior priority basis.

Payment under the notes

The Issuer shall duly and punctually pay all amounts owed by it, and comply with all its other obligations, under the terms of the notes and the Indenture (collectively, the "Transaction Documents").

Maintenance of corporate existence

The Issuer shall, and shall cause each of its Subsidiaries to, maintain in effect their corporate existence and all registrations necessary therefor and take all actions to maintain all rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of their business, activities or operations; provided that this covenant shall not require (i) the Issuer or any of its Subsidiaries to maintain any such registration, right, privilege, title to property, franchise or the like or require the Issuer to preserve the corporate existence of any of its Subsidiaries, if the failure to do so would not have a material adverse effect on the Issuer and its Subsidiaries taken as a whole or have a material adverse effect on the rights of the Noteholders or (ii) the Issuer to preserve its corporate existence if it complies with the provisions under "—Mergers, consolidation and certain sales of assets."

Compliance with laws

The Issuer shall comply, and shall cause its Subsidiaries to comply, at all times with all applicable laws, rules, regulations, orders and directives of any government or government agency or authority having jurisdiction over the Issuer, the Subsidiaries or the business of any of them or any of the transactions contemplated herein, except where the failure by the Issuer so to comply would not have a material adverse effect on the Issuer and its Subsidiaries taken as a whole or have a material adverse effect on the rights of the Noteholders.

Maintenance of government approvals

The Issuer shall, and shall cause its Subsidiaries to, duly obtain and maintain in full force and effect all governmental approvals, consents or licenses of any government or governmental agency or authority under the laws of Brazil or any other government or government agency having jurisdiction over the Issuer or necessary in all cases for the Issuer to perform its obligations under the Transaction Documents or for the validity or enforceability thereof, except where the failure to do so would not have a material adverse effect on the Issuer and its Subsidiaries taken as a whole or have a material adverse effect on the rights of the Noteholders.

Payment of taxes and other claims

The Issuer shall, and shall cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Issuer or such Subsidiary, as the case may be, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Issuer or such Subsidiary, as the case may be; *provided* that neither the Issuer nor any Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings, or where the failure to do so would not have a material adverse effect on the Issuer and its Subsidiaries taken as a whole or have a material adverse effect on the rights of the Noteholders.

Maintenance of books and records

The Issuer shall, and shall cause each of its Subsidiaries to, maintain books, accounts and records in all material respects in accordance with applicable GAAP, and in any case in the manner necessary to facilitate consolidation into the Issuer's consolidated financial statements.

Maintenance of office or agency

The Issuer shall maintain an office or agency in the Borough of Manhattan, the City of New York, where notices to and demands upon the Issuer in respect of the Indenture and the notes may be served. Initially, this office will be at the offices of National Corporate Research, Ltd., located at 10 East 40th Street, 10th floor, New York, NY 10016, and the Issuer shall agree not to change the designation of such office without prior notice to the Trustee and designation of a replacement office in the same general location.

Notice of certain events

The Issuer shall give notice to the Trustee as soon as is practicable and in any event within ten calendar days after the Issuer becomes aware of the occurrence of any Event of Default or Default, accompanied by an Officer's Certificate of the Issuer setting forth the details of such Event of Default or Default and stating what action the Issuer proposes to take with respect thereto.

Provision of financial information

The Issuer has agreed that it will furnish to the Trustee and the Noteholders under the restricted global note or of a restricted certificated note and to any prospective purchasers of such notes, to the extent permitted by applicable law or contractual restrictions, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. The foregoing obligation will not apply to the Issuer that subsequently is subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Additionally, the Issuer shall provide the Trustee and the Noteholders, within 120 days of the end of each fiscal year and within 60 days of the end of each of the first three fiscal quarters, annual or quarterly financial statements, as applicable, in accordance with applicable GAAP and audited in the case of annual financial statements.

Notwithstanding the foregoing, if the Issuer makes available the information described above on the Issuer's or an affiliate's website, it will be deemed to have satisfied the reporting requirement set forth in such applicable clause. It is understood that the Trustee shall have no responsibility to determine whether any information has been posted on such website.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officer's Certificate). The Trustee shall have no obligation to determine if and when the Issuer's statements or reports are publicly available and accessible electronically.

Repurchases at the option of the Noteholders upon Change of Control

If a Change of Control occurs that results in a Rating Decline, each Noteholder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 and integral multiples of €1,000 in excess thereof) of the notes of that Noteholder pursuant to a Change of Control Offer (as defined below) on the terms set forth in the Indenture. No such purchase in part shall reduce the outstanding principal amount of the notes held by any Noteholder to below €100,000. In the Change of Control Offer, the Issuer will offer a "Change of Control Payment" in euros equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and Additional Amounts (as defined below), if any, on the notes repurchased, to the date of purchase (subject to the right of the holders of record on the relevant Record Date (as defined below) to receive interest and Additional Amounts, if any, on the relevant interest payment date).

Within 30 days following any Change of Control that results in a Rating Decline, the Issuer will make a "Change of Control Offer" by notice to each Noteholder in accordance with the provision set out under "—Notices" below, describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the date specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the

Indenture and described in such notice. The Issuer will also give notices to the Noteholders as may be required pursuant to the rules of the Irish Stock Exchange (Global Exchange Market) or such other exchange on which the notes may then be listed.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e)-1 of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer; and

(2) deposit with the Paying Agents an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered.

The Paying Agents will promptly mail to each Noteholder who properly tendered notes the Change of Control Payment for such notes, and the Trustee or Registrar will promptly authenticate and mail (or cause to be transferred by book entry) to each Noteholder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; *provided* that each new note will be in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer as may be required pursuant to the rules of the Irish Stock Exchange (Global Exchange Market) or such other exchange on which the notes may then be listed.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. However, pursuant to the Indenture, a Change of Control Offer is only required to be made in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, the Issuer would not be required to launch a Change of Control Offer. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Noteholders to require that the Issuer repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements, set forth in the Indenture, that are applicable to a Change of Control Offer made by the Issuer and such third party purchases all notes properly tendered and not withdrawn under the Change of Control Offer or (2) a notice of redemption has been given pursuant to the Indenture as described under the caption "—Redemption, repurchase and early repayment," unless and until there is a default in payment of the applicable redemption price.

Other existing and future indebtedness of the Issuer and its Subsidiaries may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that indebtedness to be repurchased upon a Change of Control. In addition, the exercise by the Noteholders of their right to require any of the Issuer to repurchase the notes upon a Change of Control may cause a default under such indebtedness even if the Change of Control itself does not.

If a Change of Control Offer occurs, the Issuer may not have available funds sufficient to make the Change of Control Payment for all the notes that might be delivered by holders seeking to accept the Change of Control Offer. In the event the Issuer is required to purchase outstanding notes pursuant to a Change of Control Offer, the Issuer's ability to pay cash to the Noteholders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases or that the Issuer will be able to obtain the necessary financing.

Notwithstanding anything to the contrary contained herein and subject to applicable law, a Change of Control Offer may be made in advance of a Change of Control and conditioned upon the occurrence of such Change of

Control and Rating Decline if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

In the event that the Noteholders of not less than 90% of the aggregate principal amount of Outstanding notes accept a Change of Control Offer and the Issuer or a third party purchases all the notes held by such holders, the Issuer will have the right, on not less than 30 nor more than 60 days' prior notice to the Noteholders, given not more than 30 days following the purchase date pursuant to the Change of Control Offer, to redeem all of the notes that remain outstanding following such purchase at the purchase price equal to that in the Change of Control Offer plus, to the extent not included in the purchase price, accrued and unpaid interest and additional amounts, if any, on the notes that remain Outstanding, to, but excluding, the date of redemption.

Mergers, consolidations and certain sales of assets

So long as any of the notes are Outstanding, the Issuer may not, in a single transaction or a series of related transactions:

(i) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into the Issuer (other than a consolidation or merger of a Wholly Owned Subsidiary organized under the laws of Brazil, the United States or any Organization for Economic Cooperation and Development country into the Issuer), or

(ii) directly or indirectly, transfer, sell, lease or otherwise dispose of all or substantially all of its assets (determined on a consolidated basis of the Issuer and its Subsidiaries) (provided that, the creation of a Lien on or in any of its assets shall not in and of itself constitute the transfer, sale, lease or disposition of the assets subject to the Lien)

unless the following conditions, to the extent applicable, are met:

(A) in the case of a transaction in which the Issuer does not survive or in which the Issuer sells, leases or otherwise disposes of all or substantially all of its assets to any other Person, the successor entity to the Issuer (1) shall expressly assume, by a supplemental indenture executed and delivered to the Trustee, all of the Issuer's obligations under the Indenture and (2) shall be organized under the laws of (x) Brazil or any state or political subdivision thereof, (y) the United States of America or any state thereof or the District of Columbia or (z) any other country if such successor entity undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that the net amounts paid pursuant to the notes after deduction or withholding of any present or future withholding taxes, levies, imposts or charges whatsoever imposed by or for the account of such country or any political subdivision or taxing authority thereof or therein shall equal the respective amounts of principal (and premium, if any) and interest specified in the notes, subject to the same exceptions set forth under clauses (i) through (vii) under Payment of Additional Amounts, but replacing existing references in such clauses to Brazil and Japan with references to such other country;

(B) if, as a result of any such transaction, property or assets of the Issuer would become subject to a Lien prohibited by the provisions described under the caption "—Covenants—Limitation on liens," the Issuer or the successor entity to the Issuer shall have secured the notes as described under the caption "—Covenants—Limitation on liens"; and

(C) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer, lease or acquisition **(**and, if a supplemental indenture**)** is required in connection with such transaction, such supplemental indenture complies with this covenant and that all conditions precedent herein provided for relating to such transaction have been complied with.

In the event of any transaction (other than a lease) described in and complying with the immediately preceding paragraph in which the Issuer is not the surviving Person and the surviving Person assumes all the obligations of the Issuer under the notes and the Indenture pursuant to a supplemental indenture, such surviving Person shall succeed

to, and be substituted for, and may exercise every right and power of, the Issuer, and the Issuer will be discharged from its obligations under the notes and the Indenture. In such case, the Issuer will publish a notice with respect to such transaction if required by the rules of the Irish Stock Exchange (Global Exchange Market) or such other stock exchange on which the notes may then be listed.

Substitution of the Issuer

Notwithstanding any other provision contained in the Indenture:

(i) the Issuer may, without the consent of the holders of the notes (and by subscribing for any notes, each holder of the notes expressly consents to it), be replaced and substituted by any Wholly Owned Subsidiary of the Issuer or a Wholly Owned Subsidiary of Votorantim Participações S.A. as principal debtor (in such capacity, the "Substituted Debtor") in respect of the Notes provided that:

(A) such documents shall be executed by the Substituted Debtor, the Issuer and the Trustee as may be necessary to give full effect to the substitution, including a supplemental Indenture whereby the Substituted Debtor assumes all of the Issuer's obligations under the Indenture and notes (together, the "Issuer Substitution Documents");

(B) if the Substituted Debtor is organized in a jurisdiction other than Brazil, the Issuer Substitution Documents will contain covenants (i) to ensure that each holder of the notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of Additional Amounts (but, replacing references to Brazil with references to such other jurisdiction) and (ii) to indemnify each holder and beneficial owner of the notes against all taxes or duties which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such holder or beneficial owner of the notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made, subject to similar exceptions set forth under clauses (ii) through (vii) under "— Payment of Additional Amounts," *mutatis mutandis*; *provided*, that any holder making a claim with respect to such tax indemnity shall provide the Issuer with notice of such claim, along with supporting documentation, within four weeks of the announcement of the substitution of the Issuer as issuer; *provided further*, that none of the Issuer, any paying agent or any other person shall be required to indemnify any holder or beneficial owner of the notes for any taxes imposed pursuant to FATCA, the laws of Brazil implementing FATCA, or any agreement between the Issuer and the United States or any authority thereof implementing FATCA;

(C) the Issuer shall have delivered, or procured the delivery to the Trustee of, an opinion of counsel to the effect that the Issuer Substitution Documents constitute valid and binding obligations of the Substituted Debtor;

(D) the Substituted Debtor shall have appointed a process agent in the Borough of Manhattan, the City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Issuer Substitution Documents; and

(E) there is no outstanding Event of Default in respect of the notes.

(ii) Upon the execution of the Issuer Substitution Documents as referred to in paragraph (i)(A) above, the Substituted Debtor shall be deemed to be named in the notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the notes shall thereupon be deemed to be amended to give effect to the substitution. Except as set forth above, the execution of the Issuer Substitution Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all its obligations in respect of the notes and its obligation to indemnify the Trustee under the Indenture.

Any Substituted Debtor shall be considered the "Issuer" for the purpose of this Description of the Notes.

Payment of Additional Amounts

Any and all payments to a Noteholder of principal (and premium, if any) and interest in respect of the notes will be made free and clear of, and without withholding or deduction for, any and all present and future withholding taxes, duties, assessments, levies, imposts or charges ("Taxes") whatsoever imposed by or on behalf of, Brazil or any political subdivision or taxing authority thereof or therein or Japan, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "Additional Amounts") as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any note:

(i) held by, or by a third party on behalf of, a holder or beneficial owner which is liable for such taxes, duties, assessments, levies, imposts or governmental charges in respect of such note by reason of its (or a fiduciary, settlor, member or shareholder, beneficiary of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) having some present or former connection with Brazil or Japan (including being or having been a citizen or resident of Brazil or Japan or being or having been engaged in trade or business therein) other than the mere holding of such note; or

(ii) where (in the case of a payment of principal, premium, if any, or interest on the Maturity Date or date of earlier redemption) the relevant note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to such Additional Amounts if it had surrendered the relevant note on the last day of such period of 30 days; or

(iii) if such tax is an estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment, levy, impost or governmental charge; or

(iv) if such amount is (a) payable other than by withholding from a payment on such note, or (b) required to be withheld by a paying agent and such payment can be made without such withholding by any other paying agent; or

(v) if such tax, duty, assessment, levy, impost or governmental charge would not have been imposed but for the failure of such holder to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with Brazil or Japan of the Noteholder or beneficial owner of such note if such compliance is required as a precondition to relief or exemption from withholding or deduction of all or part of such tax, duty, assessment, levy, impost or governmental charge; or

(vi) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any European Union Directive otherwise implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, any such Directive; or

(vii) in the case of any combination of items (i) through (vi).

"*Relevant Date*" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Notwithstanding anything to the contrary in the preceding paragraph, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any treaty, law, regulation or other official guidance enacted by any jurisdiction implementing FATCA, or any agreement between the Issuer and the United States or any authority thereof implementing FATCA.

The Issuer shall pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of the notes or any other document or instrument referred to therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Brazil, except those resulting from, or required to be paid in connection with, (i) the execution in or bringing to Brazil of the notes or any document or instrument; (ii) the production before a court of Brazil of the notes or any document or instrument or (iii) the enforcement of the notes or any other such document or instrument following the occurrence of any Event of Default with respect to the notes.

References to principal or interest shall be deemed to include any Additional Amounts in respect of principal, premium, if any, or interest (as the case may be) which may be payable under the notes. If the Issuer becomes subject at any time to any taxing jurisdiction other than Brazil, references herein to Brazil shall be construed to include such other jurisdiction.

Tax repurchase

If as a result of any Change of Law (as defined below):

(i) the Issuer is or would be required on the next succeeding interest payment date to pay any Additional Amounts; or

(ii) the issuers/borrowers of certain intercompany debt are or would be required on the next succeeding interest payment date to pay Brazilian withholding taxes in excess of a general rate of 15% (or 12.5% as provided for in the treaty to avoid double taxation between Brazil and Japan); *provided* that, such requirement to pay such taxes in excess of a general rate of 15% was not caused by, or otherwise the result of, whether directly or indirectly, wholly or in part, any amendment to the intercompany bonds,

and in either case, the payment of such excess amounts cannot be avoided by the use of any reasonable measures available to the Issuer, the notes may be repurchased, by the Issuer at the option of the Issuer, in whole but not in part, upon not less than 30 nor more than 90 days' notice to the Noteholders, which notice will be published, at any time following such Change of Law at a repurchase price equal to the principal amount thereof, plus accrued and unpaid interest, if any, to the date fixed for repurchase. The Issuer or its Affiliates will also pay to the Noteholders on the repurchase date any Additional Amounts which are payable.

"Change of Law" means any change in or amendment to the laws or regulations of Brazil or Japan (or of any political subdivision thereof or therein) or the adoption, amendment or modification of any resolution of the Central Bank of Brazil or such other countries (or any successor authority thereto) which becomes effective on or after the date of the Indenture resulting in the Issuer on a consolidated basis being required to pay amounts with respect to taxes as described above in a total aggregate amount in excess of that payable immediately prior to such change or amendment.

Prior to the delivery of any notice of repurchase in accordance with the foregoing, the Issuer shall deliver to the Trustee and Agents an Officer's Certificate stating that the Issuer is entitled to effect such repurchase based on an Opinion of Counsel or written advice of a qualified tax expert, that the Issuer has or will, or that there is a substantial probability that the Issuer has or will, become obligated to pay such excess amounts with respect to Taxes as a result of such Change of Law. Such notice, once delivered by the Issuer to the Trustee, will be irrevocable.

Redemption, repurchase and early repayment

The Issuer has the right at its option to redeem any of the notes in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days' but not more than 60 days' notice to the Noteholders, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (inclusive of interest accrued to the date of redemption) discounted to the redemption date on an annual basis (calculated in a manner consistent with the calculation of interest as set forth in "—Interest") at the Bund Rate plus 50 basis points (the "Make-Whole Amount"), plus in the case of clause (1) only, accrued and unpaid interest on the principal amount of the notes to the date of redemption. In the case of a partial redemption of notes that are represented by a global note, the relevant

notes will be redeemed by lot, subject to the rules of Euroclear and Clearstream, unless the method is otherwise prohibited.

"Bund Rate" means, as of any redemption date, the rate per annum equal to the yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the remaining term of the notes to be redeemed and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the notes and of a maturity most nearly equal to the remaining term of the notes to be redeemed; provided, however, that, if the remaining term of the notes to be redeemed is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the remaining term of the notes to be redeemed is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means at least three leading dealers of German Bundesanleihe securities reasonably designated by the Issuer; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless the Issuer defaults in the payment of the redemption price and accrued interest). On or before the redemption date, the Issuer will deposit with the Trustee or an Agent money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the notes to be redeemed on such date.

The Issuer may at any time repurchase the notes at any price in the open market or otherwise. The Issuer may hold or resell the notes it purchases or may surrender them to the Trustee or an Agent for cancellation.

Certain definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"*Affiliate*" of any Person means any other Person controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, London or Luxembourg are authorized or required by law to close and also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for settlement of payments in euros.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability set forth on a balance sheet of such Person in accordance with applicable GAAP. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with applicable GAAP.

"*Capital Stock*" of any Person means any and all shares, interests, participations or other equivalents (however designated) of corporate stock or other equity participations, including quotas in a Brazilian limited liability quota company (*limitada*) or partnership interests, whether general or limited, of such Person.

"*Cash Equivalents*" means:

(1) Brazilian *reais*, United States dollars, euros, or money in other currencies received in the ordinary course of business that are readily convertible into United States dollars or euros,

(2) any evidence of Debt with a maturity of 180 days or less issued or directly and fully guaranteed or insured by the Federative Republic of Brazil or the United States of America or any agency or instrumentality thereof, *provided* that the full faith and credit of the Federative Republic of Brazil or the United States of America is pledged in support thereof,

(3) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers' acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of the Federative Republic of Brazil or any political subdivision thereof or the United States or any state thereof having capital, surplus and undivided profits in excess of U.S.$500.0 million whose short-term debt is rated "A-2" or higher by S&P or "P-2" or higher by Moody's,

(4) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above,

(5) commercial paper rated at least P-1 by Moody's or A-1 by S&P and maturing within six months after the date of acquisition, and

(6) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (1) through (6) above.

"*Change of Control*" means that the Permitted Holders shall cease to own, directly or indirectly, at least a majority of the outstanding voting power of the Voting Stock of the Issuer and shall cease to have the power to direct or cause the direction of the management and policies of the Issuer.

"*Consolidated Total Assets*" means, on a consolidated basis, the Issuer's total amount of assets calculated based on the most recent balance sheet delivered by the Issuer to the Trustee pursuant to the Indenture, after giving pro forma effect to any acquisition or disposition of companies, divisions, lines of businesses, operations or assets by the Issuer and its Subsidiaries subsequent to such date.

"*corporation*" means a corporation, association, company, limited liability company, joint-stock company or business trust.

"*Default*" means an event that with the passing of time or the giving of notice or both shall constitute an Event of Default.

"*Designated Subsidiary*" means any Subsidiary of the Issuer which at the time of determination either (1) had assets which, as of the date of the Issuer's most recent quarterly consolidated balance sheet, constituted at least 10% of the Issuer's total assets on a consolidated basis as of such date, or (2) had revenues for the 12-month period ending on the date of the Issuer's most recent quarterly consolidated statement of income which constituted at least 10% of the Issuer's total net revenues on a consolidated basis for such period, in each case, after giving pro forma effect to any acquisition or disposition of companies, divisions, lines of businesses, operations or assets by the Issuer and its Subsidiaries subsequent to such date or the beginning of such period, as applicable.

"*Disqualified Stock*" of any Person means any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the stated maturity of the notes.

"*Event of Default*" has the meaning specified in "—Events of Default."

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended (or any successor act), and the rules and regulations thereunder.

"*Fitch*" means Fitch Rating Service, Inc., and its successors.

"*GAAP*" means, as elected from time to time by the Issuer, (i) the accounting principles prescribed by Brazilian Corporate Law, the rules and regulations issued by the applicable regulators, (ii) International Financial Reporting Standards, or (iii) accounting practices generally accepted in the United States, in each case, as in effect from time to time.

"*global note*" means, as the context may require, any or all of the Regulation S global note(s) and the restricted global note(s).

"*guarantee*" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness (and "guaranteed," "guaranteeing" and "guarantor" shall have meanings correlative to the foregoing); *provided* that, the guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business; *provided further* that, the Incurrence by the Issuer or a Designated Subsidiary of the Issuer of a Lien permitted under clause (ii) of the second paragraph of "—Covenants—Limitation on liens" shall not be deemed to constitute a guarantee by the Issuer or a Designated Subsidiary of any purchase money debt of such Person secured thereby.

"*Incur*" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation including by acquisition of Subsidiaries or the recording, as required pursuant to applicable GAAP or otherwise, of any such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred," "Incurrable" and "Incurring" shall have meanings correlative to the foregoing); *provided* that, a change in applicable GAAP that results in an obligation of such Person that exists at such time becoming Indebtedness shall not be deemed an Incurrence of such Indebtedness and that neither the accrual of interest nor the accretion of original issue discount shall be deemed an Incurrence of Indebtedness; *provided further* that, the Issuer may elect to treat all or any portion of revolving credit debt commitment, whether or not then outstanding, of the Issuer or a Subsidiary as being incurred from and after any date beginning the date the revolving credit commitment is extended to the Issuer or a Subsidiary, by furnishing notice thereof to the Trustee, and any borrowings or reborrowings by the Issuer or a Subsidiary under such commitment up to the amount of such commitment

designated by the Issuer as Incurred shall not be deemed to be new Incurrences of Indebtedness by the Issuer or such Subsidiary.

"*Indebtedness*" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including any such obligations Incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are payable on customary trade terms or which are being contested in good faith), (v) all obligations to redeem Disqualified Stock issued by such Person, (vi) every Net Obligation under Interest Rate and Currency Protection Agreements of such Person, (vii) every Capital Lease Obligation of such Person, and (viii) every obligation of the type referred to in clauses (i) through (vii) of another Person and all dividends of another Person the payment of which, in either case, such Person has guaranteed.

The "amount" or "principal amount" of Indebtedness at any time of determination represented by any Receivables Sale shall be the amount of the unrecovered capital or principal investment of the purchaser (other than the Issuer or any Wholly Owned Designated Subsidiary of the Issuer) thereof for which the Seller of the Receivables remains obligated, excluding amounts representative of yield or interest earned on such investment. In no event shall Indebtedness include any liability for taxes.

"*Indenture*" means the Indenture described in the first paragraph of "Description of the Notes" as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions of the Indenture.

"*Interest Rate or Currency Protection Agreement*" of any Person means any forward contract, futures contract, swap, option, hedge or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates or currency exchange rates or indices.

"*Investment Grade Rating*" means a rating equal to or higher than (i) BBB- (or the equivalent) by S&P, (ii) Baa3 (or the equivalent) by Moody's or (iii) BBB- (or the equivalent) by Fitch.

"*Lien*" means any mortgage, pledge, security interest, encumbrance or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to give any security interest).

"*Maturity Date*" means the date on which the principal of the note becomes due and payable as provided in the notes, whether at the stated maturity or by declaration of acceleration, call for redemption or otherwise.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Obligation*" at any date of determination means the net amount, exclusive of any commissions or administrative fees, that a Person would be obligated to pay upon the termination of an Interest Rate and Currency Protection Agreement as of such date.

"*Noteholder*" or "*holder*" means the person in whose name a note is registered in the Register.

"*Officer's Certificate*" means a certificate signed by any of the following: the Chief Executive Officer, President, Chief Financial Officer or a Vice President; and delivered to the Trustee and containing the statements provided for in "—Events of Default" (if applicable).

"*Opinion of Counsel*" means a written opinion of legal counsel, who may be counsel for the Issuer.

"*Outstanding*," when used with respect to the notes, means, as of the date of determination, all the notes theretofore authenticated and delivered under the Indenture (including, as of such date, all the notes represented by

global notes authenticated and delivered under the Indenture), except the reduced portion or portions of any global note, as such reduction or reductions shall have been endorsed on such global note by the Trustee as provided herein and, except:

(i) the notes theretofore cancelled by the Trustee (or an Agent) or delivered to the Trustee (or an Agent) for cancellation;

(ii) the notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Issuer) in trust or set aside and segregated in trust by the Issuer (if the Issuer shall act as its own Paying Agent) for the Noteholders; provided that, if such notes are to be repurchased, notice of such repurchase has been duly given pursuant to the Indenture; and

(iii) notes which have been issued pursuant to "—Replacement of notes" or in exchange for or in lieu of which other notes have been authenticated and delivered pursuant to the Indenture, other than any such notes in respect of which there shall have been presented to the Trustee or an Agent proof satisfactory to it that such notes are held by a bona fide purchaser in whose hands such notes are valid obligations of the Issuer;

provided that, in determining whether the holders of the requisite principal amount of the Outstanding notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, notes owned by the Issuer or any other obligor upon the notes or any Affiliate of the Issuer or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee or an Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only notes which a responsible officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such notes and that the pledge is not the Issuer or any other obligor upon the notes or any Affiliate of the Issuer or of such other obligor.

"*Permitted Holders*" mean (i) any of Mr. Antonio Ermírio de Moraes, Mr. Ermírio Pereira de Moraes, Mrs. Maria Helena de Moraes Scripilliti and Mr. José Ermírio de Moraes Filho and any of their descendants, (ii) any Affiliate of any of the foregoing and (iii) any corporation, partnership, joint venture, association, trust, unincorporated organization, or any other entity or group formed pursuant to a shareholders, control or voting agreement or similar agreement, of which any one or more of the Permitted Holders referred to in clauses (i) or (ii) hereof is a shareholder, partner, beneficiary, member or party.

"*Person*" means any individual, corporation, partnership, joint venture, association, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"*Rating Agency*" means each of S&P, Moody's and Fitch; *provided* that if any of S&P, Moody's or Fitch ceases to rate the notes or fails to make a rating on the notes publicly available, the Issuer will appoint a replacement for such Rating Agency that is a "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Rating Date*" means the date which is 90 days prior to the earlier of (i) a Change of Control and (ii) public notice of the occurrence of a Change of Control or of the intention of the Permitted Holders or the Issuer to effect a Change of Control.

"*Ratings Decline*" means the occurrence of the following on, or within 90 days after, the date of public notice of the occurrence of a Change of Control or of the intention by a Permitted Holder or the Issuer to effect a Change of Control (which period shall be extended so long as the rating of such notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies): (i) in the event the notes are assigned an Investment Grade Rating by at least two of the Rating Agencies on the Rating Date, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event the notes are rated below an Investment Grade Rating by at least two of the Rating Agencies on the Rating Date, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more gradations (including gradations (but not outlooks) within rating categories as well as between rating categories); provided that any such Rating Decline is in

whole or in part in connection with a Change of Control. The Issuer will provide the Trustee with prompt written notice of any Ratings Decline, and the Trustee shall not be deemed to have knowledge of any Ratings Decline until it receives such notice.

"*Receivables*" means receivables, chattel paper, instruments, documents or intangibles evidencing or relating to the right to payment of money in respect of the sale of goods or services.

"*Receivables Sale*" of any Person means any sale of Receivables of such Person (pursuant to a purchase facility or otherwise), other than in connection with a disposition of the business operations of such Person relating thereto or a disposition of defaulted Receivables for the purpose of collection and not as a financing arrangement.

"*Register*" has the meaning specified in "—Register, transfers, title and delivery."

"*S&P*" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., and its successors.

"*Securities Act*" means the U.S. Securities Act of 1933 and any statute successor thereto, in each case as amended from time to time.

"*Securitization Transaction*" means a transaction in which the Issuer or a Subsidiary thereof sells or transfers an interest in Receivables (and/or any rights arising under the documentation governing or relating to such Receivables covered by such transaction, any proceeds of Receivables and any lockboxes or accounts in which such proceeds are deposited and any related assets) to a special purpose entity that issues securities payable from collections of such Receivables or other assets.

"*stated maturity*," when used with respect to any note or any installment of interest thereon, means the date specified in such note, as the date on which the principal of such note or such installment of interest, as the case may be, is due and payable.

"*Subsidiary*" of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"*Taxes*" has the meaning set forth in "—Payment of Additional Amounts."

"*Trustee*" means the Person named as the "Trustee" in the Indenture until a successor trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor trustee.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding that are entitled (without regard to the occurrence of any contingency) to vote in the election of the directors of such Person, but excluding such classes of Capital Stock or other interests that are entitled, as a group in a separate cast, to appoint one director of such Person as representative of the minority shareholders.

"*Wholly Owned Designated Subsidiary*" of any Person means a Designated Subsidiary of such Person of which at least 95% of the outstanding Capital Stock or other ownership interests (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Designated Subsidiaries of such Person.

"*Wholly Owned Subsidiary*" of any Person means any entity owned by such Person of which at least 95% of the outstanding Capital Stock or other ownership interests (other than directors' qualifying shares) of such entity shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

Events of Default

The following will be Events of Default under the Indenture:

(i) failure to pay any amount of principal of (or premium, if any) any note when due;

(ii) failure to pay any interest, including Additional Amounts, if any, on any note when due and such failure shall continue for a period of 30 days;

(iii) failure to perform any covenant or agreement of the Issuer under the Indenture or the notes and such failure is incapable of remedy, or, if such failure is capable of remedy, remains unremedied for 60 days after the Trustee has given written notice thereof to the Issuer;

(iv) failure to pay when due or, as the case may be, within any originally applicable grace period, any amount of principal and premium, if any, or interest (including Additional Amounts, if any), due under the terms of any instrument evidencing Indebtedness of the Issuer or any of its Designated Subsidiaries, or any such Indebtedness of the Issuer or any of its Designated Subsidiaries that becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer thereof by reason of the occurrence of an event of default howsoever described; *provided* that, the aggregate amount of any such Indebtedness equals with respect to such Person, on a consolidated basis U.S.$100.0 million or more (or its equivalent in other currency or currencies);

(v) the rendering of a final judgment or judgments (not subject to appeal) for the payment of money against the Issuer or any of its Designated Subsidiaries which remains undischarged, unbonded or unstayed (and otherwise not covered by enforceable insurance policies issued by reputable and creditworthy insurance companies) for a period of 60 consecutive days after the date on which the right to appeal all such judgments has expired or, if later, the date therein specified for payment; provided that, the aggregate amount of any such final judgment equals or exceeds with respect to such Person, on a consolidated basis U.S.$100.0 million (or its equivalent in other currency or currencies);

(vi) all or substantially all of the assets of the Issuer or any of its Designated Subsidiaries shall be condemned, seized or otherwise appropriated, or custody of such property shall be assumed by any governmental authority or court or other person purporting to act under the authority of the federal government of any jurisdiction, or the Issuer or any of its Designated Subsidiaries shall be prevented from exercising normal control over all or a substantially all of its respective property or revenues, if the whole or part of such property or revenues is material to the Issuer or such Designated Subsidiary, respectively, considered as a whole;

(vii) (a) a secured party takes possession of all or substantially all of the assets or revenues of the Issuer or any of its Designated Subsidiaries or (b) a receiver or similar officer is appointed, of all or substantially all of the assets or revenues of the Issuer or any of its Designated Subsidiaries;

(viii) certain events of bankruptcy, insolvency, *recuperação judicial* or reorganization affecting the Issuer or any of its Designated Subsidiaries; and

(ix) the performance or compliance by the Issuer with any of its obligations under or in respect of the notes or the Indenture if any such performance or compliance would be unlawful, unless the Issuer shall have provided to the Trustee an Officer's Certificate specifying that such failure does not, or would not, have either a material adverse effect on the Issuer and Subsidiaries taken as a whole, or a material adverse effect on the rights of the Noteholders.

The holders of a majority in aggregate principal amount of the Outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Trustee may refuse, however, to follow any direction that the Trustee, in its sole discretion, determines may be unjustly prejudicial to the rights of the holders or that may subject the Trustee to any liability or expense if the Trustee determines, in its sole discretion, that it lacks satisfactory indemnification against such loss or expense.

If any Event of Default (other than an Event of Default described in clause (viii) above with respect to the Issuer) shall occur and be continuing, either (i) the Trustee or (ii) the holders of at least 25% in aggregate principal amount of the Outstanding notes may accelerate the maturity of all notes; *provided* that, after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of Outstanding notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, have been cured or waived as provided in the Indenture. The Trustee shall not be obligated to take any action with respect to an Event of Default under clauses (vi) and (vii) above unless it shall have received written notification from the Issuer and/or the Noteholders representing at least 25% of the aggregate principal amount of Outstanding notes that an Event of Default described in such clauses has occurred. If an Event of Default specified in clause (viii) above occurs with respect to the Issuer, the Outstanding notes will ipso facto become immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholder. For information as to waiver of defaults, see "—Modification and waiver."

No Noteholder will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Noteholder shall have previously given to the Trustee written notice of a continuing Event of Default and unless also the holders of at least 25% in aggregate principal amount of the Outstanding notes shall have made a written request to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the holders of a majority in aggregate principal amount of the Outstanding notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a Noteholder for enforcement of payment of the principal of, and premium, if any, or interest on, such note on or after the respective due dates expressed in such note.

The Indenture will provide that if a Default occurs and is continuing, generally the Trustee must, within 90 days after the occurrence of such Default, give to the Noteholders notice of such Default. The Trustee may withhold from Noteholders notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal of, premium, if any, or interest on, the notes) if it determines that withholding such notice is in their interest; provided that, in the case of a default of a character specified in clause (iv) above, no such notice to holders shall be given until at least 30 days after the occurrence thereof.

The Issuer will be required to furnish to the Trustee together with the delivery of each of the annual financial statements and in any event within 120 days after the end of each such fiscal period, an Officer's Certificate stating whether or not to the best knowledge of the signer thereof the Issuer is in default in the performance and observance of any of the terms, provisions and conditions of the Indenture and if the Issuer is in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

Defeasance

The Indenture will provide that the Issuer may, at its option, terminate (i) all of its obligations with respect to the notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations relating to the transfer and exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies with respect to the notes or (ii) its obligations under the covenants set forth in the Indenture and the failure to comply with such obligations shall not constitute an Event of Default with respect to the notes issued under the Indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Issuer must irrevocably deposit in trust, for the benefit of the Noteholders, with the Trustee or its designee cash, Cash Equivalents or U.S. government obligations, or any combination thereof, in such amounts as will be sufficient in the opinion of an internationally or nationally recognized firm of independent certified public accountants, investment bank or consulting firm to pay the principal, premium, if any, and interest (including Additional Amounts, if any) on the notes then Outstanding on the Maturity Date of the notes, and comply with certain other conditions including the delivery of an opinion of counsel as to certain tax matters.

Modification and waiver

Modification and amendments of the Indenture may be made by the Issuer and the Trustee with the consent of the holders of a majority in aggregate principal amount of the Outstanding notes; *provided* that, no such modification or amendment may, without the consent of the holder of each Outstanding note affected thereby, (a) change the due date of the principal of, or any installment of interest on, any note, (b) reduce the principal amount of, or the premium or interest on, any note, (c) change the place or currency of payment of principal of, or premium

or interest on, any note, (d) impair the right to institute suit for the enforcement of any payment on or with respect to any note, (e) reduce the above-stated percentage of Outstanding notes necessary to modify or amend the Indenture, (f) reduce the percentage of aggregate principal amount of Outstanding notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults, (g) modify any provisions of the Indenture relating to the modification and amendment of the Indenture or the waiver of past defaults or covenants, except as otherwise specified, or (h) amend or modify the provisions described under "—Payment of Additional Amounts." In the event of any modification or amendment to the Indenture of the nature described in items (a) through (h) of this paragraph, a notice will be published and a supplemental indenture will be prepared to reflect such modification or amendment.

Notwithstanding the foregoing, without the consent of any Noteholder, the Issuer and the Trustee may amend or supplement the Indenture or the notes to cure any ambiguity, defect or inconsistency; to correct a manifest error; to comply with the covenant described under the caption "—Mergers, consolidations and certain sales of assets"; to evidence and provide for the acceptance of an appointment by a successor trustee; to provide for any guarantee of the notes; to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the Indenture; to provide for or confirm the issuance of additional notes; to conform the Indenture to this "Description of the Notes"; or to make any other modification and any waiver or authorization of any breach or proposed breach of any provision of the Indenture or the notes which is not materially prejudicial to the Noteholders.

The holders of a majority in the aggregate principal amount of the Outstanding notes, on behalf of all Noteholders, may waive compliance by the Issuer with certain provisions of the Indenture. Subject to certain rights of the Trustee, as provided in the Indenture, the holders of a majority in aggregate principal amount of the Outstanding notes, on behalf of all Noteholders, may waive any past default under the Indenture, except a default in the payment of principal, premium or interest. Any notes owned by the Issuer or its Affiliates shall be deemed not to be Outstanding for the purposes of this section.

Governing law and submission to jurisdiction

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles thereof. The Issuer has consented to the jurisdiction of the courts of the State of New York and the United States courts located in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes and have irrevocably appointed National Corporate Research, Ltd. as agent for service of process.

Claims against us for the payment of principal, interest or Additional Amounts, if any, in respect of the notes will be prescribed unless made within six years of the due date for payment of such principal, interest or Additional Amounts.

Replacement of notes

If any global note or, as the case may be, certificated note(s) is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to any applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced global notes and certificated note(s) must be surrendered before replacements will be issued.

Trustee and agents

The Trustee and the Agents are entitled under the Indenture to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders.

In the exercise of its powers under the notes and the Indenture, the Trustee will have regard to the interests of the holders of the notes as a class and will not be responsible for any consequence for individual holders of notes as a result of any such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Indenture in connection with the notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their respective initial specified offices are listed below. The Issuer reserves the right (subject to the approval of the Trustee) at any time to vary or terminate the appointment of any of the Agents and to appoint a successor registrar; *provided* that, the Issuer shall at all times maintain a transfer agent, a registrar, a principal paying agent and a paying agent. Notice of any change in any of the Agents or in their respective specified offices shall promptly be given to the Noteholders.

Notices

The Indenture contains certain notice provisions, including notice requirements to the Trustee and Agents and, to the extent required, to the Irish Stock Exchange, or such other exchange on which the notes may be listed.

Book entry, delivery and form

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Note"). Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note ("Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Note (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of notes for any purpose.

So long as the notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of notes under the Indenture.

Neither we nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Definitive registered notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if Euroclear or Clearstream so requests following an Event of Default under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the notes.

We will not impose any fees or other charges in respect of the notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the common depositary or its nominee for Euroclear and Clearstream. The common depositary will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Payment of Additional Amounts." If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Notes—Payment of Additional Amounts" above, we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we and the trustee will treat the registered holders of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustee or any of its agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

Currency of payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such notes through Euroclear or Clearstream in Euro.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the notes, Euroclear and Clearstream, at the request of the holders of the notes, reserve the right to exchange the Global Notes for definitive registered notes in certificated form (the "Definitive Registered Notes"), and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of notes requires physical delivery of Definitive Registered Notes for any reason, including to sell notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture governing the notes.

The Global Notes will bear a legend to the effect set forth under *"*Transfer Restrictions.*"* Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under *"*Transfer Restrictions.*"*

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under *"*Transfer Restrictions*"* and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "Description of the Notes—Definitive registered notes" and, if required, only if the transferor first delivers to the trustee and Agents a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Transfer Restrictions."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledges such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global clearance and settlement under the book-entry system

The notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange and traded on the Global Exchange Market of the Irish Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, any guarantor, the Trustee or any Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form.

Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

The Trustee

Deutsche Bank Trust Company Americas will be the trustee under the Indenture and Deutsche Bank Luxembourg S.A. has been appointed by the Issuer as registrar, and Deutsche Bank AG, London Branch has been appointed by the Issuer as transfer agent and paying agent with respect to the notes. The Issuer may have normal banking relationships with Deutsche Bank Trust Company Americas, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and their respective affiliates in the ordinary course of business. So long as no Event of Default has occurred and is continuing, the Issuer may remove the Trustee or any Agent and appoint a new Trustee or Agent, as applicable, subject to the terms and conditions of the Indenture.

TAXATION

The following discussion contains a description of the material Brazilian and United States federal income tax considerations that may be relevant to the acquisition, ownership and disposition of notes by a holder. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisors about the tax consequences of investing in and holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

This summary is based upon tax laws of Brazil and the United States as in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations. You should consult your own tax advisors as to the Brazilian, the United States or other tax consequences of the purchase, ownership and disposition of notes.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to a holder of the notes that is an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation, or a Non-Resident Holder, and does not purport to be a comprehensive description of all the tax aspects of the notes. Therefore, each Non-Resident Holder should consult his/her/its own tax advisor concerning the Brazilian tax consequences in respect of the notes

Investors should note that, as to the discussions below, other income tax rate or treatment may be provided for in any applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled. Investors should also note that there is no tax treaty between Brazil and the United States.

Interest Payment Under the Notes

Generally, Non-Resident Holders are taxed in Brazil when their income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and on the domicile of the beneficiaries thereof.

Interest (including any original issue discount), fees, commissions and any redemption premium payable by the issuer to a Non-Resident Holder with respect to debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Brazilian Central Bank, such as the notes, is generally subject to withholding income tax at the rate of 15%, unless: (i) some other lower rate is provided for in a tax treaty between Brazil and the country where the Non-Resident Holder is domiciled; or (ii) the Non-Resident Holder of the notes is domiciled in a country or jurisdiction which does not impose any income tax or which imposes an income tax at a maximum effective rate lower than 20% or where internal legislation imposes restrictions on the disclosure of shareholding composition, securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents (a "Low or Nil Tax Jurisdiction") and the notes are redeemed, liquidated or converted prior to 96 months after the date of issuance, in which case the applicable rate is 25%. In the event that notes held by a Non-Resident Holder domiciled in a Low or Nil Tax Jurisdiction are redeemed, liquidated or converted prior to 96 months after the date of issuance, the issuer shall be required to pay to the Brazilian tax authorities an amount equal to 10% of the amounts previously paid to such Non-Resident Holder (*i.e.,* the difference between the 25% rate and the 15% rate), plus applicable fines and interest.

Brazil and Japan are signatories to a treaty for the avoidance of double taxation that provides for a rate of 12.5% for Brazilian withholding income tax in respect of interest payable under debt obligations. If the issuer is not entitled to rely on such treaty in connection with payments of interest under the notes, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

In the event that the issuer is required to make any payment under the notes to a Non-Resident Holder, the issuer will be allowed under Brazilian tax laws to pay such additional amounts as may be necessary to ensure that the net amount to be received by the Non-Resident Holder after the assessment of withholding income tax will equal the amounts that would have been paid in the absence of such withholding.

Capital Gains

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with respect to assets located in Brazil are subject to income tax in Brazil, according to Article 26 of Law No. 10,833, enacted on December 29, 2003.

Although we believe that the notes do not fall within the definition of assets located in Brazil for purposes of Law No. 10,833/03, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we are unable to predict how Law No. 10,833 would be interpreted in the Brazilian courts. If such courts were to determine that the notes constitute assets located in Brazil, gains realized by a Non-Resident Holder from the sale or other disposition of the notes to a Brazilian resident or even to a non- resident of Brazil will be subject to income tax in Brazil at a rate of 15% (or 25% if such Non-Resident Holder is located in a Low or Nil Tax Jurisdiction).

On June 23, 2008, Law No. 11,727 introduced the concept of "privileged tax regime" in connection with transactions subject to Brazilian transfer pricing rules and also applicable to thin capitalization/cross border interest deductibility rules, which is broader than the concept of a Low or Nil Tax Jurisdiction. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if: (1) it does not tax income or taxes it at a maximum rate lower than 20%; (2) grants tax benefits to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or such territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or such territory; (3) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (4) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. In addition, on June 4, 2010, the Brazilian Tax Authorities enacted Ordinance No. 1,037, as amended, listing (i) the countries and jurisdictions considered Low or Nil Tax Jurisdictions, and (ii) the privileged tax regimes. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that such concept of "privileged tax regime" should apply only for purposes of Brazilian transfer pricing and thin capitalization/cross border interest deductibility rules, it is still not clear whether this "privileged tax regime" concept will also be applied to interest and payments made to Non-Resident Holders in respect of the notes.

However, if the Brazilian tax authorities determine that interest payments on the Notes will be made to a recipient that will benefit from a "privileged tax regime," such payments could be subject to Brazilian withholding tax at a rate of 25%. Potential investors should consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Ordinance No. 1,037 and of any related Brazilian tax law or regulation concerning Low or Nil Tax Jurisdiction and "privileged tax regimes."

Other Tax Considerations

Pursuant to Decree No. 6,306, of December 14, 2007 (as amended from time to time), the conversion of Brazilian *reais* into foreign currency and on the conversion of foreign currency into Brazilian *reais* are subject to the tax on foreign exchange transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou Relativas a Títulos e Valores Mobiliários*), or IOF/Exchange. Currently, the foreign exchange transactions related to payments under notes with an average term of more than 360 days are subject to IOF/Exchange at a zero percent rate. If the notes are redeemed in a period of less than 360 days of their issuance, the IOF/Exchange rate will be levied at a 6% rate plus applicable fines and interest. However, the Brazilian government can increase such rate at any time up to a rate of 25%, but only with respect to future foreign exchange transactions.

Stamp, Transfer or Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil applicable to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by a Non-Resident Holder to individuals or entities domiciled or residing within such Brazilian states.

United States Federal Income Tax Consequences

General

The following is a description of certain U.S. federal income tax considerations relevant to the acquisition, ownership, disposition and retirement of the notes by a U.S. Holder (as defined below) thereof. This description only applies to notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as: financial institutions; insurance companies; real estate investment trusts; regulated investment companies; grantor trusts; tax-exempt organizations; persons that will own the notes through partnerships or other pass through entities; dealers or traders in securities or currencies; U.S. Holders that have a functional currency other than the U.S. dollar; certain former citizens and long-term residents of the United States; or holders that will hold a note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax, alternative minimum tax or medicare contribution tax, consequences of the acquisition, ownership, disposition or retirement of the notes and does not address the U.S. federal income tax treatment of holders that do not acquire the notes as part of the initial distribution at their original "issue price". The issue price of a note is equal to the first price to investors (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the notes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing and proposed Treasury Regulations, or the Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this description, a "U.S. Holder" is a beneficial owner of the notes who for U.S. federal income tax purposes is an individual citizen or resident of the United States; a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia; an estate the income of which is subject to U.S. federal income taxation regardless of its source; or a trust (1) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

TREASURY DEPARTMENT CIRCULAR 230 DISCLOSURE

PURSUANT TO TREASURY DEPARTMENT CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

U.S. Holders

Certain Contingent Amounts

In certain circumstances, we may be obligated to make contingent payments on the notes as described, for example, under ‘‘Description of Notes—Redemption, repurchase and early repayment" and ‘‘—Repurchase at the Option of Noteholders—Change of Control." Similarly, you may require us to repurchase your notes in the event of a Change of Control (see "Description of Notes—Repurchases at the option of the Noteholders upon Change of Control"). Under the Regulations governing "contingent payment debt instruments" ("CPDIs"), the possibility of a contingent payment on a note may be disregarded if the likelihood of the contingent payment, as of the issue date, is "remote or incidental." We believe that as of the expected issue date of the notes, the likelihood of either a Change of Control or our redemption of the notes is, for this purpose, remote and, therefore, we do not intend to treat the notes as CPDIs. Our determination, however, is not binding on the IRS, and if the IRS was to challenge this determination, you may be required to accrue income on the notes that you own in excess of stated interest, and to treat as ordinary income, rather than capital gain, any income realized on the taxable disposition of such notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that you recognize. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the CPDI rules and the consequences thereof. The remainder of this discussion assumes that the notes will not be treated as CPDIs.

Stated Interest

It is expected, and this discussion assumes, that either the issue price of the notes will equal the stated principal amount of the notes or the notes will be issued with no more than a "de minimis" amount of "original issue discount" ("OID") (as such term is defined under applicable Regulations). Therefore, if you are a U.S. Holder, interest paid to you on a note, including any additional amounts and without reduction for any Brazilian taxes withheld therefrom, will be includible in your gross income as ordinary interest income in accordance with your usual method of U.S. federal income tax accounting.

A cash method U.S. Holder will be required to include in gross income the U.S. dollar value of the Euro interest payment including the amount of any withholding tax thereon, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A cash method U.S. Holder will not realize exchange gain or loss on the receipt of the interest payment but may recognize exchange gain or loss attributable to the actual disposition of the Euros so received. An accrual method U.S. Holder will be required to include in gross income the interest income that has accrued on the notes in Euros and must translate that amount into U.S. dollars at the average rate of exchange in effect for the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder's applicable taxable year.). Alternatively, an accrual method U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and may not be changed without the consent of the IRS) to translate interest income at the spot rate on (i) the last day of the interest accrual period, (ii) the last day of the taxable year in the case of a partial accrual period, or (iii) the date of receipt of payment if the last day of the interest accrual period is within five business days. An accrual method U.S. Holder generally will realize exchange gain or loss with respect to accrued interest income on the date the interest payment is actually received if the exchange rate in effect on the date the payment is received differs from the rate applicable to the accrual of that interest. The amount of exchange gain or loss to be recognized by the U.S. Holder will be an amount equal to the difference, if any, between the U.S. dollar value of the Euro interest payment received (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This exchange gain or loss generally will be treated as U.S. source ordinary income or loss and will not be treated as an adjustment to interest income or expense.

Except with respect to any exchange gain or loss described above, the interest on the notes will be treated as foreign-source income for U.S. foreign tax credit purposes and generally should constitute "passive category income" or, in the case of certain U.S. Holders, "general category income." The rules governing the foreign tax credit are complex. U.S. Holders should consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Disposition of the Notes

If you are a U.S. Holder, upon the sale, exchange, retirement or other taxable disposition of a note you will recognize taxable gain or loss equal to the difference, if any, between the U.S. dollar value of the amount realized on the sale, exchange, retirement or other taxable disposition (other than accrued but unpaid interest which will be taxable as ordinary interest income) and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will equal the U.S. dollar cost of the note to you. If the notes traded on an established securities market, a cash method taxpayer (and an accrual method taxpayer that so elects) will determine the U.S. dollar equivalent of the amount realized by translating that amount at the spot rate on the settlement date of the sale or other taxable disposition, and will determine the U.S. dollar equivalent of the cost of the notes at the spot rate on the settlement date of the purchase. If an accrual method taxpayer makes such an election, the election must be applied consistently by the taxpayer from year to year and may not be changed without the consent of the IRS. Except as discussed in the following paragraph with respect to exchange gains or losses, any such gain or loss will be capital gain or loss. If you are a noncorporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the notes exceeds one year (*i.e.*, such gain is long-term capital gain). The deductibility of capital losses is subject to limitations. If any gain from the sale or exchange of the notes is subject to Brazilian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitation provisions of the U.S. Internal Revenue Code since such gain generally would be treated as United States source income unless such tax can be credited (subject to applicable limitations) against tax due on other foreign source income.

With respect to a note, gain or loss realized upon the sale or other taxable disposition that is attributable to fluctuations in foreign currency exchange rates will constitute foreign currency gain or loss with respect to the principal amount to the extent provided under special rules. This foreign currency gain or loss will be taxable as U.S. source ordinary income or loss, but generally will not be treated as interest income or expense. A U.S. Holder will recognize foreign currency gain or loss on the principal amount of the note equal to the difference between (i) the U.S. dollar value of the U.S. Holder's purchase price for the note determined at the spot rate on the date of sale or other disposition (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the sale or other disposition, if the note is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations) and (ii) the U.S. dollar value of the U.S. Holder's purchase price for the note determined at the spot rate on the date the U.S. Holder acquired the note (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the purchase, if the note is traded on an established securities market for U.S. federal income tax purposes.). However, a U.S. Holder will recognize such foreign currency gain or loss, together with any foreign currency gain or loss in respect of accrued but unpaid interest, only to the extent of the total gain or loss realized on the sale or other disposition of the note.

Disposition of Foreign Currencies

A U.S. Holder generally will have a tax basis in any Euro received as interest or on the sale or other taxable disposition of a note equal to the U.S. dollar value thereof at the spot rate in effect on the date the Euro amount is so received. The exchange of Euro on the date that they are received should not generate exchange gain or loss. However, any exchange gain or loss realized by a U.S. Holder upon a subsequent conversion, exchange or other disposition of the Euro generally will be taxable as U.S. source ordinary income or loss.

Substitution of the Issuer

The issuer may, subject to certain conditions, be replaced and substituted by any Wholly Owned Subsidiary of the issuer or any Wholly Owned Subsidiary of VPar as principal debtor in respect of the notes (see "Description of Notes—Substitution of the Issuer"), which may result in certain adverse tax consequences to holders (including recognition of gain or loss to holders and holders being required to accrue OID). The Substituted Debtor and the issuer will have an obligation to indemnify and hold harmless each holder of the notes against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to the conditions set forth in the "Description of Notes" and which would not have been so incurred or levied had such substitution not been made. Holders are urged to consult their own tax advisors regarding any potential adverse tax consequences to them that may result from a substitution of the issuer.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. A "reportable transaction" includes certain transactions involving foreign currency gains or losses exceeding a statutory amount. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the notes.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements apply to certain payments of principal of, and interest (including for this purpose any Additional Amounts) on, a note and to proceeds of the sale or disposition of a note, to certain holders of the Notes that are U.S. persons. Backup withholding tax may be required with respect to payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient such as a corporation, if the holder fails to furnish its correct taxpayer identification number and other required information or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest, and the payment of proceeds from the sale of a Note effected at a United States office of a broker, to a holder of a Note that is not a U.S. person will generally not be subject to backup withholding tax and information reporting requirements if an appropriate certification as to the holder's non-U.S. status is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28%.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Foreign Asset Reporting

Certain U.S. Holders are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions), by attaching a completed Form 8938 with their tax return for each year in which they hold an interest in the notes. U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this recent U.S. federal income tax legislation on their ownership and disposition of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Citigroup Global Markets Limited, HSBC Bank plc, Banco Santander, S.A., BB Securities Ltd., Banco Votorantim S.A., Nassau Branch and Banco Bradesco BBI S.A. are acting as initial purchasers for this offering of the notes. Subject to the terms and conditions stated in the purchase agreement, dated April 16, 2014, each initial purchaser named below has severally agreed to purchase, and the issuer has agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
Citigroup Global Markets Limited	€162,500,000
HSBC Bank plc	192,400,000
Banco Santander, S.A.	162,500,000
BB Securities Ltd.	65,000,000
Banco Votorantim S.A., Nassau Branch	2,600,000
Banco Bradesco BBI S.A.	65,000,000
Total	**€650,000,000**

The initial purchasers are offering the notes subject to the approval of legal matters by its U.S. and Brazilian counsel, including the validity of the notes, and to other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officers' certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the notes are offered may be changed at any time without notice. The initial purchasers may sell a portion of the notes to or through other banks or dealers, and in such event, such other banks or dealers may receive compensation in the form of discounts, concessions or commissions from the initial purchasers.

BB Securities Limited is not a broker-dealer registered with the SEC and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable United States laws and regulations. To the extent that BB Securities Limited intends to effect any sales of the notes in the United States, BB Securities Limited will do so only through Banco do Brasil Securities LLC, its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable United States law.

Banco Votorantim S.A., Nassau Branch is not a broker-dealer registered with the SEC and therefore may not make any sales in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Votorantim S.A. Nassau Branch intends to effect sales of the notes in the United States, Banco Votorantim S.A. Nassau Branch will do so only through Banco Votorantim Securities, Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. Banco Votorantim S.A., Nassau Branch and Banco Votorantim Securities, Inc. are under common control with Votorantim Cimentos.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The issuer has agreed in the purchase agreement that, for a period of 45 days from the date of this offering memorandum, they will not, without the prior written consent of the initial purchasers, offer, sell, or contract to sell or announce the offering of, any similar Euro-denominated debt securities issued or guaranteed by the issuer (other than the notes and any additional notes).

The notes will constitute a new class of securities with no established trading market. We have applied to list the notes on the Official List of the Irish Stock Exchange and have them admitted for trading on the Global Exchange Market of the Irish Stock Exchange. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

The notes have not been and will not be registered in Brazil for the purpose of their offering or distribution therein or abroad. Subsequent trading of the notes in private transactions is not subject to registration in Brazil to the extent such trading does not qualify as a public offering or distribution. Persons wishing to offer or acquire the notes within Brazil should consult their own counsel as to the applicability of registration requirements or any exemption therefrom.

We expect that delivery of the notes will be made against payment therefor on or about April 25, 2014, as specified on the cover page of this offering memorandum, which will be the fifth Business Day following the date of pricing of the notes (this settlement cycle being referred to as "T+5"). Since trades in the secondary market generally settle in three Business Days, purchasers who wish to trade notes on the date of pricing or the next succeeding Business Day will be required, by virtue of the fact that the notes initially will settle in "T+5", to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases. Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes.

They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. The initial purchasers do not make any representation that they will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. The initial purchasers do not make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes.

Certain of the initial purchasers have performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers may, from time to time, engage in transactions with, and perform services for, us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In addition, affiliates of some of the initial purchasers are lenders and in some cases agents for the lenders under certain of our debt instruments. In addition, we may repay certain additional indebtedness that may be owed to affiliates of one or more of the initial purchasers.

The issuer has agreed to indemnify the initial purchasers, on a joint and several basis, against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Selling Restrictions

The distribution of this offering memorandum may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum come must inform themselves of and observe any of these restrictions. This offering memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

EEA Selling Restrictions

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state"), with effect from and including the date on which the Prospectus Directive (as defined below) is implemented in that relevant member state (the "relevant implementation date") no offer of the notes to the public has been made or will be made in that relevant member state prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of the notes may be made to the public in that relevant member state at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section, the expression an "offer of the notes to the public" in relation to any notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and references to the "Prospectus Directive" mean Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Italy

The offering of the notes has not been registered with the National Commission for Companies and the Stock Exchange (*Commissione Nazionale per le Società e la Borsa*), or the CONSOB, pursuant to Italian securities legislation and, accordingly, the notes may be offered or sold in the Republic of Italy in an offer to the public. Sales of notes in the Republic of Italy will only be effected in accordance with all Italian securities, tax and exchange control and all other applicable laws and regulations.

Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy must be (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 58 of February 24, 1998 and CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended) and any other applicable laws and regulations; and in compliance with any other applicable laws and regulations;

and (b) in compliance with any other notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

United Kingdom

Each initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended, or the FSMA, received by it in connection with the issue or sale of any of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the notes in, from or otherwise involving the United Kingdom.

Switzerland

The offering and sale of the notes may only be made in Switzerland on the basis of a private placement, and not as a public offering. The notes will not be listed on the SWX Swiss Exchange. This offering memorandum, therefore, does not constitute a prospectus within the meaning of Art. 652a or 1156 of the Swiss Federal Code of Obligations or Arts. 32 et seq. of the Listing Rules of the SWX Swiss Exchange.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to any persons in the circumstances referred to in clause (b) above.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exceptions under Section 274 and Section 275 of the Securities and Futures Act of Singapore Chapter 289, or the SFA,. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Neither this offering memorandum nor any other offering material distributed by any of the initial purchasers relating to the notes has been or will be registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the SFA. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person

under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Brazil

The notes have not been, and will not be, registered with the CVM. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution under Brazilian laws and regulations. The notes are not being offered into Brazil. Documents relating to the offering of the notes, as well as information contained therein, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act or any other U.S. securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable U.S. securities laws. Accordingly, the notes and guarantees are being offered and sold only:

(1) to qualified institutional buyers in compliance with Rule 144A under the Securities Act; or

(2) outside the United States to persons other than U.S. persons, in an offshore transaction in compliance with Regulation S under the Securities Act.

The terms "United States," "U.S. persons," and "offshore transaction" used in this section have the meanings given to them under Regulation S. The term "qualified institutional buyer" used in this section has the meaning given to it under Rule 144A.

Each purchaser of the notes offered, or the Restricted Notes, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser is either:

(A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such notes for its own account or for the account of another qualified institutional buyer; or

(B) not a U.S. person (as defined in Regulation S under the Securities Act), and is purchasing the notes in accordance with Regulation S under the Securities Act. The purchaser acknowledges that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act.

(2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been registered under the Securities Act or any U.S. securities laws and that (A) the notes may be reoffered, resold, pledged or otherwise transferred only (1) (a) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) outside the United States to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) in an offshore transaction meeting the requirements of Regulation S under the Securities Act or (c) pursuant to another available exemption under the Securities Act; (2) to us or any of our subsidiaries or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any later purchaser from it of the resale restrictions described in (A) above.

(3) The purchaser confirms that (A) the purchaser has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) the purchaser is not acquiring notes with a view to any distribution of the notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) the purchaser has received a copy of this offering memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase notes.

(4) The purchaser acknowledges that we and the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall

promptly notify the issuers of the notes and the initial purchasers. If such purchaser is acquiring any notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act.

(6) The purchaser understands that the Restricted Notes will bear a legend substantially to the following effect, or the Restricted Notes Legend:

> THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND THIS NOTE MAY NOT BE REOFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS OR ANY SUBSIDIARY THAT (A) THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT, (IV) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES; AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Each purchaser of the notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will bear a legend substantially to the following effect, or the Regulation S Legend:

> THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the Indenture that the transfer of any such Restricted Notes has been made in accordance with Rule 904 under the Securities Act.

(7) Either: (i) the purchaser is not, and is not acting on behalf of, an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA) subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code, applies, or any entity whose underlying assets include "plan assets" by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "Plan"), or a governmental, church or non-U.S. plan that is subject to any law that is substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code (collectively, "Similar Law"), and no part of the assets used by it to acquire or hold such note constitutes the assets of a Plan or such other plan, or (ii) its acquisition, holding and disposition of such note does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the U.S. Internal Revenue Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Law).

UNITED STATES ERISA AND CERTAIN OTHER CONSIDERATIONS

ERISA imposes certain requirements on "employee benefit plans" (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code, prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the U.S. Internal Revenue Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the U.S. Internal Revenue Code. Accordingly, each original or subsequent purchaser or transferee of any note that is or may become a Plan is responsible for determining that its purchase and holding of such note will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the U.S. Internal Revenue Code.

By its purchase of any note, the purchaser thereof will be deemed to have represented and warranted either:

(i) it is not, and is not acting on behalf of, a Plan or a governmental, church or non-U.S. plan which is subject to any law that is substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code, or Similar Law, and no part of the assets used by it to acquire or hold such note constitutes the assets of a Plan or such other plan, or

(ii) its acquisition, holding and disposition of such note does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the U.S. Internal Revenue Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Law).

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

INDEPENDENT ACCOUNTANTS

The financial statements as of December 31, 2013 and 2012 and for the years then-ended and the financial statements as of December 31, 2012 and 2011 and for the years then-ended, in each case, included in this offering memorandum have been audited by PricewaterhouseCoopers Auditores Independentes, independent accountants, as stated in their reports appearing herein. PricewaterhouseCoopers Auditores Independentes is a member of the Regional Accounting Council (*Conselho Regional de Contabilidade*), or the CRC, of the State of São Paulo.

LEGAL MATTERS

The validity of the notes offered and sold in this offering will be passed upon for the issuer by White & Case LLP, and for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP. Certain matters of Brazilian law relating to the notes will be passed upon for the initial purchasers by Pinheiro Guimarães – Advogados. Skadden, Arps, Slate, Meagher & Flom LLP acts, from time to time, as counsel for certain companies in the Votorantim Group.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through Euroclear and Clearstream. The ISIN numbers and Common Codes for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
ISIN	XS1061030117	XS1061029614
Common Code	106103011	106102961

2. Copies of our audited annual financial statements for the two most recent fiscal years and our *estatuto social* (by-laws), as well as the indenture (including forms of notes, will be available (free of charge) at the offices of the principal paying agent and any other paying agent, including the Irish listing agent. For the life of the listing particulars, the documents referred to this paragraph may be inspected, by physical or electronic means.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position or prospects since December 31, 2013, the date of our latest financial statements included elsewhere in this offering memorandum.

4. Application has been made to list and admit the notes for trading on the Global Exchange Market of the Irish Stock Exchange. We will comply with any undertakings assumed or undertaken by us from time to time to the Global Exchange Market of the Irish Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Global Exchange Market of the Irish Stock Exchange may require in connection with the listing of the notes.

5. The issuance of the notes was authorized by our board of directors on April 7, 2014.

6. The upfront expenses for admission to trading of the notes on the Global Exchange Market of the Irish Stock Exchange will amount to EUR10,000.

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Votorantim Cimentos S.A.

Consolidated financial statements at December 31, 2013 and independent auditor's report

Report of independent auditors on the consolidated financial statements

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

We have audited the accompanying consolidated financial statements of Votorantim Cimentos S.A. and its subsidiaries ("the Company"), which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

PricewaterhouseCoopers, Al.Dr. Carlos de Carvalho, 417, 10º andar, Curitiba, PR, Brasil 80410-180, Caixa Postal 699
T: (41) 3883-1600, F: (41) 3322-6514, www.pwc.com/br

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 present fairly, in all material respects, the financial position of Votorantim Cimentos S.A. and its subsidiaries as at December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Curitiba, March 11, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

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Votorantim Cimentos S.A.

Consolidated balance sheets
Years ended December 31
All amounts in thousands of reais, unless otherwise indicated

Assets	Note	2013	2012 Recasted Note "3"
Current assets			
Cash and cash equivalents	8	665,588	936,254
Financial investments	9	1,274,323	2,032,431
Derivative financial instruments	5.4	18,548	1,617
Trade accounts receivable	10	1,047,747	910,690
Inventories	11	1,305,655	1,182,101
Other taxes recoverable	12	179,448	176,195
Current Income tax and social contribution receivable	12	161,686	83,920
Advances to suppliers		90,165	110,174
Dividends receivable	13	24,555	512
Other assets	14	203,880	93,199
		4,971,595	5,527,093
Assets of disposal group classified as held for sale	33	787,981	701,214
		5,759,576	6,228,307
Non-current assets			
Long-term receivables			
Derivative financial instruments	5.4		3,049
Related parties	13	103,767	16,418
Judicial deposits	20 (c)	238,994	246,470
Deferred taxes	19 (b)	1,012,915	971,979
Other taxes recoverable	12	269,802	41,296
Other assets	14	170,155	239,198
		1,795,633	1,518,410
Investments in associates and joint ventures	15	1,491,090	2,050,601
Property, plant and equipment	16	10,384,454	9,421,883
Intangible assets	17	5,219,632	4,715,695
		17,095,176	16,188,179
Total assets		24,650,385	23,934,896

Liabilities and stockholders' equity	Note	2013	2012 Recasted Note "3"
Current liabilities			
Loans and financing	18	721,745	606,875
Derivative financial instruments	5.4	2,450	
Trade payables		925,215	856,226
Payables - Trading	21	112,445	53,784
Salaries and payroll charges		292,606	227,543
Income tax and social contribution payable	12	68,618	51,186
Taxes payable		205,783	207,497
Dividends payable	13	45,664	439,122
Advances from customers		69,957	18,622
Use of public asset	23	24,859	23,561
Account payable for the acquisition of investees	1(a)		328,452
Other liabilities	22	231,919	409,019
		2,701,261	3,221,887
Liabilities of disposal group classified as held for sale	33	390,305	274,104
		3,091,566	3,495,991
Non-current liabilities			
Loans and financing	18	12,779,596	12,177,174
Derivative financial instruments	5.4	3,826	4,415
Related parties	13	151,623	486,597
Provisions	20	946,205	1,070,799
Deferred taxes	19 (b)	1,191,153	863,014
Use of public asset	23	398,525	381,585
Pension liabilities	30	140,897	184,812
Other liabilities	22	334,162	360,259
		15,945,987	15,528,655
Total liabilities		19,037,553	19,024,646
Stockholders' equity	24		
Capital		2,731,375	2,746,024
Tax incentive reserve		752,423	544,441
Profit reserves		1,009,380	789,781
Cumulative other comprehensive income		667,176	577,725
Total equity attributable to owners of the parent		5,160,354	4,657,971
Non-controlling interests		452,478	252,279
Total stockholders' equity		5,612,832	4,910,250
Total liabilities and stockholders' equity		24,650,385	23,934,896

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

Votorantim Cimentos S.A.

Consolidated statement of income
Years ended December 31
All amounts in thousands of reais, unless otherwise indicated

	Note	2013	2012
			Recasted Note "3"
Continuing operations			
Revenues	25	12,142,288	9,395,423
Cost of sales and services	27	(8,102,841)	(6,077,981)
Gross profit		4,039,447	3,317,442
Operating income (expenses)			
Selling	27	(893,711)	(609,992)
General and administrative	27	(790,373)	(665,646)
Gain on disposal of equity investments - Cimpor	1(a)		266,774
Other operating income, net	26	326,125	284,779
		(1,357,959)	(724,085)
Operating profit before equity results and net financial result		2,681,488	2,593,357
Results of investees			
Equity in the results of associates and joint ventures	15	96,863	9,542
Realization of other comprehensive income on disposal of investments	1 (a)(d)	31,045	(170,075)
		127,908	(160,533)
Net financial result			
Financial income		376,101	296,444
Financial expense		(1,072,152)	(864,836)
Exchange variations, net		(89,745)	(366,072)
	29	(785,796)	(934,464)
Profit before taxation		2,023,600	1,498,360
Income tax and social contribution	19 (a)		
Current		(551,810)	(359,326)
Deferred		(34,098)	501,449
Profit for the year from continuing operations		1,437,692	1,640,483
Discontinued operations			
Loss for the year from discontinued operations	33	(48,857)	
Net income for the year		1,388,835	1,640,483
Net income attributable to owners of the parent		1,327,824	1,616,799
Net income attributable to non-controlling interests		61,011	23,684
Net income for the year		1,388,835	1,640,483
Total number of shares - thousand (*)		5,422,032	5,437,500
Basic and diluted earnings per share - R$ (*)		0.245	0.297
From continuing operations			
Basic and diluted earnings per share - R$ (*)		0.254	0.297
From discontinued operations			
Basic and diluted earnings per share - R$ (*)		(0.009)	

(*) Adjusted retrospectively as from January 1, 2013 by the stock split approved on April 30 and May 27, 2013. Note 24 (a).

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

Votorantim Cimentos S.A.

Consolidated statement of comprehensive income
Years ended December 31
All amounts in thousands of reais, unless otherwise indicated

	Note	2013	2012
			Recasted Note "3"
Net income for the year		1.388.835	1.640.483
Other comprehensive income (loss) net of taxes, all of which can be reclassified to the statement of income			
Realization of other comprehensive income on disposal of investment in Cimpor	1 (a)		89.142
Realization of other comprehensive income on disposal of investments		(15.720)	
Interest in other comprehensive income (loss) of associates and joint ventures		17.216	(5.288)
Hedge of a net investment / Cashflow hedge		(563.681)	(107.085)
Realization of other comprehensive income on disposal of investments in VILA	1 (d)	(31.045)	
Currency translation of investees located abroad		660.475	483.751
		67.245	460.520
Other comprehensive income (loss) net of taxes, all of which may not be reclassified to the statement of income			
Remeasurements of post employment benefit obligations	30	42.207	(36.273)
Total other comprehensive income for the year		109.452	424.247
Total comprehensive income for the year		1.498.287	2.064.730
Comprehensive income (loss) from:			
Continuing operations		1.547.144	2.064.730
Discontinued operations		(48.857)	
		1.498.287	2.064.730
Comprehensive income (loss) from attributable to:			
Owners of the parent		1.417.275	2.038.762
Non-controlling interests		81.012	25.968
		1.498.287	2.064.730

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

Votorantim Cimentos S.A.
Consolidated statement of changes in stockholders' equity
Years ended December 31
All amounts in thousands of reais, unless otherwise indicated

		Attributable to owners of the parent								
			Profit reserves							
	Note	Capital	Tax incentive reserve	Legal	Profit retention	Retained earnings	Cumulative other comprehensive income	Total	Non-controlling interests	Total stockholders' equity
At January 1, 2012		2,746,024	360,648	272,230	1,691,705		155,762	5,226,369	192,048	5,418,417
Total comprehensive income for the year										
Net income for the year						1,616,799		1,616,799	23,684	1,640,483
Other comprehensive income for the year	24 (e)						421,963	421,963	2,284	424,247
Total comprehensive income for the year						1,616,799	421,963	2,038,762	25,968	2,064,730
Total contributions by and distributions to stockholders										
Non-controlling interest in business combination	17 (d)								68,953	68,953
Merger of Votorantim Cimentos América ("VCA")	1 (e)								(32,707)	(32,707)
Increase in non-controlling interest Itacamba	1 (j)								(1,983)	(1,983)
Allocation of net income										
Legal reserve				80,840		(80,840)				
Tax incentive reserve			183,793			(183,793)				
Interest on stockholders' equity (R$ 0.03 per share)(*)						(178,667)		(178,667)		(178,667)
Dividends (R$ 0.45 per share) (*)	24 (b)				(1,562,988)	(865,505)		(2,428,493)		(2,428,493)
Profit retention					307,994	(307,994)				
Total contributions by and distributions to stockholders			183,793	80,840	(1,254,994)	(1,616,799)		(2,607,160)	34,263	(2,572,897)
At December 31, 2012		2,746,024	544,441	353,070	436,711		577,725	4,657,971	252,279	4,910,250

(*) Adjusted retrospectively as from January 1, 2013 by the stock split approved on April 30 and May 27, 2013. (Note 24 a).

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

Votorantim Cimentos S.A.
Consolidated statement of changes in stockholders' equity
Years ended December 31
All amounts in thousands of reais, unless otherwise indicated

		Attributable to owners of the parent								
			Profit reserves							
	Note	Capital	Tax incentive reserve	Legal	Profit retention	Retained earnings	Cumulative other comprehensive income	Total	Non-controlling interests	Total stockholders' equity
At January 1, 2013		2,746,024	544,441	353,070	436,711		577,725	4,657,971	252,279	4,910,250
Total comprehensive income for the year										
Net income for the year						1,327,824		1,327,824	61,011	1,388,835
Other comprehensive income for the year	24(e)						89,451	89,451	20,001	109,452
Total comprehensive income for the year						1,327,824	89,451	1,417,275	81,012	1,498,287
Total contributions by and distributions to stockholders										
Acquisition of non-controlling interest Cimpor Macau	1 (a)				(9,600)			(9,600)	(27,900)	(37,500)
Non-controlling interest arising on business combination Artigas	1 (c)								224,795	224,795
Non-controlling interest arising on business combination Antequera	1 (h)								6,120	6,120
Capital redemption in kind – fixed assets	1 (e)	(46,881)						(46,881)		(46,881)
Acquisition of non-controlling interest VCNNE	1 (f)				(52,670)			(52,670)	(83,828)	(136,498)
Capital contributions in kind - Voto IV	1 (g)	32,232						32,232		32,232
Reversal of lapsed unclaimed dividends					62,027			62,027		62,027
Allocation of net income										
Tax incentive reserve			207,982			(207,982)				
Legal reserve				66,391		(66,391)				
Dividends (R$ 0.17 per share) (*)	24 (b)					(900,000)		(900,000)		(900,000)
Profit retention					153,451	(153,451)				
Total contributions by and distributions to stockholders		(14,649)	207,982	66,391	153,208	(1,327,824)		(914,892)	119,187	(795,705)
At December 31, 2013		2,731,375	752,423	419,461	589,919		667,176	5,160,354	452,478	5,612,832

(*) Adjusted retrospectively as from January 1, 2013 by the stock split approved on April 30 and May 27, 2013. (Note 24 a).

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

Votorantim Cimentos S.A.
Consolidated statement of cash flows
Years ended December 31
All amounts in thousands of reais, unless otherwise indicated

	Note	2013	2012 Recasted Note "3"
Cash flows from operating activities			
Profit before income tax and social contribution		2,023,600	1,498,360
Profit from discontinued operations		(48,857)	
Adjustments to reconcile net income to cash from operations			
Depreciation, amortization and depletion	15 and 16	773,093	544,307
Impairment provision		37,168	
Loss (Gain) on disposal of other investments		(1,853)	7,657
Gain on sale of property, plant and equipament and intagible		(20,478)	(9,132)
Realization of other comprehensive income on disposal of investments	1 (a)(d)	(31,045)	170,075
Gain on disposal of investments C+PA	1 (a)	(34,904)	
Equity in the results of associates and joint ventures	15	(96,863)	(9,542)
Gain on disposal of equity investments - Cimpor	1 (a)		(266,774)
Allowance for doubtful accounts	10 (b)	41,351	11,077
Provision (reversion) for inventory losses	11	(29,534)	(16,217)
Interest, indexation and exchange variations		1,087,994	1,215,970
Fair value adjustment of derivative instruments		(9,823)	
Provisions		188,108	139,121
		3,877,957	3,284,902
Changes in assets and liabilities			
Financial investments		758,116	(581,921)
Trade accounts receivable		(139,480)	166,802
Inventories		(69,408)	(14,311)
Taxes recoverable		(24,472)	(11,524)
Related parties		18,264	(65,183)
Other assets		(210,428)	159,946
Trade payables		46,929	(24,775)
Taxes payable		60,796	(24,669)
Salaries and social charges		59,590	76,170
Advances from customers		45,796	4,252
Accounts payable and other liabilities		(434,211)	(307,823)
Cash provided by operations		3,989,449	2,661,866
Interest paid		(859,411)	(719,109)
Income tax and social contribution paid		(234,549)	(519,525)
Cash flows from operating activities		2,895,489	1,423,232
Cash flows from investing activities			
Cash obtained from the acquisition of subsidiary Artigas	1 (c)	91,034	
Acquisition of additional interest in Bio Bio	1 (j)	(14,699)	
Capital increase in investees		(14,102)	(58,602)
Acquisition of equity investment in C+PA	1 (a)	(27,900)	
Acquisition of equity investment in Cementos Artigas	1 (c)	(50,795)	
Acquisition of equity investment in Cementos Avellaneda	1 (b)	(121,909)	
Acquisition of investment in VCEAA	1 (a)	(155,946)	
Net cash obtained on the acquisition of VCEAA	1 (a)		124,502
Acquisition of subsidiary Antequera (net of cash obtained).	1 (h)	(12,728)	
Acquisition of property, plant and equipment	15	(1,316,157)	(1,497,693)
Acquisitions of intangible assets	16	(20,848)	(41,332)
Proceeds from sale of investment Yguazú	1 (j)		30,535
Proceeds from non-current assets		40,721	12,407
Proceeds from disposal of non-current asset held for sale C+PA	1 (a)	60,200	
Proceeds from disposal of other investments		112,600	
Dividends received		61,704	193,377
Net cash used in investing activities		(1,368,825)	(1,236,806)
Cash flows from financing activities			
New loans and financing	18	1,489,205	3,665,782
Derivative financial instruments		(3,095)	(2,542)
Payments of loans and financing	18	(2,226,676)	(503,628)
Related parties, net		(65,882)	(207,001)
Acquisition of non-controlling interest in Macau	1(a)	(37,500)	
Cash obtained from capital contribution in kind - Voto IV	1(i)	52,294	
Acquisition of non-controlling interest VCNNE	1(h)	(136,498)	
Interest on stockholders' equity			(178,667)
Dividends paid		(986,563)	(2,263,402)
Net cash (used in) provided by financing activities		(1,914,715)	510,542
Exchange results on cash and cash equivalents of foreign subsidiaries		117,385	17,516
Increase (decrease) in cash and cash equivalents		(388,051)	696,968
Cash and cash equivalents at the beginning of the year		936,254	221,770
Cash and cash equivalents at the end of the year		665,588	936,254

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

1 General considerations

Votorantim Cimentos S.A. ("Company" or "VCSA") and its subsidiaries are principally engaged in the production and sale of a wide portfolio of building materials, which includes cement, aggregates, ready-mix concrete, mortar, as well as raw materials and byproducts, similar and related products; rendering of concrete pouring services; research, mining and processing of mineral reserves in connection with its cement producing activities; transportation, distribution and importing; and holding investments in other companies. The Company is a corporation headquartered in the city and State of São Paulo. The Company and its subsidiaries operate in all regions of Brazil, in North and South America, Europe, Africa and Asia.

The Company is directly controlled by Votorantim Industrial SA ("VID"), and is the ultimate parent company Votorantim Participações SA ("VPAR"). VPAR is a privately held company controlled by the Ermírio de Moraes family and is the holding company of Votorantim ("Votorantim"), headquartered in São Paulo, Brazil.

Main changes in interests in 2013 and 2012

(a) Transactions related to our equity investment in CIMPOR

Cimpor asset exchange

On June 25, 2012, VCSA executed a stockholders agreement ("Shareholder Agreement") with Inter Cement Austria Holding GmbH, a member of the Camargo Correa Group, to exchange its 21.21% interest in Cimpor - Cimentos de Portugal ("Cimpor") for a controlling interest in the operations of entities in six countries, Turkey, Morocco, Tunisia, India, China and Spain, together with a limestone quarry in Peru.

This exchange was consummated on December 21, 2012, when the Company transferred 21.21% of the equity interest in Cimpor to the Camargo Correa Group and the Company received ownership of 100% of Votorantim Cimentos EAA Inversiones S.L. (hereafter referred to as "Votorantim Cimentos Europe, Asia and Africa" or "VCEAA"), a holding company which in turn is the sole owner of the former Cimpor businesses operating in Spain, Morocco, Tunisia, Turkey, India and China. The liabilities of VCEAA as of December 21, 2012 also include certain indebtedness of Cimpor and its subsidiaries in an aggregate principal amount of U.S.$434.1 million (equivalent to R$901.2 million using the exchange rate as of December 21, 2012) assumed by VCEAA in preparation for the exchange.

The consideration transferred for this 100% interest in VCEAA was valued at EUR 759,970 thousand (R$ 2,077,447), based on the value of the 142,492,130 shares of Cimpor exchanged at a price of EUR 5.33 per share, which is the price per share offered in the public tender auction by Camargo Correa of EUR 5.50 less dividends received from Cimpor between June 25, 2012 and December 21, 2012. The parties agreed contractually that the fair value of the business acquired from Cimpor would be determined based on the fair value as determined by two investment banks involved in the transaction and was determined at EUR 817,017 thousand (R$ 2,233,394) The difference between the consideration transferred and the fair value of the businesses acquired as determined by the contractual terms, resulted in an additional cash consideration of EUR 57,048 thousand (R$ 155,946) which was paid in January 2013 to the Camargo Correa Group. As such, the total consideration transferred is R$ 2,233,394. There is no contingent consideration as part of the exchange agreement. The acquisition of VCEAA resulted in a business combination that is further disclosed in Note 16.d and the effects of this acquisition in 2012 is disclosed in the notes to the financial statements as "acquisition of VCEAA" or "acquisition of subsidiary".

As a result of the disposal of our investment in Cimpor the Company have recognized a gain in the statement of income of R$ 266,774 corresponding to the difference between the fair value of the shares transferred of R$ 2,077,446 and the carrying amount of the investment in Cimpor of R$ 1,810,672. As result of this transaction,

the Company also reversed a deferred tax liability of R$ 391,018 in the statement of income (Note 19 (a)) and the Company have recognized in the statement of income a loss of R$ 170,075 corresponding to the cumulative translation adjustment and the amount of hedge of the net investment in Cimpor previously recognized in equity for which the Company recognized a deferred tax liability of R$ 89,142.

Acquisition of interest in C+PA and Macau

On January 10, 2013, the Company acquired a non-controlling 48% interest in Cimentos e Produtos Associados S.A. ("C+PA"), an entity domiciled in Portugal. The purchase price amounted to EUR 10.4 million (R$ 27.9 million), of which EUR 4.0 million (R$ 10.8 million) was paid during the first semester of 2013. C+PA holds a 25% non-controlling interest in our subsidiary Cimpor Macau - Investment Company S.A. ("Macau") which operates in China. The Company acquired our interest in C+PA because of its holdings in Macau and with the view to resell it together with C+PA's interest and, for this reason the interest in C+PA was classified as an asset held for sale.

On April 16, 2013 the Company sold our 48% interest in C+PA to a third-party for EUR 23.3 million (R$ 60.2 million), originating a gain of EUR 12.8 million (R$ 34.9 million) and on the same date the Company acquired 20% of the interest held by C+PA in Macau and a 10% additional direct interest in Macau from another shareholder for the combined amount of EUR 14.5 million (R$37.5 million). Both payments were made during the second quarter of 2013. Following these transactions the Company now hold an 80% interest in Macau, which is booked in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" at its acquisition cost which does not exceed its fair value less its cost to sell. This acquisition is part of the Company's strategy to sell the operations in China. The gain on the disposal of C+PA was classified under "other operating income" in the statement of income.

Since the Company already had control of the Macau operations, the remaining interests acquired were accounted for as a transaction between shareholders. Accordingly the Company has accounted for the difference between the consideration paid of R$ 37.5 million and the carrying value of the non-controlling interests related to Macau within stockholders' equity in the amount of R$ 9.6 million.

(b) Acquisition of interests in Cementos Avellaneda S.A.

On December 27, 2012, the Company acquired an interest of 10.61% in Cementos Avellaneda S.A.("Avellaneda"), in Argentina, from Cementos Molins S.A.. The cash consideration for this acquisition is US$ 60 million (R$ 121.9 million) and was settled on January 18, 2013. There is no contingent consideration as part of the purchase agreement. The cash consideration payable was presented under the line item "accounts payable for the acquisitions of investees" at December 31, 2012.

On April 3, 2013, the Company acquired through its subsidiary VCEAA, from Votorantim Andina S.A. ("VASA") (entity controlled by VID), an additional interest of 38.39% in Avellaneda, thereby bringing its equity investment in this company to 49%. The purchase consideration for this additional interest was EUR 102.7 million (R$267.2 million). The consideration payable was fulfilled through an offset against the Company´s receivable from VID due to the purchase by VID of Votorantim Investimentos Latino Americanos S.A. ("VILA"), which was a non-cash transaction. Since the Company did not obtain control over Avellaneda the additional interest acquired was accounted for at its cost, which is the amount of the consideration.

(c) Acquisition of interests in Cementos Artigas S.A.

On December 27, 2012, the Company acquired an interest in Cementos Artigas S.A. ("Artigas"), in Uruguay, from Cementos Molins S.A.. The cash consideration for this acquisition was US$ 25 million (R$ 50.8 million) and was settled on January 18, 2013.There is no contingent consideration as part of the purchase agreement. The cash consideration payable was presented under the line item "accounts payable for the acquisitions of investees" at December 31, 2012.

On April 3, 2013, the Company acquired through its subsidiary VCEAA, from VASA (entity controlled by VID), an additional interest of 38.39% in Artigas, thereby increasing its current stake in Artigas to 51% and obtaining control of that company. The purchase consideration for this acquisition was EUR 51.9 million (R$135 million). The consideration payable was fulfilled though an offset against the Company´s receivable from VID due to the purchase by VID of VILA (Note 1(d)), which was a non-cash transaction.

As from the acquisition date, the Company exercises control over Artigas, which is being consolidated in its financial statements as from this date.

The accounting for the purchase of its controlling stake in Cementos Artigas S.A. was based on predecessor accounting, as Cementos Artigas S.A was already controlled by VID at the time of this additional purchase. Accordingly, the Company considers the acquisition of the additional 38.39% to be a transaction between entities that are under the common control - (directly or indirectly), by the same controlling shareholder.

On April 3, 2013, the balances of the assets and liabilities merged into the Company were as follows:

Assets		**Liabilities and stockholders' equity**	
Current assets		Current liabilities	
Cash and cash equivalents	91,034	Trade payables	20,190
Trade accounts receivable	31,350	Other liabilities	14,573
Inventories	37,960		34,763
Other assets	4,844		
	165,188	Non-current liabilities	
		Deferred taxes	74,562
		Other liabilities	1,974
Non-current assets			76,536
Deferred taxes	103,584		
Other assets	1,822	Stockholders' equity	491,596
	105,406		
Investments	3,451		
Property, plant and equipment	144,969		
Intangible assets	183,881		
Total assets	602,895	Total liabilities and stockholders' equity	602,895

(d) Disposal of interest in VILA

On May 14, 2013, the Company entered into a share purchase agreement with VID pursuant to which VID purchased the Company´s equity interest of 12.36% in VILA for a total purchase price of R$682.5 million. On May 28, 2013, the Company partially offset this receivable with dividends payable to VID in the amount of R$280.2 million. The remaining balance of this transaction will be settled against an obligation that one of our subsidiaries has with a subsidiary of VID resulting from the Company´s acquisition of the additional equity interests in Avellaneda and Artigas. The total amount of this obligation is R$ 402.3 million.

The Company's equity investment was already classified as held for sale and did not affect the statement of income as the purchase price was equal to its carrying amount, with the exception of cumulative other comprehensive income related to this equity investment in the amount of R$ 31.0 million, which related to currency translations adjustments.

(e) Capital redemption in kind - fixed assets

At the Extraordinary General Meeting of Stockholders held on September 30, 2013, Management approved a capital redemption in kind through a distribution of a number of non-operational fixed assets to its parent company VID, at their respective book values. As a consequence, the Company's fixed assets and equity decreased by R$ 43,260 and resulted in the canceling of 45,316,929 shares.

Additionally, at the Extraordinary General Meeting of Stockholders held on December 31, 2013, Management approved a capital redemption in kind through a distribution of a number of non-operational fixed assets to its parent company VID, at their respective book values. As a consequence, the Company's fixed assets and equity decreased by R$ 3,621 and resulted in the canceling of 3,709,042 shares.

(f) Purchase of non-controlling interest Votorantim Cimentos N/NE S.A. ("VCNNE")

During the third quarter of 2013, the Company´s subsidiary VCNNE repurchased a 2.00% interest of its own share capital. The purchase price was R$ 136,498. This amount was settled during the third quarter of 2013.

As the Company already had control of VCNNE's operations, the difference between the consideration paid and the carrying amount of the non-controlling interests amounting to R$ 52,670 was recorded as a transaction between shareholders within stockholders' equity.

(g) Capital contribution in kind - Votorantim Overseas Trading Operations IV Ltda. ("Voto IV")

On September 30, 2013, VID, contributed a 50% interest in Voto IV to the Company. Voto IV is a vehicle through which the Company has issued Eurobonds (Note 17), and also contains debt issued by other entities of Votorantim.

The equity interest in Voto IV was classified as a joint operation since the Company shares control over decisions concerning significant activities and has rights and obligations over specific assets and liabilities. Consequently the Company recognized the assets and liabilities, including its share of assets and liabilities held jointly related to this operation. The net assets recognized amount to R$ 32,232 and include cash obtained of R$ 52.3 million.

(h) Other acquisitions and disposals

During 2012 the Company disposed of its 35% equity investment in Yguazú for R$ 30,535, resulting in a loss of R$ 7,657. In addition the Company acquired an additional 16.66% interest in Itacamba, an already consolidated subsidiary, bringing its total interest to 66.66%. The consideration paid was USD 500 thousand (R$ 1,022).

On April 18, 2013, through its subsidiary Inversiones Chile, the Company acquired an additional interest of 1.549% in Cementos Bio Bio S.A., through the Santiago stock market and, following this purchase, the Company now holds a 16.70% interest in Bio Bio. The transaction was settled in April, 2013.

On May 31, 2013, the Company, through its subsidiary VCEAA, acquired an interest of 61.59% in Cementos Antequera (located in Spain) from third parties for EUR 8.0 million (R$ 22.2 million). Following this purchase, the Company holds an interest of 84.67% in Cementos Antequera. There is no contingent consideration related to this acquisition, which was recorded considering IFRS 3 ("Business combination achieved in stages - step acquisitions"), and generated goodwill of EUR 685 million (R$ 1,770).

2 Presentation of financial statements

The Board of Directors' meeting of March 10, 2014 authorized for issue of these consolidated financial statements.

The comparative financial statements for the years ended December 31, 2012 have been recast for the adoption of IFRS 11 (Note 3.a) and for a measurement adjustment related to property, plant and equipment to finalize the purchase price allocation of our acquisition of VCEAA (Note 17d).

2.1 Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance and are in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, as modified for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (where applicable).

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

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

Cash flows from operating activities are presented under the indirect method. Consolidated net income is adjusted for non-monetary items, such as measurement gains and losses, changes in provisions and for receivables and liabilities balances. All income and expenses arising from non-monetary transactions, attributable to investing and financing activities, are eliminated. Interest received or paid is classified as operating cash flows.

During 2013 and 2012 the Company had the following significant non-cash transactions relating to investing and financing activities:

- The disposal of the Company's equity investment in Cimpor and the related acquisition of its subsidiary VCEAA (Note 1a) (2012).
- The acquisition of the Company's equity investments in Artigas and Avellaneda (Note 1b and 1c) (2012).
- The acquisition of the additional interest in Cementos Artigas on April 3, 2013 (Note 1c).
- The capital redemption in kind related to some of the Company´s fixed assets (Note 1e).
- The capital contribution in kind related to the joint operation in Voto IV (Note 1f).
- The disposal of the Company´s equity investment in VILA (Note 1d).

2.2 Consolidation, joint operations and joint-ventures

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

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and

has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent 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 recognized amounts of acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of income (Note 2.13).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated, unless the transaction demonstrates evidence of impairment of the asset transferred. When necessary amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

The adoption of IFRS 10 did not result in changes in the entities consolidated by the Company. Before the adoption of IFRS 10 all entities that were consolidated were in accordance with IAS 27 "Consolidated and Separate Financial Statements" and continue to be consolidated in accordance with IFRS 10, and there are no new entities that should be consolidated as from the application of IFRS 10 (Note 3).

The main consolidated entities and joint operations are:

	% of ownership interest		
	2013	2012	Place of business
Votorantim Cimentos S.A. and subsidiaries			
Itacamba Cemento S.A.	66.67	66.67	Bolivia
Interavia Transportes Ltda.	100.00	100.00	Brazil
Silcar - Empreendimentos Comércio e Participações Ltda.	100.00	100.00	Brazil
Pedreira Pedra Negra Ltda.	100.00	100.00	Brazil
Acariuba Mineração e Participação Ltda.	100.00	100.00	Brazil
Seacrown do Brasil, Com. Import. e Part. S.A.	100.00	100.00	Brazil
Votorantim Cimentos N/NE S.A.	97.38	95.25	Brazil
Votorantim Cimentos Chile Ltda.	100.00	100.00	Chile
Votorantim Cements Internacional Spain SE	100.00	100.00	Spain
Lux Cem International S.A.	100.00	100.00	Luxembourg
Eromar S.A.	100.00	100.00	Uruguay
Votorantim Cement North America inc. and subsidiaries			
St. Marys Cement Inc. (Canada)	100.00	100.00	Canada
Votorantim Cement North America inc.	100.00	100.00	Canada
Votorantim Cimentos North America inc.	100.00	100.00	Canada
St Marys VCNA, LLC	100.00	100.00	Canada
Rosedale Securities Ltd.	100.00	100.00	Canada
VCNA Nova Scotia ULC	100.00	100.00	Canada
Hutton Transport Limited	100.00	100.00	Canada
VCNA US Inc.	100.00	100.00	Canada
Ontario Limited (iv)	100.00		Canada
St. Barbara Cement, Inc.	100.00	100.00	USA
St. Marys Cement, Inc. (US)	100.00	100.00	USA
Suwannee Holdings LLC	100.00	100.00	USA
VCNA Prestige Gunite, Inc.	100.00	100.00	USA
American Gunite Management Co., Inc	100.00	100.00	USA
Sacramento Prestige Gunite, Inc.	100.00	100.00	USA
VCNA Prestige Concrete Products, Inc.	100.00	100.00	USA
VCNA US Materials, Inc.	100.00	100.00	USA
VCNA Prairie inc.	100.00	100.00	USA
Central Ready Mix Concrete, Inc.	100.00	100.00	USA
VCNA Prairie Aggregate Holdings Illinois, Inc.	100.00	100.00	USA
Votorantim Cimentos EAA Inversiones S.L and subsidiaries			
Cimpor Macau – Investment Company, S.A.	80.00	50.00	China
Votorantim Europe S.L.U.	100.00	100.00	Spain
Cementos Cosmos S.A.	99.77	99.77	Spain
Cimpor Canarias, S.L. (iii)		100.00	Spain
Sociedad de Cementos y Materiales de Construcción de Andalucia, S.A.	100.00	100.00	Spain
Cementos Antequera S.A. (ii)	84.00	23.08	Spain
Shree Digvijay Cement Company Limited	73.36	73.63	India
Asment De Temara, S.A.	62.62	62.62	Morocco
Societe Les Ciments de Jbel Oust - CJO	99.99	99.99	Tunisia
Votorantim Çimento Sanayi ve Ticaret A.Ş. (anteriormente nomeado Cimpor Çimento Sanayi ve Ticaret A.Ş.)	99.76	99.76	Turkey
Yibitas Yozgat Isci Birligi Insaat Malzemeleri Ticaret ve Sanayi A.S.	82.96	82.96	Turkey
Cementos Artigas S.A. (ii)	51.00	12.61	Uruguay
Joint Operations			
Great Lakes Slag Inc.	50.00	50.00	Canada
Bot-Duff Resources Inc.	50.00	50.00	Canada
Voto - Votorantim Overseas Trading Operations IV Ltda.	50.00		Cayman Island

(i) These entities were merged by the Company in 2012. The non-controlling share was held by entities under common control and the transactions were made through non-monetary transactions.

(ii) These entities were previously presented as equity method accounting. From the date the Company obtained control, these entities started being consolidated (Note 2.2).

(iii) This entity was merged by the Company in 2013.

(iv) This is a Canadian entity acquired during the third quarter and is wholly-owned by St. Marys Cement Inc.

(b) Transactions with non-controlling interests

The Company accounts for 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 share acquired of the book value of net assets of the consolidated entity is recorded in stockholders' equity. Gains or losses on disposals to entities which have non-controlling interests are also recorded in stockholders' equity.

(c) Disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associated companies

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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.

The Company's share of its associated companies' profits or losses is recognized in the statement of income, and its share of stockholders' equity movements is recognized in its own equity. When the Company's share of losses in an associated company equals or exceeds its interest in the associated company, including any other receivables, the Company does not recognize further losses, unless it has assumed obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Company and its associated companies are eliminated proportionally to the Company's interest in the associated companies. Unrealized losses are also eliminated unless the transaction demonstrates evidence of an impairment of the asset transferred. Accounting policies of associated companies are changed where necessary to ensure consistency with the policies adopted by the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. One of the factors considered in assessing whether objective evidence of impairment exists is a significant reduction in the quoted market price of listed associates. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of income. The recoverable amount is measured as the higher of the value in use and fair value less cost of sale. Value in use is measured based on the share of the Company in the associate discounted cash flows both for listed and non-listed entities. For listed entities, the quoted market price as of the date of the impairment analysis is used to determine the fair value less cost of sale as of such date.

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

(e) Joint arrangements

The Company has adopted IFRS 11 for all joint arrangements with retrospective adjustment of the immediately preceding period, i.e. the year ended December 31, 2012. Under IFRS 11 there are two types of joint arrangements: (i) joint operations - arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses; and (ii) joint ventures - arise where the joint operator has rights to the net assets of the arrangement and hence accounts for its interest using the equity method.

In accordance with the equity method, interests in joint ventures are initially recognized at cost and then adjusted to recognize the Company's share of profits or losses and of other comprehensive income. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes all long-term interests that comprise part of the Company's net investment in the joint venture), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

The effects of the changes in accounting policies on the financial position, comprehensive income and cash flows as at December 31, 2012 are presented in Note 3a i,ii,iii.

2.3 Foreign currency translation

(a) Functional and presentation currency

After an analysis of the Company's operations and business, management concluded that the Brazilian Real ("R$") is the Company's functional and presentation currency. This conclusion is based on the analysis of the following indicators:

- Currency that more significantly affects the prices of products and services;
- Currency of the country whose competitive forces and regulations have a significant effect in the determination of the sales price of its products and services;
- Currency that affects more significantly labor, materials and other costs related to the supply of products and services;
- Currency in which financial resources are mainly obtained; and
- Currency in which amounts granted by the operating activities are normally held.

The functional currency of the operations of VCNA, the Company's main subsidiary abroad, is the Canadian dollar, and the functional currency of its subsidiary VCEAA is the Euro.

(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 remeasured using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses 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 stockholders' equity as qualifying net investment hedges.

(c) Subsidiaries with a different functional currency

The results and financial position of all the Company's entities (none of which has the currency of a highly-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 stockholders' equity, in the account "Other comprehensive income".

The amounts presented in the cash flow are extracted from the translated changes in 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 recorded in stockholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in stockholders' 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 exchange rate.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits, and highly liquid short-term investments (investments with an original maturity date below 90 days), which are readily convertible into a known amount of cash and subject to immaterial risk of change in value. Overdraft accounts are presented as "Loans and financing", in current liabilities, when applicable.

2.5 Financial assets

2.5.1 Classification

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

(a) Financial assets measured at fair value through profit and loss

Financial investments are financial assets measured at fair value through profit and loss trading are characterized by active and frequent trading in the financial markets. These assets are measured at their fair value, and any changes in fair value are recognized in the statement of income under "Net financial results". Assets in this category are classified as current assets.

Financial assets held for trading are classified in this category as well as derivatives, unless they have been designated as hedge instruments.

(b) Loans and receivables

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

2.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. 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 no longer recognized when the rights to receive cash flows from the investments have expired or have been transferred, but only if the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at their fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets held for trading are presented in the statement of income under "Net financial results" in the year they occur.

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 values by using valuation techniques, based on recent third party transactions, references to other substantially similar instruments, discounted cash flow analysis and option pricing models.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported 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.

2.5.4 Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period 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 criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;
- The probability that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and

  (ii) national or local economic conditions that indicate defaults on the assets in the portfolio.

The amount of any impairment loss is measured as the difference between the asset's book value 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 book value of the asset is reduced and the loss is recognized in the statement of income.

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

2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognized at the 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.

The Company designates certain derivatives as either: (i) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or; (ii) hedges of a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at 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 the various derivative instruments entered into are disclosed in Note 7. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining 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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within 'other operating income (expenses) - net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of income within 'finance income/cost'.

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 when the forecast transaction is ultimately 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'.

(b) Hedge of a net investment

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the statement of income. Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially disposed of or sold (Note 5.6).

2.7 Trade accounts receivable

Trade accounts receivable correspond to the amounts receivable from sales and services made in the normal course of the Company's business. If receipt is expected in one year or less, the accounts receivable are classified as current assets. If not, they are included in non-current assets.

Trade accounts receivable are initially recognized at their fair value and, subsequently, measured at amortized cost using the effective interest method, less an allowance for doubtful debts. Trade accounts receivable from export sales are presented at the foreign exchange rates prevailing on the reporting 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 costs of finished products and work in progress comprise raw materials, direct labor, other direct costs and related general production overheads (based on normal operating capacity). The net realizable value is the estimated sales price in the normal course of business, less estimated conclusion costs and estimated 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 expenses for the period comprise current and deferred taxes. Taxes on income are recognized in the statement of income, except when related to items recognized directly in stockholders' equity. In this case, the taxes are also recognized in stockholders' equity or in comprehensive income.

The current and deferred income tax and social contribution are 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; and it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax assets and liabilities are offset when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity to offset current tax assets against current tax liabilities, when it is payable is presented in liabilities or is presented in asset when the advance amounts paid exceed the total amount due at the reporting date.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.10 Property, plant and equipment

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

Subsequent costs are included in the asset's book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The book value of the replaced part is derecognized.

Repairs and maintenance are allocated to the results of operations as incurred. The cost of major renovations is included in the book value of the asset when it is probable that the Company will realize future economic benefits in excess of the original benchmark performance specifications of the existing asset. Renovations 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 or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings	30 -53 years
- Machinery	20 -40 years
- Vehicles	5 -10 years
- Furniture, fixtures and equipment	5 -10 years

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

An asset's book value is written down immediately to its recoverable amount when the asset's book value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the book value and are recognized within "Other operating income, net" in the statement of income.

2.11 Leases

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

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company substantially has the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease inception at the lower of the fair value of the leased property 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 long-term liabilities.

The interest element of the finance cost is charged to the statement of income over the lease period so as to generate 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 shorter of the useful life of the asset and the lease term.

2.12 Intangible assets

(a) Goodwill

Goodwill represents the positive difference between the amount paid or payable and the net amount of the 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. If the acquirer determines negative goodwill, the amount is recorded as a gain in the statement of income at the acquisition date. Goodwill is tested on an annual basis to identify probable losses from impairment and recorded at cost less accumulated impairment losses, which are not reversed. The gains and losses on the disposal of an entity include the book value of the goodwill related to the entity sold.

Goodwill is allocated to Cash-Generating Units (CGUs) for the purpose of impairment testing. The allocation is made to the CGU or groups of CGUs which benefitted from the business combination originating the goodwill.

The Company´s CGU (groups of CGUs) are disclosed in Note 17.

(b) Exploration rights over mineral resources

When the economic feasibility of the mineral reserves is proven, the consideration paid to acquire the mining exploration rights are capitalized under "Property plant and equipment - assets under construction", together with the costs capitalized in relation to the construction of the plant that is going to be operated at the mine´s location. When the mine becomes operational the cumulative costs capitalized in relation to exploration rights are reclassified from property plants and equipment to intangible assets and subsequently amortized or included in cost of production. The capitalized construction costs relating to the plant are reclassified to "Equipment and facilities" under the Property, plant and equipment line item.

The costs of mining rights are capitalized and amortized using the straight-line method over their useful lives or, when applicable, based on the depletion of mines. Once the mine is operational, these expenses are amortized and included in cost of production.

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

In the mining operations related to our cement business, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine, before production commences, stripping costs are capitalized as part of the investment in construction of the mine and are subsequently amortized over the life of the mine on a units of production basis.

The stripping costs that are incurred in the production phase are capitalized as a "stripping activity asset" when they increase the access to the ore, the component of the ore body for which access has been improved can be identified and the costs can be measured reliably. This "stripping activity asset" is presented as part of intangible assets and are carried at either its cost or its revalued amount less depreciation or amortization and less impairment losses.

(c) Use of public asset

Use of public asset corresponds to the rights granted by the government to use hydraulic energy potential in a specific area of the Paraguaçu river in exchange for the payment in cash of an annual charge by the Company (onerous authorization under the legal form of an agreement for the Use of Public Asset ("UBP").

The amount is recognized once the operating license is obtained, irrespective of the payment schedule established in the contract. 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.

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.

(d) Contractual customer relationships and non-competition agreements

Contractual customer relationships and non-competition agreements acquired as a result of a business combination are recognized at fair value at the acquisition date. The contractual customer relationships 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 estimated useful lives as follows:

Customer relationships	15 years
Non-competition agreements	5 years

(e) Computer software

Costs associated with maintenance of 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 when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

2.13 Business combinations

The Company uses the purchase method to account for transactions classified as business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed 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. In each acquisition, the Company recognizes any non-controlling interest in the acquiree either at fair value or based upon the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The accounting for non-controlling interests to be recognized is determined for each acquisition.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and goodwill is determined considering the Company's non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

Goodwill is presented under intangible assets in the consolidated financial statements. It is not amortized but is subject to annual impairment testing, as described below.

2.14 Impairment of non-financial assets

Non-financial assets with indefinite useful lives, such as goodwill, are not subject to amortization and are tested for impairment annually. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less any selling costs and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGUs). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.15 Assets or disposal groups 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 a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.16 Trade payables

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

2.17 Loans and financing

Loans and financing are initially recognized at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the loans using the effective interest method. Loans and financing are classified as current liabilities unless the Company has an unconditional right to defer repayment of the liability for at least 12 months after the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.19 Provisions

Provisions for restructuring costs and legal claims (labor, civil, tax and environmental) are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

Provisions are measured at the present value of the 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 the passage of time is recognized as interest expense.

2.20 Asset retirement obligation

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

2.21 Employee benefits

The Company operates various post-employment arrangements, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

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

In Brazil, with the exception of VCNNE, the Company sponsors a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to make additional contributions should the fund not have sufficient assets to honor the benefits related to employee service in the current or prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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 end of the reporting period less 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 not an active market related to such obligations, market rates for government securities are used.

Actuarial gains and losses, also called "remeasurements" arising from changes in actuarial assumptions and amendments to pension plans are recognized in "Other comprehensive income".

Past-service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the 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 has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are 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, offer post-retirement health care benefits to its employees. The health care benefit for retired employees was offered by the Company under a policy which has been discontinued. This policy established a lifetime benefits concession to a specified group of employees. This benefit is closed to new participants and there are no active employees who can opt in.

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-services costs, similar to the accounting methodology used for defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined through an estimate of the future cash outflow. Actuarial gains and losses arising from changes in actuarial assumptions and amendments to pension plans are fully recognized in "Other comprehensive income ".

(c) Profit sharing

Provisions are recorded to recognize the expenses related to employee profit sharing. These provisions are calculated based on qualitative and quantitative targets established by management and are recorded as "Employee benefits", in the statement of income.

2.22 Capital

Common and preferred shares are classified as capital.

Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from stockholders' equity attributable to the Company's stockholders until the shares are retired or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, is included in capital attributable to the Company's stockholders.

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 Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the consolidated companies.

The Company recognizes 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 Company's activities as described below. Revenue will not be deemed as reliably measured if all sale conditions are not resolved. The Company bases its estimates on historical data, 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:

(i) Sales of products - Sales are mainly made for payment in up to 30 days. These sales are normally recognized when the products are delivered to the carrier and the ownership and risks with respect thereto are transferred to the customer.

(ii) Sales of services - the Company renders concrete pouring, co-processing and cargo transportation services. These services are based on time and materials or as a fixed-price contract, and the terms generally vary up to three years. The revenue from fixed-price contracts for transportation services is normally recognized in the period in which the services are rendered, using the straight line method to recognize the revenue according to the contract period.

If circumstances arise that may change the original estimates of revenues, costs or percentage of 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.

2.24 Dividend

A dividend distribution to the Company's stockholders is recognized as a liability in the financial statements at year-end based on the minimum mandatory dividend established in the Company´s bylaws. Any dividend that exceeds the minimum mandatory dividend is only recognized upon its approval by the stockholders at the Annual General Meeting.

The minimum dividends, established by the Company´s bylaws, are 25% of net profit, as adjusted.

2.25 Earnings per share

Earnings per share are computed by dividing net income attributable to the owners of the Company by the weighted average number of common shares outstanding for each reporting year. Weighted average shares are computed based on the periods for which the shares were outstanding.

The Company does not have instruments or arrangements that could have a dilutive effect on the basic earnings per share calculation.

2.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all related conditions.

Government grants relating to costs are deferred and recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

2.27 Interest on stockholders' equity

Interest on stockholders equity 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 credit from the deduction of interest on stockholders equity is recognized in profit or loss. Interest on stockholders equity is subject to a withholding income tax rate of 15%, except for stockholders that are declared immune or exempt from such taxes, and based on the Long-term Interest Rate (TJLP).

For accounting purpose, this interest is deducted from stockholders equity in a similar manner to dividend.

2.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

2.29 Statement of cash flows

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

Cash flows from operating activities are 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 flows 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 flows from operations.

3 Changes in accounting practices and disclosure

(a) Adoption of new standards, amendments and interpretations in 2013

The main changes in accounting practices applied in the preparation of the accounting information and financial statements, based on the new standards, amendments and interpretations to standards, applicable to the Company, effective from January 1, 2013, were as follows:

Amendment to IAS 1, 'Financial statement presentation'

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Consequently the Company has adjusted the presentation of the Statement of Comprehensive Income.

Amendment to IAS 19, 'Employee benefits'

IAS 19 was revised in June 2011. The changes to the Company's accounting policies have been as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a

net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This amendment did not have a significant impact since the criteria applied by the Company and its subsidiaries for recognition of actuarial gains and losses were already in conformity with the requirements of IAS 19 and the change in the interest expense calculation introduced by IAS 19 did not have a material impact. Refer to Note

Amendment to IFRS 7, 'Financial instruments: Disclosure'

In October 2010, the IASB issued a revision of IFRS 7 adding disclosures that allow the user of the financial statements to assess the risk of exposure related to transfer of financial assets and the effects of these risks on the entity's financial position. The amendment to IFRS 7 is effective for annual periods beginning on or after July 1, 2011. The amendments to this standard did not impact the Company's financial statements.

Amendment to IFRS 10, 'Consolidated financial statements'

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This standard provides additional guidance to assist in the determination of control when there is doubt in the evaluation. The adoption of this new standard did not result in changes in the consolidation situation of the Company's subsidiaries.

IFRS 11, 'Joint arrangements'

The Company adopted IFRS 11, 'Joint arrangements'. There are two types of joint arrangements: (i) joint operations - arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses; and (ii) joint ventures - arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. The proportional consolidation method will no longer be permitted for joint ventures.

As a consequence of the adoption of this standard, the Company concluded that most of its joint arrangements would fall into the definition of joint venture and, accordingly, the Company ceased to proportionally consolidate its joint ventures and started accounting for them under the equity method, except for the companies mentioned in Note 2.2 which are classified as joint operations and are accounted for as such. The change in criterion was applied retrospectively and the comparative information for the years ended December 31, 2012 presented was recast to reflect this retrospective application.

The interests held in these companies are presented in Note 14. The joint ventures previously proportionally consolidated and currently accounted for under the equity method are: Sumter Cement Co LLC, Trinity Materials LLC, Suwannee American Cement LLC, Superior Building Materials LLC, Cementos Especiales de Las Islas S.A., Hormigones y Aridos La Barca S.A. and Cantera do Penedo S.A..

Below is a reconciliation of the balance sheet at December 31, 2012. In addition the impact of the adoption of the standard on the Company´s statement of income and cash flow statements is shown for year ended December 31, 2012.

This change did not affect the earnings per share.

(i) Consolidated balance sheet

	December 31, 2012		
Assets	**As originally presented (*)**	**IFRS 11 adjustments**	**Recasted**
Current assets	5,604,526	(77,433)	5,527,093
Assets of business classified as held for sale	701,214		701,214
Non-current assets	1,530,146	(11,736)	1,518,410
Investments	1,800,304	250,297	2,050,601
Property, plant and equipment	9,628,466	(206,583)	9,421,883
Intangible assets	4,715,695		4,715,695
	23,980,351	(45,455)	23,934,896

	December 31, 2012		
Liabilities and stockholders' equity	**As originally presented (*)**	**IFRS 11 adjustments**	**Recasted**
Current liabilities	3,254,850	(32,963)	3,221,887
Liabilities of business classified as held for sale	274,104		274,104
Deferred taxes	863,014		863,014
Other non-current liabilities	14,678,133	(12,492)	14,665,641
Non-controlling interest	4,657,971		4,657,971
Total stockholders' equity	252,279		252,279
	23,980,351	(45,455)	23,934,896

(*) The amounts presented in "As originally presented" column include adjustments related to the provisional amounts recognized upon acquisition of VCEAA, which was recorded in the balance sheet at December 31, 2012(Note 17 (d)).

(ii) Consolidated statement of income

	2012		
	As originally presented	**IFRS 11 adjustments**	**Recasted**
Revenues	9,481,673	(86,250)	9,395,423
Cost of sales and services	(6,177,116)	99,135	(6,077,981)
Gross profit	3,304,557	12,885	3,317,442
Operating expenses	(726,446)	2,361	(724,085)
Equity in the results of associates & joint ventures	(144,614)	(15,919)	(160,533)
Financial expenses, net	(935,264)	800	(934,464)
Income tax and social contribution	142,250	(127)	142,123
Net income for the year	1,640,483		1,640,483

(iii) Statement of cash flows

	2012		
	As originally presented	**IFRS 11 adjustments**	**Recasted**
Cash flow from operating activities	1,422,095	1,137	1,423,232
Cash flow from investment activities	(1,207,250)	(29,556)	(1,236,806)
Cash flow from financing activities	512,055	(1,513)	510,542
Cash and cash equivelants at the end of the period	969,546	(33,292)	936,254
Cash and cash equivelents at the beginning of the peri	225,130	(3,360)	221,770

There were no effects on the "statement of comprehensive income" with the application of IFRS 11.

IFRS 12, 'Disclosures of interests in other entities'

Includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new disclosures addressed by this standard, as far as applicable, are presented in Note 15.

IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Financial assets and financial liabilities measured at fair value are disclosed in Note 5.3.

IFRIC 20, 'Stripping costs in the production phase of a surface mine'

IFRIC 20 - "Stripping Costs in the Production Phase of a Surface Mine", provides a model for accounting for costs associated with the removal of waste during the production phase of a surface mine, including guidance on the apportionment of the costs incurred for obtaining a current and future benefit and how capitalized costs are depreciated. This interpretation did not have any material effect on the Company´s financial statements as production phase stripping costs continue to be capitalized and subsequently amortized (Note 2.12(b)).

Annual improvements cycle (2009-2011)

The IASB makes, on an annual basis, minor changes within a number of standards and interpretations with the purpose of clarifying current rules and avoiding dual meaning. In this cycle, IFRS 1 - "First-time adoption of IFRS", IAS 1 - "Presentation of financial statements", IAS 16 - "Property, plant and equipment", IAS 32 - "Financial instruments presentation" and IAS 34 - "Interim financial reporting" were reviewed. There have been no significant impacts on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments'

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part

of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The Company has not yet assessed IFRS 9's full impact.

IFRIC 21, 'Levies'

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company is not currently subjected to significant levies therefore the impact on the Company is not expected to be material.

IAS 36, 'Impairment of assets'

Amendments to IAS 36removed certain disclosures for the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Company until January 1, 2014.

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

4 Critical accounting estimates and judgments

The Company makes estimates based on assumptions concerning future events. 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 book values of assets and liabilities within the next financial year are addressed below:

(a) Impairment of goodwill and investments

The Company and its subsidiaries have a total of R$ 3,114,503 recognized as goodwill on its consolidated balance sheet as of December 31, 2013 (2012 - R$ 2,847,785).

The Company tests goodwill annually whether to determine whether it has suffered any impairment, in accordance with its accounting policy (Note 2.14). The recoverable amounts of a CGU or group of CGU's 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.

In 2013, the Company recorded an impairment loss on the goodwill of the investment in SPCIM Indústria e Comércio Ltda of R$ 1,616 and in hydroelectric consortium Pai Querê and Santa Isabel (included in the category "exploration rights") in amount of R$ 26,357.

(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 a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5.3).

(c) Provisions and contingent liabilities

The Company is party to labor, civil and tax proceedings, which are pending at different court levels. The provisions and contingencies against potentially unfavorable outcomes of litigation in progress are established and updated based on management evaluation, as supported by the positions of external legal counsel, and require a high level of judgment (Note 20).

(d) 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 fair value of the company's net identifiable assets. The measurement of these assets and liabilities, on the acquisition date, is subject to recoverability analysis, including estimates of future cash flows, fair value, credit risk and others, and could be significantly different from actual results (Note 17 (d)).

(e) Income tax, social contribution and other taxes

The Company is subject to income taxes in all countries in which it operates. Significant judgment is required in calculating the Company´s worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company also recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which the determination is made (Note 19).

(f) Employee benefits

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

At the end of each year, the Company determines the appropriate discount rate, which is the interest rate that should be used to determine the present value of estimated future cash outflows required to settle the pension obligations.

Any changes in the assumptions used to calculate these obligations would impact the recorded fair value at the balance sheet data (Note 30).

(g) Revenue recognition and accounts receivable

The Company recognizes revenue and associated cost of sales at the time products are delivered to customers or when title and associated risks pass to customers. Revenue is recorded net of taxes, discounts and sales returns.

The allowance for doubtful accounts is recorded in an amount considered sufficient to cover any probable losses on realization of trade accounts receivable. The Company's accounting policy for establishing the allowance for doubtful accounts requires that invoices be reviewed by the legal, collection and credit departments, in order to determine the amount of the probable expected losses.

(h) Review of the useful lives and recoverability of long-lived assets

The Company reviews its long-lived assets to be held and used in its activities, for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable on the basis of undiscounted future cash flows. The Company adjusts the net book value of its underlying assets if the sum of the expected future cash flows is less than the book value.

Based on the appraisal report issued by a specialized company on January 1, 2013, the Company reviewed the useful life of its property, plant and equipment items, prospectively changing the depreciation rates used.

	2013	2012
Machinery, equipment and facilities	4.76%	5.26%
Land and buildings	1.89%	2.08%

Following the change in the useful lives of its property, plant and equipment items, the depreciation for the year ended December 31, 2013 decreased by R$ 26 million in relation to 2012.

(i) Use of public assets

The amount related to the use of a public asset 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 cash flows).

5 Financial risk management

5.1 Financial risks factors

The Company's activities expose it to a number of financial risks: (a) market risk (including currency risk and interest rate risk); (b) credit risk; and (c) liquidity risk.

The Company's operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. Foreign exchange risk arises from future commercial transactions, assets and liabilities and net investments in foreign operations.
The Company has loans linked to indices and denominated in foreign currencies, which may impact its cash flows.

In order to mitigate the adverse effects of each market risk factor, the Company adopted the Parent Company's Market Risk Management Policy, which is also followed by its subsidiaries, with the purpose of establishing the governance and the macro-guidelines of the market risk management process, as well as the metrics for their measurement and monitoring. This policy is complemented by other policies that establish guidelines and rules for: (i) Foreign Exchange Exposure Management; (ii) Interest Rate Exposure Management; (iii) Commodities Price Exposure Management; (iv) Issuers and Counterparties Risk Management and (v) Financial Indebtedness and Liquidity Management.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is managed using the Parent Company's Foreign Exchange Exposure Management Policy, which states that the objectives of derivative transactions are to reduce cash flow volatility, hedge against foreign exchange exposure and avoid currency mismatches. The proposals for entering into hedge transactions are prepared by management and are based on the Company´s projected foreign exchange exposure through the end of the year subsequent to the date on which the analysis is made.

Additionally, during the preparation of the annual budget, hedging strategies may be designed to mitigate risks to the Company's cash flows.

The Brazilian Real (R$ or Reais) is the functional currency of the Company and all market risk management process efforts are designed to mitigate risks to the cash flow in this currency, to maintain the Company´s ability to honor its financial obligations, and to achieve the liquidity and indebtedness target levels defined by management.

The Company has certain investments in foreign operations, the net assets of which expose the Company to foreign exchange risk. The foreign exchange exposure arising from investments in foreign operations is partially hedged by loans in the same currency as the functional currency of the investees which are designated in some cases as hedges of net investment for accounting purposes. Presented below are the asset and liabilities in foreign currencies (Euro, US dollar, Canadian dollar, Moroccan dirham, Turkish lira and Chinese renminbi) at the end of the reporting period:

	2013	2012
Assets denominated in foreign currency		
Cash and cash equivalents	642,090	924,428
Trade accounts receivable	774,585	684,358
Derivative financial instruments	17,861	
Held for trading	75,657	70,217
	1,510,193	1,679,003
Liabilities denominated in foreign currency		
Loans and financing	7,181,347	6,510,091
Trade payables	461,885	403,810
Accounts payable - Trading	112,445	53,784
Derivative financial instruments	2,216	3,537
	7,757,893	6,971,222
Net liability exposure	6,247,700	5,292,219

(ii) Cash flow or fair value risk associated with interest rate

The Company's interest rate risk arises mainly from long-term loans. Loans issued at variable rates expose the Company to cash flow interest rate risk. Loans issued at fixed rates expose the Company to fair value risk associated with interest rate.

The Interest Rate Exposure Management Policy establishes guidelines and rules to hedge against fluctuations in interest rates that impact the cash flow of the Company and its subsidiaries. Exposures to each interest rate (mainly CDI, LIBOR and TJLP) are projected until the maturity of the assets and liabilities exposed to such indices.

Occasionally the Company enters into floating to fixed interest rate swaps to manage its cash flow interest rate risk (Note 5.3).

(b) Credit risk

Derivative financial instruments, time deposits, and Bank Deposit Certificates (CDB) create exposure to credit risk with respect to the counterparties and issuers. The Company has a policy of making deposits in financial institutions that have, at least, an assessment by two of the following rating agencies: Fitch, Moody's or Standard & Poor's. The minimum rating required for counterparties is "A+" (local rating scale) or "BBB-" (international rating scale), or equivalent (Note 7). The ratings disclosed in Note 7 are always the most conservative of the aforementioned rating agencies. For countries where issuers do not meet the minimum rating previously described, the criteria that management includes are: global positioning of banks, relationship with the Company and local presence.

In the case of credit risk arising from customer credit exposure, each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Consequently, each local entity assesses the credit quality of the particular customers, mainly taking into account the history of the relationship and financial indicators defining individual credit limits, which the Company continuously monitors.

The allowance for doubtful accounts is recorded at an amount sufficient to cover probable losses on the collection of trade accounts receivable and is charged to "Selling expenses".

(c) Liquidity risk

This risk is managed by means of the Parent Company's Liquidity and Financial Indebtedness Management Policy, aimed at ensuring sufficient net funds to meet the Company´s financial commitments with no additional cost.

The main liquidity measurement and monitoring instrument is the cash flow projection or rolling forecast, observing a minimum projection period of 12 months from the benchmark date.

The liquidity and indebtedness management adopts comparable metrics provided by global risk rating agencies for credit risk BBB stable or equivalent.

The table below analyzes the Company's main financial liabilities by maturity, corresponding to the remaining period from the balance sheet date up to contractual maturity. The amounts represent undiscounted contractual cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years
At December 31, 2013					
Loans and financing	1.467.034	1.871.679	8.730.106	4.268.549	6.648.077
Trade payables	925.215				
Dividends payable	45.664				
Related parties	83.553	55.774		12.296	
Pension plan	39.526	39.611	124.794	199.737	1.127.944
Payables - Trading	112.445				
Use of Public Asset	24.942	26.514	89.765	190.529	898.936
Derivatives	2.450	609	3.217		
	2.700.829	1.994.187	8.947.882	4.671.111	8.674.957
At December 31, 2012					
Loans and financing	1.198.215	2.052.786	5.385.678	6.566.987	5.990.466
Trade payables	856.226				
Dividends payable	439.122				
Account payable for the aquisition of investees	328.452				
Related parties	67.890	60.922	124.307	514.462	
Pension plan	28.121	29.808	89.425	154.071	953.865
Payables - Trading	53.784				
Use of Public Asset	23.350	24.942	84.550	179.461	941.734
Derivatives	3.539	876			
	2.998.699	2.169.334	5.683.960	7.414.981	7.886.065

As the amounts included in the table are undiscounted contractual future cash flows, these amounts may not agree directly to the amounts in the balance sheet for loans, derivative financial instruments and suppliers.

5.2 Capital management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio, which corresponds to net debt divided by Adjusted EBITDA. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents, financial investments and derivative financial instruments. Adjusted EBITDA is calculated based on the sum of operating profit, depreciation, amortization, depletion, dividends received, any other non-cash items included in operating profit and items assessed by the Company's management as exceptional. Adjusted EBITDA reconciles to our net income since Adjusted EBITDA is defined as net income plus/less financial income (expenses), net plus income tax and social contribution plus depreciation or amortization and depletion less equity in results of investees, plus dividends received, and exceptional non-cash items.

Exceptional items included unusual or infrequent transactions, segregated to facilitate the understanding of the financial performance of the Company. These items are generally related to equity investments and associates, such as gains/losses on acquisitions, disposals or exchange of assets and/or impairment related items.

The net debt/adjusted EBITDA ratios at December 31, 2013 and 2012 are summarized as follows:

	Note	2013	2012
Loans and financing	18	13,501,341	12,784,049
Cash and cash equivalents	8	(665,588)	(936,254)
Derivative financial instruments	5.4	(14,722)	(251)
Financial investments	9	(1,274,323)	(2,032,431)
Net debt - (A)		11,546,708	9,815,113
Adjusted EBITDA - (B)	34 (a)	3,516,695	3,071,924
Net debt / adjusted EBITDA - (A/B)		3.28	3.20

	2013	2012
Net income for the year	1,388,835	1,640,483
Plus (less):		
Equity in the results of associates	(127,908)	160,533
Financial income, net - continuing operations	785,796	934,464
Financial income, net - discontinued operations	24,994	
Income tax and social contribution - continuing operations	585,908	(142,123)
Income tax and social contribution - discontinued operations	(1,134)	
Depreciation, amortization and depletion - continuing operations	773,093	544,307
Depreciation, amortization and depletion - discontinued operations	24,465	
EBITDA before results of investees	3,454,049	3,137,664
Plus (less):		
Dividends received	61,704	193,377
Exceptional items:		
EBITDA - discontinued operations	532	
Loss on disposal of equity investment - Yguazú		7,657
Gain on disposal of equity investment - Cimpor		(266,774)
Gain on disposal of equity investments - FINOR	(1,853)	
Gain on disposal of equity investments - CPA	(34,904)	
Adjustment of non-recurring item:		
Impairmnt provision for goodwill - SPCIM	1,616	
Impairment provision for advances do supliers	4,517	
Impairment provision for invesments - Usina Pai Querê e Santa Izabel	26,356	
Impairment provision or property, plant and equipment - VCNA	4,678	
Adjusted EBITDA	3,516,695	3,071,924

5.3 Fair value estimates

The carrying amounts of trade accounts receivable, less allowance for doubtful accounts, and of trade accounts payable, approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

The main financial instruments and the assumptions made by the Company for their valuation are described below:

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

Financial liabilities - these instruments are subject to the usual market interest rates. Market value was based on the present value of expected future cash disbursement, at interest rates currently available for issuance of debt with similar maturity and terms.

The difference between the fair value and the carrying amount of these liabilities is R$ 205,045 (2012 - R$ 818,493), and the carrying amount is lower than the fair value (Note 18 (f)).

The Company discloses fair value measurements by Level based on the following fair value measurement hierarchy:

. Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level I).

. Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level II).

. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Fair value measured based on		2013
	Price quoted in an active market (Level I)	Valuation technique supported by prices Observable (Level II)	Fair value recognized
Assets			
Financial investments	357,083	917,240	1,274,323
Derivative financial instruments		18,548	18,548
	357,083	935,788	1,292,871
Liabilities			
Derivative financial instruments		6,276	6,276
		6,276	6,276

	Fair value measured based on		2012
	Price quoted in an active market (Level I)	Valuation technique supported by prices Observable (Level II)	Fair value recognized
Assets			
Financial investments	301,949	1,730,482	2,032,431
Derivative financial instruments		4,666	4,666
	301,949	1,735,148	2,037,097
Liabilities			
Derivative financial instruments		4,415	4,415
		4,415	4,415

a) Financial instruments - Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included as Level I. Instruments included in Level I comprise primarily iBOVESPA equity investments classified as trading securities (financial investments).

b) Financial instruments - Level II

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included as Level II.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

No other material asset or liability was measured at fair value on the dates presented above. There were no transfers between Levels 1 and 2 during the year.

5.4 Derivatives contracted

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

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

Hedging program for exchange rate exposure - hedging instruments contracted with the purpose of adjusting the exchange exposure to the parameters established in the policy.

The mitigation of these risks is carried out through the purchase of US Dollar and Euro forward contracts.

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

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

		Principal		Fair value		Realized gain (loss)	Fair value by maturity				
Program	Unit	2013	2012	2013	2012	2013	2014	2015	2016	2017	2018
Hedging intrument for interest rates in US Dollars											
LIBOR floating rate vs. US dollar fixed rate swaps	USD MM	149	176	(2,216.0)	(4,415.0)	(2,748.0)	(2,217.0)				
Hedging instrument for foreign exchange exposure											
US dollar forward	USD MM	85		5,261.0		(1,953.0)	5,261.0				
Euro forward	EUR MM	39		9,233.0			9,233.0				
Hedging instrument for debts											
Fixed rate in Reais vs. CDI floating rate swaps	BRL MM	500	500	(3,493.0)	4,666.0	1,607.0	335.0	(609.0)	(1,226.0)	(1,166.0)	(826.0)
Rupee vs. USD swaps	USD MM	5		3,487.0			3,487.0				
Total (assets and liabilities, net)				**12,272.0**	**251.0**	**(3,094.0)**	**16,099.0**	**(609.0)**	**(1,226.0)**	**(1,166.0)**	**(826.0)**

5.5 Significant transactions and future commitments subject to cash flow and fair value hedges

The Company adopts hedge accounting for a portion of the swaps contracted in order to adjust the exposure to LIBOR (hedging program for interest rates in US Dollars), designating the derivatives contracted as cash flow hedges. As a consequence of the adoption of hedge accounting, the changes in the fair values of the derivatives contracted for this program are recorded in Other Comprehensive Income until the realization of the debt when the fair value of these derivatives is reclassified to the statement of income.

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

Program	Unit	Principal 2013	Principal 2012	Average Rate/Price FWD	Average term (days)	Fair value 2013	Fair value 2012	Realized gain (loss) 2013	Fair value by maturity 2014
Hedging intrument for interest rates in US Dollars									
LIBOR floating rate vs. US dollar fixed rate swaps	USD MM	149	176	1,05%	304	(2,216.0)	(4,415.0)	(2,748.0)	(2,216.0)

5.6 Hedge of net investment

As from December 21, 2012, the Company designated its debt denominated in Euros in an aggregate amount equal to EUR 750 million (R$ 2,424 million) (December 31, 2012: EUR 750 million - R$ 2,022 million) as the hedging instrument to hedge its net investment in VCEAA, which has the Euro as its functional currency.

As from January 1, 2013, the Company designated as a hedge of the net investment its consolidated entity VCNA, including its US subsidiaries. As from such date, the Company designated a portion of its debt denominated in US dollars in an aggregate amount equal to US$ 1,554.1 million (R$ 3,640.6 million) as a hedge of the net investment in the its equity investment in VCNA. VCNA, a Company domiciled in Canada, has the Canadian dollar as its functional currency, which is highly correlated to the US dollar. The Company documents this correlation by assessing effectiveness of this net investment hedge both prospectively as well as retrospectively on a quarterly basis.

The foreign exchange loss on the translation of debt recognized as other comprehensive income was (R$ 563,681) for the year ended of 2013, and (R$ 107,085) for the year ended of 2012.

Results from other loans in USD or Euro that are not included in this hedge relationship, continue to be recognized in the statement of income.

5.7 Sensitivity analysis

Presented below is a sensitivity analysis for the main risk factors that impact the pricing of the outstanding financial instruments of cash and cash equivalents, financial investments, borrowings, and derivative financial instruments. The main sensitivities are the exposure to the fluctuation of the Dollar and Euro, the LIBOR and CDI interest rates. The assumptions are prepared using market and others sources.

The scenarios at December 31, 2013 are described below:

- Scenario I: considers a change in the market forward yield curves and quotations as at December 31, 2013, according to the base scenario defined by the Company for December 31, 2014.

- Scenario II: considers a change of + or - 25% in the market forward yield curves and quotations as at December 31, 2013.

- Scenario III: considers a change of + or - 50% in the market forward yield curves and quotations as at December 31, 2013.

								Impacts on P&L						Impacts on comprehensive income			
						Scenario I		Scenarios II and III				Scenario I		Scenarios II and III			
Risk factor	Assets	Liabilities	Principal	Currency	Risk factor	Changes from 31/12/2013	Results of scenario I	-25%	-50%	+25%	+50%	Results of scenario I	-25%	-50%	+25%	+50%
Foreign exchange rate																
USD	643,276	4,356,554	239,050	USD	USD	2,45%	(7,451)	79,098	158,196	(79,098)	(158,196)	(76,793)	802,697	1,605,394	(802,697)	(1,605,394)
EUR	74,471	2,509,455	39	EUR	EUR	-3.30%	(1,196)	(9,808)	(19,616)	9,808	19,616	77,418	567,003	1,134,005	(567,003)	(1,134,005)
Interest rates																
BRL - CDI	1,199,254	4,905,243	624,000	BRL	BRL - CDI	50 bps	(18,212)	94,768	190,197	(94,220)	(187,985)					
USD - LIBOR		1,025,685	148,750	USD	USD LIBOR	25 bps	(2,516)	1,252	2,505	(1,252)	(2,505)	508	(163)	(327)	163	326

With respect to changes in the foreign exchange rate, the impact on the statement of income is different from equity as a result from the effects of hedge accounting. (Note 5.6).

6 Financial instruments by category

	Note	Loans and receivables	Assets held for trading	Total
December 31, 2013				
Assets as per balance sheet				
Trade accounts receivable	10	1,047,747		1,047,747
Financial investments	9		1,274,323	1,274,323
Derivatives	5.4		18,548	18,548
Cash and cash equivalents	8	665,588		665,588
Related parties	13	103,767		103,767
		1,817,102	1,292,871	3,109,973

	Note	Other financial liabilities
December 31, 2013		
Liabilities as per balance sheet		
Loans and financing	18	13,501,341
Trade payables		925,215
Accounts payable - Trading	22	112,445
Derivatives	5.4	3,826
Use of Public Assets (UBP)		423,384
Related parties	13	151,623
		15,117,834

	Note	Loans and receivables	Assets held for trading	Total
December 31, 2012				
Assets as per balance sheet				
Trade accounts receivable	10	910,690		910,690
Financial investments	9		2,032,431	2,032,431
Derivative financial instruments	5.4		4,666	4,666
Cash and cash equivalents	8	936,254		936,254
Related parties	13	16,418		16,418
		1,863,362	2,037,097	3,900,459

	Note	Other financial liabilities
December 31, 2012		
Liabilities as per balance sheet		
Loans and financing	18	12,784,049
Trade payables		856,226
Accounts payable - Trading	21	53,784
Derivatives	5.4	4,415
Use of Public Assets (UBP)		405,146
Accounts payable for the aquisitions of investees		328,452
Related parties	13	486,597
		14,918,669

7 Credit quality of financial assets

a) Cash and cash equivalents and financial investments

The following table reflects the credit quality of issuers and counterparties in transactions involving financial assets. The "Local Rating" corresponds to ratings under the local rating scales used by rating agencies, while "Global Rating" corresponds to ratings issued by those rating agencies under their global scales.

	2013			2012		
	Local Rating	Global Rating	Total	Local Rating	Global Rating	Total
Cash and cash equivalents						
AAA	19,175		19,175	10,522		10,522
AA+	7	63,641	63,648	7		7
AA				139		139
AA-	201	2,025	2,226	9		9
A+		144,057	144,057		733,513	733,513
A		65,698	65,698		13,865	13,865
A-	1,216	25,669	26,885		5,724	5,724
BBB+				14	12,799	12,813
BBB	5	57,067	57,072		96,541	96,541
BBB-		199,939	199,939		25,241	25,241
BB+						
BB		37,122	37,122			
BB-		2,248	2,248		1,974	1,974
B+		16,388	16,388			
B					24,989	24,989
Without rating	2,894	28,236	31,130	1,135	9,782	10,917
	23,498	642,090	665,588	11,826	924,428	936,254
Financial investments						
AAA	713,491		713,491	1,354,269		1,354,269
AA+	436,778		436,778	461,782		461,782
AA				57,775		57,775
AA-	15,864		15,864			
A		72,855	72,855		70,217	70,217
A-				676		676
BB+	98		98			
BBB-		2,802	2,802			
Without rating	32,435		32,435	87,712		87,712
	1,198,666	75,657	1,274,323	1,962,214	70,217	2,032,431
	1,222,164	717,747	1,939,911	1,974,040	994,645	2,968,685

The local and global ratings were obtained from rating agencies Standard & Poor's, Moody's and Fitch.

b) Trade accounts receivable

	2013	2012
High risk	111,392	63,976
Medium risk	87,387	145,883
Low risk	606,877	502,983
AAA	42,979	43,326
	848,635	756,168

The amounts above refer to trade accounts receivable that are non-overdue and not impaired.

High risk - New customers without historical financial information.
Medium risk - Customers with a history of some delay in payments.
Low risk - Customers with solid commercial and payment history.
Customers AAA - Classification only for wholesale customers, based on individual credit analysis.

8 Cash and cash equivalents

	2013	2012
Local Currency		
Cash and banks	23,498	10,648
Bank Deposit Certificate (CDB)		626
Others		552
	23,498	11,826
Foreign Currency		
Cash and banks	379,293	924,428
Bank Deposit Certificate (CDB)	262,797	
	642,090	924,428
	665,588	936,254

The average yield of the portfolio at December 31, 2013 was 100.78% of the CDI (102.1% of the CDI for the year ended December 31, 2012).

9 Financial investments

	2013	2012
Held for trading		
Local Currency		
Treasury Financial contracts	2,069	
Investment Fund Quotas - Interfinancial deposits	1,180,339	1,944,901
Bank Deposit Certificates (CDB)	16,258	16,369
Others		944
	1,198,666	1,962,214
Foreign Currency		
Financial investments	74,145	70,217
Investment Fund Quotas - Interfinancial deposits	1,512	
	75,657	70,217
	1,274,323	2,032,431

The average yield of the portfolio at December 31, 2013 was 100.02% of the CDI (102.1% of the CDI for the year ended December 31, 2012).

Investment fund shares are all invested in Votorantim exclusive fund. The control over exclusive fund is effected by VID's corporate treasury and the operations comprise basically bank deposit certificates, repurchase agreements and government securities.

10 Trade accounts receivable

(a) Analysis

	Note	2013	2012
Local customers		255,878	194,223
Foreign customers		774,585	684,358
Related parties	13	83,921	75,105
Allowance for doubtful accounts		(66,637)	(42,996)
		1,047,747	910,690

(b) The changes in the allowance for doubtful accounts are as follows:

	2013	2012
Balance at the beginning of the year	(42,996)	(35,294)
Additions, net	(41,351)	(11,077)
Trade accounts receivable written off during the period as uncollectible	19,696	5,555
Exchange variation	(1,986)	(2,180)
Balance at the end of the year	(66,637)	(42,996)

(c) The Company's trade accounts receivable are denominated in the following currencies:

	2013	2012
Reais	292,420	254,053
US dollars	212,606	170,863
Canadian dollars	181,281	183,295
Euro	132,587	127,644
Turkish Lira	88,863	92,799
Moroccan dirham	75,975	56,897
Uruguayan peso	44,986	
Tunisian dinars	17,187	19,092
Others	1,842	6,047
	1,047,747	910,690

(d) Aging of overdue receivables:

	2013	2012
Up to 3 months	94,867	110,761
From 3 to 6 months	12,263	4,261
Over 6 months	74,698	7,391
	181,828	122,413

During the last quarter of 2012 the Company transferred customer receivables to a financial institution assuming up to 1% of losses of the receivables transferred. Since the Company transferred the significant risks and rewards of the

receivables, it has derecognized receivables with a carrying amount of R$ 99.797 (December 31, 2012 - 140,096) and recognized a liability under "other liabilities" in the amount of R$ 997 (R$ 1,400 on December 31, 2012), representing the fair value of the guarantee granted with respect to the 1% of losses which is also the amount of the Company's maximum exposure related to continuing involvement in the receivables transferred. The Company has no obligation, right or option to repurchase the receivables and there are no other contractual obligations or rights, in addition this transaction did not result in any significant gain or loss.

The additions to and the release of the allowance for doubtful accounts have been included in "Selling expenses". Amounts charged to the allowance for doubtful accounts are generally written off when there is no expectation of recovering additional cash.

The increase in the allowance for doubtful accounts arose from a review and change the criterion of allowance for doubtful accounts in 2013.

11 Inventories

	2013	2012
Finished products	132,010	131,383
Semi finished products	601,131	514,457
Raw materials	269,141	281,166
Auxiliary materials and consumables	279,222	267,717
Imports in transit	83,703	79,934
Other	26,796	23,326
Provision for losses	(86,348)	(115,882)
	1,305,655	1,182,101

The provision for losses refers mainly to obsolete materials in inventory. The Company had no inventories pledged as collateral for any of its liabilities.

12 Other taxes recoverable

	2013	2012
Current income tax and social contribution receivable	161.686	83.920
	161.686	83.920
ICMS credits on acquisition of property, plant and equipment	77.157	59.676
Value-added Tax on Sales and Services (ICMS)	87.191	74.536
Excise Tax (IPI)	27.578	20.512
Employees' Profit Participation Program - PIS	42.041	2.920
Social Contribution on Revenues (COFINS)	192.776	14.339
Other	22.507	45.508
	449.250	217.491
Taxes recoverable	610.936	301.411
Current	(341.134)	(260.115)
Non current	269.802	41.296

The credits related to Value-added Tax on Sales and Services (ICMS) arise from the purchase of property, plant and equipment (recoverable in 48 monthly installments) and consumable products and will be recovered during the ordinary course of the Company's operations.

On March 31, 2013, the Company elected to reclassify the PIS and COFINS credits arising from the purchase of property, plant and equipment, which were previously included in the acquisition cost of property, plant and equipment and transferred to taxes recoverable. The amount reclassified from property, plant and equipment to taxes recoverable was R$ 187,108.

At December 31, 2013, R$ 19 million (R$ 42 million at December 31, 2012) of the balance included in "Other" corresponds to taxes recoverable by VCEAA.

13 Related parties

(e) Analysis

	Trade accounts receivable		Dividends receivable		Non-current assets		Trade payables		Dividends payable		Non-current liabilities		Financial result		Purchases		Sales	
Parent	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Votorantim Industrial S.A. 1 (d) e (ii)	213	71			38		22,697	10,168	1,880	330,334	83,553			(3,030)	56,094	34,300		
Votorantim Participações S.A					7,028						722	33,390						
Inecap Investimentos S.A.																		
Related companies and associated companies																		
Canteira do Penedo, S.A.	61						339								339			
Cementos Avellaneda S.A.	999		771				695								695			
Cementos Especiales de las Isl	9,776						1,699								1,699			
Citrovita Agroindustrial S.A.																		
Cia. de Cimento Itambé	13,641	18,865															417	14,583
Companhia Brasileira de Alumínio	227	316					115								722		10	1
Fibria Celulose S.A.	54				420	420		31,362	26		110							6
Hailstone Limited					11,952	10,426					27,949	23,301						
Ibar Administração e Participações Ltda.					5,075	5,075												
Insular de Productos de la Construcción y la Industria S.L.																		
Maré Cimento Ltda.	4,687	2,327	2,840				50	2			52						39,206	37,697
Metalúrgica Atlas S.A.					1,485		47	378			12				2,963	12,312		3
Mizu S.A.	5,743	4,757	1,277	90	1	1	46	173									75,044	61,372
Pedreira Potiguar Ltda.					11,063						72							
Polimix Cimento Ltda.	138																1,677	173
Polimix Concreto Ltda.	14,687	19,219	7,149	53	8	8	707	101									168,780	136,844
Santa Cruz Geração de Energia S.A									534	257								
Santa Maria Com e Serviços Ltda.									126	113								
Sumter Cement Co LLC	1,252				2,616													
Superior Building Materials LL	8,540																27,045	
Supermix Concreto S.A.	22,651	28,183	150		7												305,891	327,655
Suwannee American Cement LLC	8				62,091		13,242	52,487					715					
Verona Participações Ltda.			9,218	222														
Votener-Votorantim C.Energia							1,546	17							205,737	174,625	9,457	6,967
Voto-Votorantim Oversesas Trading Operations IV Limited Ltda.												409,665	(27,274)	(33,770)				
Votocel Investimentos Ltda.									416	183								
Votorantim Andina S.A.											1,757							
Votorantim GmbH (i)	7				1,602		43,386	11,369			37,257	18,545	(2,559)		412,971	230,215	45,312	
Votorantim Metais S.A.	34					2	24,150	8,066							183	1,745	697	
Votorantim Metais Zinco S.A.	183	70					3					12					9	3
Votorantim Siderurgia S.A.	439	571			1	270	351	805			7					4	6	
Other	581	726	3,150	147	380	216	555	312	220	184	132	1,684					6,922	7,087
	83,921	75,105	24,555	512	103,767	16,418	109,628	115,240	3,202	331,071	151,623	486,597	(29,118)	(36,800)	681,403	453,201	680,473	592,391
Total non-controlling interest									42,462	108,051								
Current	(83,921)	(75,105)	(24,555)	(512)			(109,628)	(115,240)	(45,664)	(439,122)								
Non-current					103,767	16,418					(151,623)	(486,597)						

The main transactions with related parties were carried out under the following conditions:

(i) Products are sold between related parties based on the companies' internal price lists which in the case of purchases made by the Company from our related party Votorantim GmBH (consisting substantially of petcoke bought by Votorantim GmBH from third party suppliers and resold to the Company) include a margin on the purchase price charged by the suppliers between 14% and 15% in the periods presented, which is in line with the transfer price policy the Company has in place.

(ii) Services purchased include those provided by the Shared Solutions Center ("Centro de Soluções Compartilhadas"), or CSC, of VID related to administrative activities, human resources, back office, accounting, taxes, technical assistance, training, and those provided by the Corporate IT department ("Centro de Competência em Tecnologia da Informação" or CCTI). These services are provided to all the companies of the Votorantim and the Company reimburses the expenses related to these services to VID based upon the services actually provided by the CSC and the CCTI.

Other prices for the sales and rendering of services between related parties have been negotiated based on incurred costs, with no margins applied.

Guarantees of indebtedness of the Company and its consolidated entities granted by related parties

Instrument	Guarantor	2013	2012
BNDES	Hejoassu (Controladora VPAR) / VID	1,523,123	1,469,307
1st issuance of debentures	VPAR	503,978	1,005,658
2nd issuance of debentures	VID	1,024,402	1,017,727
3rd issuance of debentures	VID	623,382	618,075
4th issuance of debentures	VID (*)	1,044,446	1,035,868
5th issuance of debentures	VID	1,208,278	1,205,939
ECA Framework Agreement	VID (*)	140,432	126,936
Eurobonds - EUR	VPAR (100%), CBA(50%)	2,509,431	2,092,875
Eurobonds - USD (Voto 41)	VID (*)	2,978,376	2,598,101
Eurobonds - USD (Voto IV)	VPAR (100%), VCSA (50%) e Fibria (50%)	411,164	
Backstop Facility	VID / VCSA		900,531
		11,967,012	12,071,017

(*) In 2012, after the fulfillment of certain contractual conditions, VID assumed the obligations as guarantor for certain loans and financing, previously guaranteed by its parent company, VPAR.

Guarantees of indebtedness of related parties granted by the Company and its consolidated entities

				2013		2012	
Instrument	Debtor	Guarantor	Percentage guaranteed by the Company	Debt	Amount guaranteed	Debt	Amount guaranteed
Voto IV	Voto IV	VPAR,Fibria, VCSA	50%			818,456	409,228
Voto V	VID	VPAR, VCSA, CBA	50%	2,171,931	1,085,965	2,079,226	1,039,613
Voto VI	CBA	VPAR, VCSA	50%	1,698,141	849,070	1,557,051	778,526
				3,870,072	1,935,035	4,454,733	2,227,367

(f) Key management compensation

Key management includes the members of the Company´s Global Executive team and Board of Directors.

Key management compensation, including all benefits, was as follows:

	2013	2012
Short-term benefits to managers	33,207	22,448
Termination benefit	1,103	77
Post-employment benefit	619	338
Other long-term benefits to key management	15,480	
	50,409	22,863

The short term benefits above include fixed compensation (salaries and fees, paid vacations and 13th month salary), social charges (contributions to the National Institute of Social Security - INSS and the Government Severance Indemnity Fund for Employees - FGTS) and short term benefits under the Company´s variable compensation program. The other long-term benefits relate to the variable compensation program.

The post-employment benefits refers to pension plans.

14 Other assets

	2013	2012
Prepaid expenses	109,480	55,102
Fiscal credits	103,735	89,774
Notes receivable	50,324	44,584
Credits from share sales	28,727	30,525
Advances to employees	17,318	13,354
Social security credits	13,022	8,647
Long-term advances to suppliers	7,369	6,250
PP&E sales credits	4,732	50,202
Employee benefit	1,055	7,117
Check yet to compensate	186	2,488
Other credits	38,087	24,354
	374,035	332,397
Current	(203,880)	(93,199)
Non-current	170,155	239,198

15 Investments in associates and joint-ventures

(a) Analysis

	Information as at December 31, 2013				Equity in the results of associates and joint ventures	Balance
		Net income	Percentage			
	Net equity	(loss) for the year	Voting	Total	2013	2013
Investments accounted for under the equity method						
Votorantim Cimentos S.A.						
Cementos Portland S.A.	224,637	(1,687)	29.50	29.50	(498)	66,268
Votorantim Investimentos Latino Americano S.A. (e)					2,890	
Votorantim Cimentos EAA Inversiones S.L.						
Cementos Avellaneda S.A.	354,528	80,480	49.00	49.00	32,290	368,864
Silcar Empreendimentos Comércio e Participações Ltda.						
Sirama Participações Ltda.	856,136	194,283	38.26	38.26	74,326	327,535
Maré Cimento Ltda. (a)	211,849	90,114	51.00	51.00	25,642	108,043
Polimix Concreto Ltda. (a)	307,425	36,916	27.57	27.57	(4,234)	84,763
Supermix Concreto S.A.	215,985	28,749	25.00	25.00	7,187	53,996
Mizu S.A. (a)	76,002	9,209	51.00	51.00	1,398	38,761
Verona Participações Ltda. (a)	80,230	75,416	25.00	25.00	(3,416)	20,057
Polimix Cimento Ltda. (a)	30,345		51.00	51.00		15,476
Inversiones Votorantim Chile						
Cemento Bio Bio S.A. (b)	914,640	(81,277)	16.70	16.70	(13,480)	152,736
Joint ventures - VCNA						
Suwannee American Cement LLC	206,670	(25,834)	50.00	50.00	(12,917)	103,335
Superior Building Materials LL	35,087	(10,128)	50.00	50.00	(5,064)	17,544
Sumter Cement Co LLC	32,565	(566)	50.00	50.00	(283)	16,282
Trinity Materials LLC	13,514	(1,098)	50.00	50.00	(549)	6,757
Other investments					(6,429)	110,673
Total investments, joint ventures and others					96,863	1,491,090

	Information as at December 31, 2012				Equity in the results of associates and joint ventures	Balance
	Net equity	Net income (loss) for the year	Percentage Voting	Percentage Total	2012	2012
Investments accounted for under the equity method						
Votorantim Cimentos S.A.						
Votorantim Investimentos Latino Americano S.A. (e)	4,005,620	(173,399)	12.36	12.36	(24,744)	687,262
Cementos Artigas S.A. (d)	226,715		12.61	12.61		50,795
Maesa - Machadinho Energética S.A. (c)	472,515	54,335	6.76	6.76	8,529	31,942
Cimpor - Cimentos de Portugal S.A. (c)					(79,320)	
Yguazú Cemento S.A. (c)					2,721	
Cementos Avellaneda S.A.	344,629		10.61	10.61		121,909
Cementos Portland S.A.	216,569	(1,614)	29.50	29.50	(476)	63,888
Silcar Empreendimentos Comércio e Participações Ltda.						
Sirama Participações Ltda.	751,929	177,445	38.25	38.25	58,522	287,613
Maré Cimento Ltda. (a)	165,898	54,598	51.00	51.00	27,845	84,608
Polimix Concreto Ltda. (a)	335,840	31,121	27.57	27.57	8,580	92,591
Supermix Concreto S.A.	223,564	66,300	25.00	25.00	16,575	55,891
Mizu S.A. (a)	79,547	16,855	51.00	51.00	8,597	40,569
Verona Participações Ltda. (a)	116,160	71,560	25.00	25.00	17,890	29,040
Polimix Cimento Ltda. (a)	30,345		51.00	51.00		15,476
Inversiones Votorantim Chile						
Cemento Bio Bio S.A. (b)	873,683	(128,792)	15.15	15.15	(19,512)	132,363
Joint ventures - VCNA						
Suwannee American Cement LLC	203,939	(15,598)	50.00	50.00	(7,799)	101,970
Superior Building Materials LL	38,459	(11,632)	50.00	50.00	(5,816)	19,229
Sumter Cement Co LLC	28,941	(938)	50.00	50.00	(469)	14,471
Trinity Materials LLC	12,296	(3,666)	50.00	50.00	(1,833)	6,252
Other investments					252	214,732
Total investments, joint ventures and others					9,542	2,050,601

(a) Corresponds to the investees of the consolidated entity Silcar - Empreendimentos Comércio e Participações Ltda. As per the terms of the shareholders agreement the Company can only participate in certain defined financial and operating decisions with respect to certain matters and certain activities of the associates and, as such, the Company does not control these entities. Dividends related to these entities could be distributed in amounts disproportional to the percentage of ownership if so determined by the shareholders.

(b) Corresponds to investees for which the Company has less than 20% of voting interest but over whose activities the Company exerts significant influence through shareholders agreements to which the Company are party, board participation, or as results of interests held by related parties.

(c) These investments were disposed or liquidated during the period presented.

(d) Artigas has been consolidated as from April 3, 2013 (Note 1(c)).

(e) This investment was classified as a non-current asset held for sale at March 31, 2013 and was subsequently disposed of on May 14, 2013. (Note 1(e)).

(b) Information on associates and joint ventures

Below is a summary of selected financial information (on a non-proportional basis) of our main associates and joint ventures:

						2013
	Percentage voting	Assets	Liabilities	Net equity	Operational result	Net income (loss) for the year
Investments accounted for under the equity method						
Cementos Avellaneda S.A.	49.00	521,483	166,955	354,528	115,302	80,480
Sirama Participações Ltda.	38.26	859,431	3,295	856,136	(591)	194,283
Cemento Bio Bio S.A.	16.70	2,175,033	1,260,393	914,640	136,008	(81,277)
Maré Cimento Ltda.	51.00	604,277	392,428	211,849	144,891	90,114
Polimix Concreto Ltda.	27.57	486,964	179,539	307,425	47,802	36,916
Cementos Portland S.A.	29.50	233,867	9,230	224,637	(2,605)	(1,687)
Supermix Concreto S.A.	25.00	506,595	290,610	215,985	25,505	28,749
Mizu S.A.	51.00	136,899	60,897	76,002	13,019	9,209
Verona Participações Ltda.	25.00	89,863	9,633	80,230		75,416
Polimix Cimento Ltda.	51.00	30,345		30,345		
Joint ventures - VCNA						
Suwannee American Cement LLC.	50.00	245,034	38,364	206,670	(24,540)	(25,834)
Superior Building Materials LL.	50.00	71,831	36,744	35,087	(9,592)	(10,128)
Sumter Cement Co LLC.	50.00	32,571	6	32,565	(28)	(566)
Trinity Materials LLC.	50.00	13,792	278	13,514	(1,083)	(1,098)

						2012
	Percentage voting	Assets	Liabilities	Net equity	Operational result	Net income (loss) for the year
Investments accounted for under the equity method						
Votorantim Investimentos Latino Americano S.A.	12.36	4,045,384	39,764	4,005,620	(55,681)	(173,399)
Cementos Artigas S.A.	12.61	257,117	30,402	226,715		
Maesa - Machadinho Energética S.A.	6.76	593,142	120,627	472,515	170,785	54,335
Cementos Avellaneda S.A	10.61	516,265	171,636	344,629		
Sirama Participações Ltda.	38.25	753,176	1,247	751,929	(15,789)	177,445
Cemento Bio Bio S.A (b)	15.15	2,356,418	1,482,735	873,683	(16,834)	(128,792)
Maré Cimento Ltda. (a)	51.00	503,884	337,986	165,898	82,876	54,598
Polimix Concreto Ltda (a)	27.57	531,307	195,467	335,840	41,506	31,121
Cementos Portland S.A	29.50	225,663	9,094	216,569	(2,760)	(1,614)
Supermix Concreto S.A	25.00	495,604	272,040	223,564	77,014	66,300
Mizu S.A	51.00	126,821	47,274	79,547	18,829	16,855
Verona Participações Ltda.	25.00	120,285	4,125	116,160		71,560
Polimix Cimento Ltda	51.00	30,345		30,345		
Joint ventures - VCNA						
Suwannee American Cement LLC	50.00	233,798	29,859	203,939	(15,093)	(15,598)
Superior Building Materials LL	50.00	68,573	30,114	38,459	(11,360)	(11,632)
Sumter Cement Co LLC	50.00	28,973	32	28,941	(381)	(938)
Trinity Materials LLC	50.00	12,509	213	12,296	(3,652)	(3,666)

(c) Change in investments in associates and joint ventures

	2013	2012
Balance at the beginning of the year	2,050,601	3,384,818
Equity method adjustments		
Equity in the results	96,863	9,542
Dividends received/recognized	(79,992)	(186,337)
Exchange gains on investment abroad	8,472	302,281
Hedge accounting in associated companies	1,571	
Other comprehensive income of associates and joint ventures	2,221	3,661
Acquisition / capital contributions		
Capital increase in investees	14,102	104,420
Acquisition of equity investment in Cementos Avellaneda (Note 1(b))	267,200	
Acquisition of additional interest in Bio Bio (Note 1 (h))	14,699	
Acquisition of initial equity investment in Cementos Avellaneda and Artigas (1 (b/c))		172,704
Acquisition of subsidiary (Note 1 (a))		108,376
Disposal		
VILA (Note 1 (d))	(682,155)	
Liquidation of investments (MAESA)	(39,822)	
Disposal of investments in Yguazú (Note 1(h))		(38,192)
Disposal of investments in Cimpor (Note 1(a))		(1,810,672)
Disposal of other investment	(90,126)	
Reclassification		
Investment consolidated after obtaining control Artigas (Note 1 (c))	(48,720)	
Investment consolidated after obtaining control Antequera (Note 1 (h))	(12,645)	
Other	(11,179)	
Balance at the end of the year	1,491,090	2,050,601

(d) Investments in listed equity investees

	2013		2012	
	Carrying value	Market value	Carrying value	Market value
Cementos Bio Bio S.A. (*)	152,736	108,946	132,363	131,333

(*) Calculated proportionally to the Company's interest, based on the quoted market price of the shares of the investees.

(e) Impairment test performed for investments in associates

Cementos Bio Bio S.A.

The recoverable amount of the Cementos Bio Bio S.A. investment was calculated based on its value in use as of December 31, 2013, which was based on the financial budgets projections for the next 5 years approved by management.

As a result, the recoverable amount was lower than the carrying amount as of December 31, 2013, and therefore an impairment of R$ 12,989 was recorded for the investment in Cementos Bio Bio S.A. This impairment was presented as part of the “equity in the results of associate’s and joint ventures” line item.

16 Property, plant and equipment

(a) Analysis

								2013
	Land and buildings	Machinery, equipment and facilities	Leasehold improvements	Vehicles	Furniture and fixtures	Construction in progress	Others	Total
Balance at the beginning of the year								
Cost	3,291,314	11,368,525	332,215	899,536	108,338	2,044,251	24,649	18,068,828
Accumulated depreciation	(1,234,647)	(6,531,887)	(146,042)	(633,370)	(88,653)		(12,346)	(8,646,945)
Net balance	2,056,667	4,836,638	186,173	266,166	19,685	2,044,251	12,303	9,421,883
Balance at the beginning of the year	2,056,667	4,836,638	186,173	266,166	19,685	2,044,251	12,303	9,421,883
Acquisitions	39,821	69,722	6,985	39,227	514	1,153,489	6,399	1,316,157
Disposals	(6,835)	(8,792)	(1,133)	(1,643)	(322)	(1,170)		(19,895)
Capital redemption in kind - fixed asset (Note 1 (e))	(36,572)	(19)	(166)					(36,757)
Depreciation	(66,566)	(474,858)	(13,686)	(90,596)	(5,563)		(21,045)	(672,314)
Exchange variation	75,545	150,588	14,560	17,364	655	16,898		275,610
Acquisition of subsidiaries	40,678	148,076	4,236	1,449	748	11,413		206,600
Impairment	(4,678)							(4,678)
Reclassified to "assets held for sale" (Note 33)		104,560						104,560
Transfer to taxes recoverable (Note 12)	(55,012)	(130,764)	(290)	(1,042)				(187,108)
Transfers	496,868	1,220,262	(541)	42,635	7,808	(1,804,540)	17,904	(19,604)
Balance at the end of the year	2,539,916	5,915,413	196,138	273,560	23,525	1,420,341	15,561	10,384,454
Cost	3,810,628	13,222,388	361,309	999,040	120,217	1,420,341	48,198	19,982,121
Accumulated depreciation	(1,270,712)	(7,306,975)	(165,171)	(725,480)	(96,692)		(32,637)	(9,597,667)
Net balance at the end of the year	2,539,916	5,915,413	196,138	273,560	23,525	1,420,341	15,561	10,384,454
Average annual depreciation rates - %	3	6	6	20	10		4	

	Land and buildings	Machinery, equipment and facilities	Leasehold improvements	Vehicles	Furniture and fixtures	Construction in progress	Others	20 Tot
Balance at the beginning of the year								
Cost	2,212,581	7,095,586	292,280	692,705	65,523	1,258,340	23,498	11,640,5
Accumulated depreciation	(734,318)	(3,451,517)	(126,244)	(469,119)	(54,484)		(6,845)	(4,842,52
Net balance	1,478,263	3,644,069	166,036	223,586	11,039	1,258,340	16,653	6,797,9
Balance at the beginning of the year	1,478,263	3,644,069	166,036	223,586	11,039	1,258,340	16,653	6,797,9
Acquisitions	23,087	53,194	9,613	23,152	322	1,388,322	3	1,497,6
Disposals	(140)	(453)	(45)	(2,338)	(78)			(3,05
Depreciation	(47,117)	(326,666)	(13,825)	(75,065)	(2,491)		(3,263)	(468,42
Exchange variation	41,529	42,651	16,069	17,498	4,016	4,144	(1,090)	124,8
Transfers	119,934	337,227	8,325	61,131	4,411	(702,319)		(171,29
Acquisition of subsidiary (Note 17(d))	441,111	1,086,616		18,202	2,466	95,764		1,644,1
Balance at the end of the year	2,056,667	4,836,638	186,173	266,166	19,685	2,044,251	12,303	9,421,8
Cost	3,291,314	11,368,525	332,215	899,536	108,338	2,044,251	24,649	18,068,8
Accumulated depreciation	(1,234,647)	(6,531,887)	(146,042)	(633,370)	(88,653)		(12,346)	(8,646,94
Net balance at the end of the year	2,056,667	4,836,638	186,173	266,166	19,685	2,044,251	12,303	9,421,8
Average annual depreciation rates - %	2	8	8	23	10		4	

(b) Review and adjustment of estimated useful lives

The Company periodically reviews the estimated economic useful lives of its property, plant and equipment used to calculate depreciation. During 2013 the Company reviewed the useful life of its property, plant and equipment based on an appraisal report issued by an independent valuation company and changed the depreciation rates used prospectively.

The effect of the change in the useful lives of the Company´s property, plant and equipment on the depreciation for the year ended December 31, 2013 is lower in R$ 26 million.

(c) Construction in progress

Assets under construction mainly comprise expansion and optimization projects of the industrial plants. The main assets under constructions are:

	2013	2012
New plant in Edealina/GO (i)	263,952	133,264
New plant in Primavera/PA	148,424	42,360
New unit in Cuiabá/MT (ii)	99,567	503,319
New plant in Vidal Ramos/SC	81,490	49,927
Burden removal - Cement	80,507	55,633
New production line in Rio Branco/PR (iii)	46,077	529,665
New unit in Ituaçú/BA	45,392	12,307
New coprocessing lines	38,372	10,419
Cement milling - Santa Helena/SP (iv)	7,948	19,068
New unit in Xambioá/TO	4,510	
New production line in Salto de Pirapora/SP	2,735	25,754
New unit in Sobral/CE	2,528	40
Modernizations in the port of Imbituba/SC	1,024	1,879
Cement milling in Laranjeiras/CE	824	3,219
Milling São Luis/MA	417	3,035
Pozzolana crushing - PotyPaulista	136	97
New unit in Porto Velho/RO	103	439
New unit in Baraúna /RN	3	1

During 2013, borrowing charges capitalized in construction in progress totaled R$ 73,189 (2012 - R$ 88, 079). The capitalization rate used was 0.62 % per month (2012- 0.65% per month).

(i) Expansion of the cement business - new unit located in Edealina - GO. Ongoing project in its implementation phase includes core processes and industrial mining equipment, limestone crushing, milling, kiln and cyclone tower, bag filter, storage silos, bagging machines, palletizers, substation and electric rooms.

(ii) In January 2013, the Company's new unit located in Cuiabá - MT started its operations, and part of the construction in progress balance was transferred to property plant and equipment. The main assets brought into operation were a clinker oven, towers, milling and crushing stations, shed for storage, transmission line, tubing, cyclone tower, vertical mill, transportation system, ball mill, cement mill, refrigerator oven, crushers, packing machinery and palletizer.

(iii) In May 2013, the Company's new unit located in Rio Branco do Sul - PR started its operation, and part of the construction in progress balance was transferred to property plant and equipment. The main assets brought into operation were a clinker oven as part of the factory's new extension.

(iv) In August 2013, the Company´s new unit located in Santa Helena - SP started its operation, and part of the balance of construction in progress was transferred to machinery and equipment and facilities. The main assets brought into operation were a cement mill, bag filter, multi chamber silos, conveyors mail, shed for storage, hot gas generator, dust control system and other electrical and mechanical installations.

On October 22, 2013, Management approved the sale of its share of 5.62% on Consórcio da Usina Hidrelétrica de Machadinho to Companhia Brasileira de Alumínio (a subsidiary of the Company´s parent company VID).

On December 26, 2013, Management approved the transfer of the Pedra do Cavalo's concession to Votorantim Metais e Zinco S.A. (a subsidiary of the Company´s parent company VID). On the same date, Management approved the transfer of the financing contract with BNDES regarding said concession to the same company.

Also on December 26, 2013, Management approved the transfer of the share in Consórcio Empresarial Pai Querê and under concession Aproveitamento Hidroelétrico Salto das Nuvens for amounts yet to be discussed and determined, to the purchaser Votorantim Energia Ltda (a subsidiary of the Company´s parent company VID).

The transfers mentioned above still subject to and conditional on approval from Agência Nacional de Energia Elétrica - ANEEL.

17 Intangible assets

(a) Analysis

	Use of public assets	Exploration rights over natural resources	Software	Goodwill (*)	Contractual customer relationships and non-competition agreements	Other	2013 Total
Balance at the beginning of the year							
Cost	197,341	1,619,903	182,987	2,847,785	291,878	157,042	5,296,936
Accumulated amortization	(49,966)	(224,216)	(138,956)		(120,542)	(47,561)	(581,241)
Net balance	147,375	1,395,687	44,031	2,847,785	171,336	109,481	4,715,695
Balance at the beginning of the year	147,375	1,395,687	44,031	2,847,785	171,336	109,481	4,715,695
Acquisitions		14,158	6,257			433	20,848
Disposals		(338)				(10)	(348)
Amortization	(6,056)	(51,524)	(8,577)		(19,088)	(15,534)	(100,779)
Acquisition of subisidiaries		226,518	45	55,205		809	282,577
Exchange variation		102,215	(1,106)	213,129	25,077	(3,531)	335,784
Impairment (Note 4 (a))		(26,357)		(1,616)			(27,973)
Changes in estimates relates to ARO (Note 20 (a))						(6,229)	(6,229)
Transfers (**)		(29,151)	2,963			26,245	57
Balance at the end of the year	141,319	1,631,208	43,613	3,114,503	177,325	111,664	5,219,632
Cost	197,341	1,984,309	198,914	3,114,503	331,184	192,762	6,019,013
Accumulated amortization	(56,022)	(353,101)	(155,301)		(153,859)	(81,098)	(799,381)
Net balance at the end of the year	141,319	1,631,208	43,613	3,114,503	177,325	111,664	5,219,632
Average annual amortization rates %	3	3	21		5 to 15		

							2012
	Use of public assets	Exploration rights over natural resources	Software	Goodwill (*)	Contractual customer relationships and non-competition agreements	Other	Total
Balance at the beginning of the year							
Cost	197,342	1,134,432	132,938	2,009,307	265,735	122,612	3,862,366
Accumulated amortization	(43,910)	(76,137)	(110,895)		(87,877)	(77,158)	(395,977)
Net balance	153,432	1,058,295	22,043	2,009,307	177,858	45,454	3,466,389
Balance at the beginning of the year	153,432	1,058,295	22,043	2,009,307	177,858	45,454	3,466,389
Acquisitions		8,732	160			32,440	41,332
Amortization	(6,057)	(29,441)	(10,422)		(26,400)	(3,560)	(75,880)
Exchange variation		65,065	511	51,243	16,085	(11)	132,893
Acquisition of subisidiaries		190,314	4,636	787,235		22,839	1,005,024
Transfers (**)		102,722	27,103		3,793	12,319	145,937
Balance at the end of the year	147,375	1,395,687	44,031	2,847,785	171,336	109,481	4,715,695
Cost	197,341	1,619,903	182,987	2,847,785	291,878	157,042	5,296,936
Accumulated amortization	(49,966)	(224,216)	(138,956)		(120,542)	(47,561)	(581,241)
Net balance at the end of the year	147,375	1,395,687	44,031	2,847,785	171,336	109,481	4,715,695
Average annual amortization rates %	3	4	20		5 to 15		

(*)Net of the goodwill allocated to the China operations included in assets of disposal group classified as held for sale in the balance sheet.
(**) The transfers in intangible assets during the period related to a reclassification of rights over mineral properties from property, plant and equipment to intangible assets, reclassification of *stripping costs* allocated in inventories to intangible assets and reclassification of land allocated in rights over mineral properties to property, plant and equipment.

(b) Goodwill arising on acquisitions

The Company allocates goodwill to cash generating units (CGU) or groups of CGUs with each CGU or group of CGUs being the lowest level at which goodwill is monitored for internal management purposes and not being larger than an operating segment.

A summary of the allocation of goodwill by operating segment level:

	2013	2012
North American operating segment	1,793,985	1,677,646
Europe, Africa and Asia operating segment	923,099	772,821
Brazilian operating segment		
Companhia Cimento Ribeirão Grande	205,939	205,939
Engemix S.A.	75,882	75,882
CJ Mineração Ltda.	15,641	15,641
Mineração Potilider Ltda.	71,455	71,455
Petrolina Zeta Mineração Ltda	13,548	13,548
Pedreira Pedra Negra Ltda.	11,700	11,700
Other	3,254	3,153
	3,114,503	2,847,785

Goodwill is based on the expectation of future profitability of the investments.

(c) Impairment tests for goodwill

The Company and its subsidiaries assess at least annually the recoverability of the carrying amount of the North America, Europe, Asia and Africa operating segments and the CGUs to which goodwill of the Brazilian operations is allocated based on the value in use of such operating segment or CGU measured applying the discounted cash flow model. The process of estimating these values involves using assumptions, judgments and estimates of future cash flows and represents the Company´s best estimate.

These calculations use post-tax cash flow projections based on financial budgets approved by the Company´s management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The growth rates used do not exceed the long-term average growth rate for the corresponding business. Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are post-tax and reflect specific risks relating to the operating segment or the CGU being tested.

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

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

(d) Business Combination VCEAA

On December 21, 2012 the Company acquired a 100% interest in VCEAA, a company with operations in Spain, Morocco, Tunisia, Turkey, India and China (Note 1a). The Company has completed the purchase price allocation related to this acquisition during 2013. The following table summarizes the consideration transferred and the final fair values of the identifiable assets acquired and liabilities assumed as at the date of acquisition:

	PPA as originally recognized	Adjustments	PPA as final
Property, plant and equipment	1,596,121	101,039	1,697,160
Intangible assets	217,789		217,789
Inventories	260,905		260,905
Trade account receivable (i)	302,492		302,492
Cash and cash equivalents	148,799		148,799
Other assets	173,884		173,884
	2,699,990	101,039	2,801,029
Loans and financing (iii)	948,389		948,389
Trade payable	218,469		218,469
Taxes payable	68,957		68,957
Provisions	86,913		86,913
Deferred taxes (ii)	203,858	20,293	224,151
Other liabilities	15,207		15,207
	1,541,793	20,293	1,562,086
Non-controlling interest	68,953	2,404	71,357
Net assets acquired	**1,089,244**	**78,342**	**1,167,586**
Preliminary goodwill on acquisition	1,143,790	(82,742)	1,061,048
Total consideration transferred	**2,233,034**	**(4,400)**	**2,228,634**
(of which in cash) paid in january 2013	(155,946)		(155,946)

(i) The fair value as well as the gross amount of the trade receivables amount to R$ 399,614 and includes an allowance of R$ 97,122 for uncollectability.

(ii) Includes R$ 99,204 deferred taxes on the difference between fair value and tax base mainly related to fixed assets and fair value remeasurement of assets and liabilities.

(iii) Includes Cimpor's debt assumed by VCEAA of USD 434.1 million (R$ 901.2 million).

The goodwill of R$ 1,061,048 million relates principally to expected synergies the Company can achieve basically cost synergies by means of removing duplication, intangibles that do not meet the IFRS3R recognition criteria, such as non-contractual customer relationship and workforce, as well as value expected to be generated mainly through cost reductions as a result of the application of our operational management model. The amount of goodwill is supported by independent and internal analysis based on cash flow projections and market forecasts which management believes are appropriate to support the goodwill. The goodwill recognized is expected to be deductible up to the amount of goodwill recorded in the fiscal books and will be realized on sale of our subsidiary.

Considering the reduced time between the consummation of the transaction on December 21, 2012 and at year-end and the reduced volume of activities as a result of the holiday season, the result of the Cimpor Assets acquired are consolidated as from January 1, 2013.

Acquisition related costs amounting to R$ 12.0 million have been excluded from the consideration transferred and have been recognized as an expense in the current year, within the other expenses line item in the consolidated statement of income.

During 2013 the Company made one measurement adjustment related to the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances related to the property, plant

and equipment of the acquired business that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement adjustment had an effect of R$ 101,039 on property, plant and equipment with a corresponding adjustment to goodwill (intangible assets). This adjustment was processed retrospectively in the balance sheet at December 31, 2012. In addition the depreciation expense related to the property, plant and equipment increased by R$7,772 for the year ended in December 31, 2013.

18 Loans and financing

(a) Analysis

		Current		Non-current		Total	
Type	**Average annual charges**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
In local currency							
Development agency	TJLP + 3.50%	895	898	888	1,776	1,783	2,674
BNDES	4.92% Pre BRL / TJLP + 2.80%	294,679	221,470	956,133	1,020,699	1,250,812	1,242,169
Debentures	111.51% CDI	106,100	83,267	4,799,143	4,800,000	4,905,243	4,883,267
FINAME	4.36% Pre BRL / TJLP + 2.60%	22,721	19,592	110,670	79,551	133,391	99,143
Others		15,613	16,218	13,152	30,487	28,765	46,705
Subtotal		440,008	341,445	5,879,986	5,932,513	6,319,994	6,273,958
In foreign currency							
Development agency	Libor USD + 1.39%	17,542	11,570	122,890	115,366	140,432	126,936
BNDES	UMBNDES + 2.42%	59,920	35,832	212,391	191,306	272,311	227,138
Eurobonds - EUR	5.25% Pre EUR	85,543	71,343	2,423,888	2,021,532	2,509,431	2,092,875
Eurobond - USD	7.41% Pre USD	49,354	43,726	3,293,088	2,554,375	3,342,442	2,598,101
Syndicated loans	Libor USD + 1.22%	67,287	55,266	831,340	1,344,930	898,627	1,400,196
Others		2,091	47,693	16,013	17,152	18,104	64,845
Subtotal		281,737	265,430	6,899,610	6,244,661	7,181,347	6,510,091
		721,745	606,875	12,779,596	12,177,174	13,501,341	12,784,049

Interest on loans and financing	256,823	212,454
Current portion of long term loans and financing (principal)	464,922	346,728
Short term financing		47,693
Total financing	721,745	606,875

BNDES - National Bank for Economic and Social Development
BRL - Local currency "Reais"
CDI - Interbank Deposit Certificate
EUR- Euro
FINAME - Government Agency for Machinery and Equipment Financing
LIBOR - London Interbank Offered Rate
TJLP - Long-term Interest Rate set by the National Monetary Council, the TJLP is the basic cost of financing of the BNDES
UMBNES - Monetary unit of BNDES reflecting the weighted basket of currencies of foreign currency debt obligation. As at December 31, 2013 the basket was comprised 98% of US Dollars.

(b) Maturity profile

The maturity profile of the long-term debt balance (including current portion) at December 31, 2013, is as follows:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	On wards 2024	Total
In local currency												
Development agency	895	888										1,783
BNDES	294,679	303,348	276,169	189,968	112,948	73,700						1,250,812
Debentures	106,100				2,520,000	1,399,143	640,000	240,000				4,905,243
FINAME	22,721	22,819	22,184	17,445	11,329	10,303	9,458	8,957	7,449	726		133,391
Others	15,613	8,108	2,036			2,923	85					28,765
Subtotal	440,008	335,163	300,389	207,413	2,644,277	1,486,069	649,543	248,957	7,449	726		6,319,994
%	6.96	5.30	4.75	3.28	41.84	23.51	10.28	3.94	0.12	0.01		
In foreign currency												
Development agency	17,542	16,480	16,480	16,480	16,480	16,480	16,480	12,182	7,886	3,942		140,432
BNDES	59,920	61,925	58,735	44,686	27,000	19,055	990					272,311
Eurobonds - EUR	85,543			2,423,888								2,509,431
Eurobonds - USD	49,354						364,838				2,928,250	3,342,442
Syndicated loans	67,287	481,591	75,070	75,485	199,194							898,627
Others	2,091	3,537	559	628	702	782	868	960	1,060	2,305	4,612	18,104
Subtotal	281,737	563,533	150,844	2,561,167	243,376	36,317	383,176	13,142	8,946	6,247	2,932,862	7,181,347
%	3.92	7.85	2.10	35.66	3.39	0.51	5.34	0.18	0.12	0.09	40.84	
Total	721,745	898,696	451,233	2,768,580	2,887,653	1,522,386	1,032,719	262,099	16,395	6,973	2,932,862	13,501,341
%	5.35	6.66	3.34	20.51	21.39	11.28	7.65	1.94	0.12	0.05	21.72	

(c) Changes

	2013	2012
Balance at the beginning of the year	12,784,049	8,047,563
New loans and financing	1,489,205	3,665,782
Payments	(2,226,676)	(503,628)
Interest paid	(859,411)	(719,109)
Interest accrual	883,884	760,785
Exchange variation	1,068,381	584,267
Effect of incorporated affiliate	378,684	948,389
Realization of fair value related to business combination	(16,775)	
Balance at the end of the year	13,501,341	12,784,049

(d) Currency

	2013	2012
Real	6,319,994	6,273,958
U.S. Dollar	4,381,418	4,137,401
Euro	2,509,458	2,118,128
Currency basket	259,788	225,745
Others	30,683	28,817
	13,501,341	12,784,049

(e) Index

	2013	2012
In local currency		
CDI	4,905,243	4,883,267
TJLP	1,132,455	1,119,305
Fixed rate	282,210	271,165
Others	86	221
	6,319,994	6,273,958
In foreign currency		
LIBOR	1,025,685	1,490,458
UMBNDES	272,312	227,139
Fixed rate	5,880,983	4,754,744
Others	2,367	37,750
	7,181,347	6,510,091
	13,501,341	12,784,049

(f) New loans

(i) In 2013, the Company and its consolidated entities received R$332,274 from BNDES to finance expansion and modernization projects, including the purchase of machinery and equipment. The average funding cost was TJLP + 2.69% p.a.

(ii) In December 2013, the Company completed its sixth issuance of simple, non-privileged, unsecured debentures. The debentures were distributed under 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 issuance of R$ 500,000, maturing in February 2019, accrues interest of 109.03% of the Interbank Deposit Certificate CDI. Proceeds from the issuance were used to amortize the 1st series of the first issue of debentures amounting to R$ 500,000.

(iii) In April 2013, VCNA extended the maturity of its syndicated loans until May 31, 2018. The other contractual conditions remain unchanged. The change in the loan term was accounted for as a modification.

(iv) In December 2012, in connection with the 2012 Cimpor Asset Exchange, VCEAA assumed a facility of US$ 434 million, maturing in February 2014 and bearing an average interest rate of LIBOR + 1.33% p.a. The net proceeds of this loan facility were used to redeem previously contracted financing under the Cimpor assets. In January and May 2013, VCEAA settled in advance US$ 215 million and in September 2013 it extended the term of the outstanding balance of the principal to August 2015 at the cost of LIBOR + 0.92% p.a. In December 2013, the subsidiary VCEAA settled in advance US$ 40 million of this operation.

(v) In December, 2012, the Company completed its fifth issuance of simple, non-convertible non-privileged, unsecured debentures. The debentures were distributed under restricted placement efforts and exempt from registration with the CVM, pursuant to article 6 of CVM Instruction 476, of January 16, 2009. The issuance of R$ 1,200 million, which fall due in December 2018, accrues interest of 109.2% of the CDI.

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

(vii) In January 2012, the Company concluded its fourth issuance of simple, non-convertible non-privileged, unsecured debentures in two series of R$ 500,000 each. The debentures were distributed under restricted placement efforts, and exempt from registration with the CVM pursuant to article 6 of CVM Instruction 476, of January 16, 2009. The first series yields CDI + 1.09% p.a., and the second series yields 111% of the CDI variation. Both series mature in May 2018.

(g) Fair value of loans and financing

The values below were calculated according to the criteria in Note 5.1.

	2013		2012	
	Book value	Fair value	Book value	Fair value
In local currency				
Development agency	1,783	1,748	2,674	2,725
BNDES	1,250,812	1,156,522	1,242,169	1,240,864
Debentures	4,905,243	5,175,319	4,883,267	5,130,015
FINAME	133,391	109,752	99,143	97,002
Others	28,765	18,453	46,705	42,747
	6,319,994	6,461,794	6,273,958	6,513,353
In foreign currency				
Development agency	140,432	139,995	126,936	126,545
BNDES	272,311	294,068	227,138	251,451
Eurobonds - EUR	2,509,431	2,587,997	2,092,875	2,300,178
Eurobonds - USD	3,342,442	3,283,994	2,598,101	2,929,338
Syndicated loans	898,627	920,436	1,400,196	1,416,832
Others	18,104	18,102	64,845	64,845
	7,181,347	7,244,592	6,510,091	7,089,189
	13,501,341	13,706,386	12,784,049	13,602,542

(h) Guarantees

At December 31, 2013, R$ 11,967,012 of the balance of borrowing of the Company's subsidiaries was collateralized by sureties (Note 13(c)), and R$ 133,391 was collateralized through liens on the financed assets.

(i) Eurobonds

During 2013, Voto IV repurchased and canceled, with its own funds, US$24.7 million (R$ 55.1 million) relating to the Eurobond Voto IV raised in June 2005, with maturity in June 2020 and a fixed interest rate of 7.75% per year.

19 Current and deferred income tax and social contribution

The Company and its subsidiaries calculate taxable income and record their income tax and social contribution based on the substantially enacted rates at year-end. Deferred income tax and social contribution assets corresponds to tax losses, tax loss carry forwards and temporary differences mainly relating to (a) fair value adjustment of derivative instruments, (b) provisions not deductible until the moment of its settlement, and (c) other temporary differences arising from differences between the assets and liabilities under tax rules and for accounting purposes.

(a) Reconciliation of income tax and social contribution expense

The income tax and social contribution amounts presented in the statement of income for the year ended December 31 are reconciled to their Brazilian statutory rates as follows:

	2013	2012
Profit before taxation	2,023,600	1,498,360
Standard rate	34%	34%
Income tax and social contribution at standard rates	(688,024)	(509,442)
Adjustments for the calculation of income tax and social contribution on effective rates		
Equity in the results of investees	32,933	35,626
Tax incentives	17,453	13,247
Increase (reversal) of deferred income tax and social contribution of prior years		(9,897)
Effect on tax payable in 2012 due to the change in 2013 of taxation of exchange variation from cash to accrual basis	(18,609)	
Donations and grants for investment	70,266	63,710
Amounts not subject to additional income tax	5,145	8,037
Reversal of deferred income tax of CIMPOR		391,018
Difference in tax rate for subsidiaries outside Brazil	46,463	17,834
Non-taxable gains on exchange of interest in CIMPOR		90,780
Interest on stockholders' equity		60,747
Reversal of deferred tax over provision for investment loss	(21,908)	
Other permanent additions (exclusions), net	(29,627)	(19,537)
Income tax and social contribution	(585,908)	142,123
Current	(551,810)	(359,326)
Deferred	(34,098)	501,449
Income tax and social contribution on the income statement	(585,908)	142,123

(b) Analysis of deferred tax balances

Deferred income tax and social contribution balances are as follows:

	2013	2012
Assets		
Tax losses	462,916	177,967
Temporary differences		
Provision for profit sharing - PPR	38,376	25,065
Provisions	196,461	222,741
Allowance for doubtful accounts	12,060	10,918
Provision for inventory losses	23,607	29,874
Provision for investment losses		36,127
Provision for taxes under litigation with judicial deposits	65,931	71,989
Deferred exchange variation (*)		253,263
Use of public asset	95,902	87,642
Impairment provision	24,629	
Others	93,034	56,393
Non-current assets	1,012,916	971,979
Liabilities		
Temporary differences		
Adjustments of useful life of property, plant and equipment (depreciation)	440,541	344,389
Amortization of goodwill	285,836	214,993
Excess purchase price allocated to assets	362,870	226,042
Others	101,906	77,590
Non-current liabilities	1,191,153	863,014
Net (assets - liabilities)	(178,237)	108,965

(*) In 2013 the Company elected to pay tax on foreign exchange gains and losses on an accrual basis rather than a cash basis. This is permitted under Brazilian tax law and was applied retrospectively to 2012.

(c) Effects of deferred tax and income tax and social contribution expense on profit or loss for the period and other comprehensive results

Income tax and social contribution	Efffect on other comprehensive income	Effect on profit (loss) for the year	Net effect
Current	290,381	(551,810)	(261,429)
Deferred	(29,529)	(34,098)	(63,627)
	260,852	(585,908)	(325,056)

(d) Transition tax regime (Regime Tributário de Transição - "RTT")

For purposes of calculating the income tax and social contribution on net income for 2008 to 2013, the Company and its subsidiaries adopted the RTT system, which allows the entity to eliminate for tax purposes the accounting effects of Laws No. 11.638/07 and No. 449/08 (which introduced the accounting standards largely consistent with IFRS), converted into Law No. 11.941/09 , through entries in Taxable Income Control Register (Livro de Apuração do Lucro Real - "LALUR") or auxiliary controls, without any changes on the Company original books.

On November 11, 2013 , the Provisional Measure (Medida Provisória - "MP") No. 627 was issued, repealing the RTT system and providing other measures, including the taxation of overseas profit related to persons that resides in Brazil. One goal of the law is to require the accounting effects of the RTT be recorded in the tax book basis for calculation of income tax and social contribution, so the effects of Laws No. 11.638/07 and No 449/08 have no tax impacts.

The provisions of the MP 627 will be effective from 2015, but its adoption is optional for 2014. In view of this, the Company and its subsidiaries, with the support of external consultants are evaluating the best course of action. However, as MP 627 has yet to be enacted into law, and there are some discussions regarding the interpretation of the MP, management will await the development and negotiations of amendments to the text of the MP, and may opt for the early adoption of the RTT. Our conclusions accounts for our best interpretation of the current MP's text. Considering the high number of amendments that have been suggested so far, and the previously mentioned discussions, before its conversion into a Law there may have some significant modifications on the MP's text, wich may change our conclusions regarding this subject.

20 Provisions

The movement in the provisions for asset retirement obligations, restructuring and legal claims is as follows:

	2013				2012			
	Asset Retirement Obligation	Restructuring	Legal claims	Total	Asset Retirement Obligation	Restructuring	Legal claims	Total
Balance at the beginning of the year	190,866	86,913	793,020	1,070,799	99,839		835,114	934,953
Present value adjustment	(3,539)			(3,539)	7,179			7,179
Additions and reversals	13,083	(1,424)	158,997	170,656	2,430		138,433	140,863
Judicial deposits, net of write off			17,452	17,452			(165,724)	(165,724)
Acquisition of subsidairy (Note 17 (d))					77,376	86,913		164,289
Settlement	(4,538)	(59,319)	(313,574)	(377,431)			(207,018)	(207,018)
Interest and indexation			50,748	50,748			192,215	192,215
Exchange variation	5,115	17,125	1,509	23,749				
ARO's remeasurement (Note 18)	(6,229)			(6,229)				
Balance at the end of the year	194,758	43,295	708,152	946,205	190,866	86,913	793,020	1,070,799

(a) Asset Retirement Obligation (ARO)

Measurement of asset retirement obligations involves judgment and the use of assumptions. For environmental purposes, this relates to currently existing obligations to restore or recover the environment in the future, to similar or equivalent conditions that were existent at the moment when the project was initiated. In the absence of a possibility to restore to pre-existing conditions, this can also be an obligation to take compensating measures, agreed with applicable regulators or organizations. These obligations are the result of either the environmental impact of the asset involved, or of formal commitments assumed with the environmental regulator, for which the Company needs to compensate this impact. The dismantling and removal of a plant or other asset occurs when it is permanently deactivated, by discontinuing its activities or by sale.

As these are long term obligations that are revised periodically for inflation and discounted to present value, using real interest rates. The discount rates used for 2013 and 2012 were 4.23% and 2.01% p.a., respectively, depending on the country. The liability recognized is adjusted periodically based on these rates and revised for inflation.

As of December 31 2013, the Company reviewed the assumptions underlying the calculation for a number of mines which resulted in a net increase of R$ 6,229 of the Asset Retirement Obligation with a related increase in intangible assets.

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

The Company is party to labor, civil, tax and environmental ongoing lawsuits and is contesting these matters both at the administrative and judicial levels, which are backed by judicial deposits, when applicable.

The provisions for losses regarded as probable arising from contingent liabilities are recorded in the books. Contingent liabilities classified as possible losses are not recorded in the books and are only disclosed in the notes to the financial statements. Contingent liabilities classified as remote losses are neither accrued nor disclosed, except when, due to the visibility of the lawsuit, the Company considers its disclosure justified.

The amounts of contingencies are periodically estimated and updated. The classification of losses as possible, probable or remote is supported by the advice of the Company's legal counsel.
The provisions and the corresponding judicial deposits are as follows:

	2013			2012		
	Judicial deposits	Provision	Total, net	Judicial deposits	Provision	Total, net
Tax	(465,983)	1,043,744	577,761	(477,245)	1,174,275	697,030
Labor		32,215	32,215	(8,442)	21,303	12,861
Environmental		11,757	11,757		7,004	7,004
Civil	(15,016)	101,435	86,419	(12,764)	88,889	76,125
	(480,999)	1,189,151	708,152	(498,451)	1,291,471	793,020

(c) Outstanding judicial deposits

At December 31, 2013, the Company had R$ 259,867 (December 31, 2012 - R$ 246,470) deposited with the courts in relation to proceedings classified by its legal advisors as having a possible or remote possibility of loss, and therefore, without the respective provision.

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

(i) Provision for tax contingencies

Refer mainly to disputes concerning federal, state and municipal taxes. The main tax lawsuits refer to collection of ICMS (State Value-added Tax on Sales and Services), PIS (Social Integration Program), COFINS (Social Contribution on Revenues), IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income).

(ii) Labor lawsuits

The Company and its subsidiaries are parties to 2,358 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 and personal damage, in ordinary courts under Constitutional Amendment 45 and normative clauses.

(iii) Provision for civil contingencies

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

Increase of provision for these processes in 2013 primarily relates to new compensation claims from diverse backgrounds who have been promoted against the company.

(iv) Provision for environmental contingencies

The Company and its subsidiaries are subject to laws and regulations in the various countries in which they operate. Votorantim has established policies and procedures to comply with environmental laws.

The Company performs analyses on a regular basis to identify environmental legal risks so as to ensure that the systems in place are adequate to manage these risks.
Moreover, the environmental litigation of the Company and its subsidiaries consists basically in civil public actions in order to obtain the environmental licensing for manufacturing units and indemnity actions for alleged environmental impacts arising from the Company's activities.

(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:

	2013	2012
Tax	1,634,138	1,340,714
Labor	282,913	141,487
Environmental	31,737	23,795
Civil	3,933,364	3,610,614
	5,882,152	5,116,610

(e.1) Comments on civil and tax contingent 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 there no provision is recorded, are commented on below.

(i) Tax assessment notice - IRPJ/CSLL

In December 2011, the Company was assessed by the Federal Revenue of Brazil in the amount of R$ 184.7 million for alleged lack of payment or underpayment of IRPJ and CSLL relating to the period from 2006 to 2010, due to: (i) amortization of goodwill supposedly being incorrect; (ii) utilization of tax loss above the 30% limit permitted by the tax regulation (merger); and (iii) lack of payment of IRPJ and CSLL obligations due on a monthly estimate basis. At December 31, 2013 the total amount of the litigation was R$ 216.3 million of which R$ 128.7 million is classified as a possible loss (the remaining balance is considered remote). In the court decision, the judges ordered the reduction of approximately R$ 50 million of the assessed amount. Currently, the lawsuit awaits a decision on the voluntary appeal filed by the Company with the Administrative Board of Tax Appeals.

In December 2011, the Company was assessed by the Federal Revenue of Brazil in the amount of R$ 448.2 million for alleged lack of payment of IRPJ and CSLL in 2006 and disallowance of income tax and social contribution losses

in 2007, due to the contribution of assets of Cimento Tocantins, Cimento Rio Branco and Companhia de Cimento Portland Itaú to Votorantim Cimentos Brasil, which opted for taxation regime based on presumed income. At December 31, 2013, of the updated amount, that is, R$ 524.7 million, the Company believes that the best estimative of possible contingencies is R$ 45.1 million which is classified as a possible loss. The Federal Revenue Office judged the tax assessment notice partially valid, reducing the tax assessment notice to approximately 50% of the assessed amount. Currently the Company awaits judgment of the mandatory appeal and voluntary appeal filed with the Administrative Board of Tax Appeals.

(ii) CFEM

The Company has various tax assessment notices issued by the National Department of Mineral Production for alleged lack of payment or underpayment of Financial Compensation for the Exploration of Mineral Resources (CFEM) royalties for the periods 1991 to 2012. At December 31, 2013, the amount under litigation totals R$ 430 million, and the Company believe that R$ 92 million is a portion of probable loss, which is recorded as a provision. Currently, the lawsuits are at the administrative or judicial levels.

(iii) IRPJ/CSLL - Profits earned abroad

In October 2013, the Company was assessed by the Federal Revenue of Brazil in the amount of R$ 106.6 million, for alleged lack of payment of IRPJ and CSLL on profits earned abroad in calendar years 2008 to 2010, through its subsidiaries and associates. As at December 31, 2013, the amount under litigation was R$ 109 million, considered as possible loss.

(iv) Litigation with transportation company in the north east

In August 2010, a transport company filed a claim against VCNNE seeking compensation for damages in the amount of R$123.7 million, alleging that VCNNE failed to comply with the minimum transportation volume established in the cement transportation agreement entered into by the parties. VCNNE was notified of this claim in March 2011 and presented its response challenging the jurisdiction and in the merit there was no written agreement regarding the minimum volume claimed, and the fact that the breach and losses borne by the transportation company were due to poor management and did not have any relation with VCNNE, which was answered by the transportation company. On January 22, 2013, the court issued its decision accepting the Company´s plea and transferring the case to the civil court in the city of Recife. In November 2013, the Court accepted the transportation company's appeal to confirm that the Court of São Luís-MA as the competent authority to judge the case. VCNNE appealed the decision. Based on the position of its outside legal advisors, VCNNE believes that the likelihood of loss in this lawsuit in amount of R$ 79.8 million is possible and, for this reason, did not record provision in relation to this lawsuit.

(v) Litigation with transportation company in São Paulo

In September 2003, a transportation company, filed a claim against VCB (company merged into the Company) seeking compensation for material damages in the amount of R$ 84.2 million and moral damages in an unspecified value alleging that the Company failed to perform two oral contracts. The transportation company argues that those breaches caused the discontinuance of the activities of the sales department and losses to its transportation area. The Company presented its response in September 2009, sustaining that: (1) the statute of limitations had expired; (2) the Company did not change the general conditions of the reverse repurchase agreement; and (3) the transportation company mismanaged the conduct of the business and caused its own insolvency. In August 2011, the court rejected the argument of the expiration of the statute of limitations The expert examination was concluded and the report presented. Management considers the likelihood of loss under this allegation in amount of R$ 157.6 million as possible.

(vi) Popular Action - Tocantins

In August, 2007, a private citizen filled a Public Action against VCNNE seeking the cancellation of the bid that transferred the mineral rights related to the process DNPM nº 860.933/1982 to VCNNE due to errors in the bidding procedures. The claimant also requested an injunction to suspend all the effects of the bidding process, which has still not been approved. In May 2008, VCNNE presented its defense arguing that the action is connected with another action and has yet to compile data. Management believes the bidding process was carried out according to the law. In April, 2009, the prosecutor agreed that the actions should both be judged together. Management considers the possibility of loss to be possible and the action does not involve the payment of money, but may have operational implications if the concession is suspended.

(vii) Administrative Proceedings by SDE

a) The Administrative Council for Economic Defense (CADE - Conselho Administrativo de Defesa Econômica) is responsible to judge on anti-competition acts addressed the Secretary of Economic Law of the Ministry of Justice and the Secretary for Economic Monitoring of the Ministry of Finance.

CADE adjudicates on matters related to concentration and conduct, and makes public announcements on consultations. In the case of the absence of one of the Counselors and when there is a tied vote, the President's vote is worth two votes, in order to be able to untie the voting process. In the absence of the President, he will be replaced by the most experienced, and then by the eldest Counselor, in this order. The minimum quorum for the Council to make decisions is 5 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 from 0.1% up to 20.0% of the company's, group's or conglomerate's annual revenues after deduction of taxes relating to the fiscal year immediately preceding the year in which the alleged violation has happened. Other penalties can be imposed 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 quit certain tax benefits as well as participation in state related biddings promoted by the Federal, State and Municipal Public Administration for a minimum ~~a~~ period of five years.

In 2006, the SDE, currently General Superintendence of the CADE, initiated an administrative proceeding against the Cement Industry Union, some industry associations (cement and concrete) and the largest Brazilian cement companies, including ourselves. This proceeding relates to allegations of anti-competitive practices that include the formation of a cartel. An, update of this process is included in Note 35 (b).

b) In 2003, the SDE, the current General Superintendent of CADE, started an administrative proceeding against the largest concrete producing Brazilian cement companies, including ourselves. This proceeding relates 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, conducting future investigations into this matter.If our 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 our cement company's annual after-tax revenues relating to its fiscal year immediately prior to the year in which the administrative proceeding was initiated. The Company and its external legal counsel, believe that Votorantim Cimentos will not be subject to any administrative or criminal fines. The probability of loss of this proceeding is considered to be remote.

(viii) Civil Class Action - Cartel

The Office of the Public Prosecutor of the state of Rio Grande do Norte filed a civil class action against the Company, together with eight other defendants, including several of Brazil's largest cement manufacturers alleging breach of Brazilian antitrust laws as a result of alleged cartel formation, seeking that the defendants pay an indemnity, on a joint basis, in favor of the class action plaintiffs for moral and collective damages; and penalties under the Brazilian antitrust laws. Because the current amount of the claims in this civil class action is R$5,6 billion and the civil class action allege joint liability, we have estimated that, based on our market share, our share of the liability would be approximately R$2,4 billion. However, there can be no assurance that this apportionment would prevail and that we will not be held liable for a different portion, which may be larger, or for the entire amount of this claim. The expectation of loss under this matter is considered possible, and we have not established any provision for this claim. As at December 31, 2013, the amount under litigation was R$ 2,8 billion.

21 Accounts payable - trading

Refers 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.

22 Other liabilities

	2013	2012
Accounts payable on investment acquisition	193,948	166,518
Taxes recoverable - Long term	91,660	134,390
Provision for services	90,809	38,606
Tax recoverable program (REFIS)	78,983	60,294
Supliers - Long term	37,338	187,860
Provision for freight	28,439	20,736
Provision for utilities - water, energy and gas	17,651	56,550
Provision for maintenance	15,976	28,275
Environmental liabilities	4,040	4,040
Other	7,237	72,009
	566,081	769,278
Current	(231,919)	(409,019)
Non-current	334,162	360,259

23 Use of public assets

VCNNE was granted the right to use of a public asset to generate power from a hydroelectric plant. The agreement related to the public asset requires annual payments, which are indexed to the IGPM (general market price) inflation rate. The contract average life is 35 years and the amounts to be paid annually are shown below:

						2013		2012	
Plants	Investor	Percentage ownership	Concession start date	Concession end date	Payment start date	Intangible assets	Liabilities	Intangible assets	Liabilities
Pedra do Cavalo	Votorantim Cimentos N/NE S.A.	100%	mar/02	abr/37	abr/06	141,319	423,384	147,375	405,146
Current							(24,859)		(23,561)
Non-current						141,319	398,525	147,375	381,585

24 Stockholders´ Equity

(a) Capital

At December 31, 2013, the fully subscribed and paid-up capital, in the amount of R$ 2, 731,375, comprised 5,121, 460, 621 common shares and 300,571,428 preferred shares (December 31, 2012: 110,635,436) with no nominal value.

At the Extraordinary General Meeting held on December 31, 2013, Management approved the partial spin-off of assets to VID, the parent company of VCSA. As a result, the Company reduced its capital by R$ 3.623 (canceling the equivalent to 3,709,042 shares).

On September 30, 2013, the parent company VID contributed to the Company the net assets of Voto IV, in the amount of R$ 32,232, with the issuance of 33,558,020 new registered common shares.

At the Extraordinary General Meeting held on September 30, 2013, Management approved the partial spin-off of assets to VID, parent company of VCSA. As a result, the Company reduced the capital by R$ 43.260 (canceling the equivalent to 45.316.929 shares).

On June 11, 2013, the shareholders approved the conversion of 300,571,328 common shares into 300,571,328 preferred shares.

On May 27, 2013, the shareholders approved a stock split by which 16,368,388 additional common shares were issued to shareholders in exchange for their 5,421,131,562 common shares previously held. The number of shares outstanding at December 31, 2012 after retrospective adjustment for the stock conversion and the stock split was 5,437,499,000 common shares and 100 preferred shares.

On April 30, 2013 the shareholders approved a stock split by which 5,310,496,224 additional common shares were issued to shareholders in exchange for the 110,635,338 common shares previously held.

On April 5, 2013 the shareholders approved the conversion of 100 common shares into 100 preferred shares. The rights of preferred shares are identical to those of common shares including rights with respect to dividends and allocation of net income except that preferred shares do not have voting rights (other than in certain limited matters established in the by-laws). Preferred shares have tag-along rights in the event of change of control and priority in the repayment of capital in the event of liquidation.

(b) Dividends

Dividends are calculated in accordance with the Company's bylaws and the Brazilian Corporation Law.

The calculation of the amount of minimum dividends payable is as follows:

	2013	2012
Net income for the year	1,327,824	1,616,799
Legal reserve	(66,391)	(80,840)
Interest on stockholders' equity		(178,667)
Tax incentive reserve	(33,425)	(25,190)
Dividend calculation basis	1,228,008	1,332,102
Minimum dividends - 25% in accordance with bylaws	307,002	333,026
Additional dividends approved	592,998	2,095,467
Total dividends approved	900,000	2,428,493
Dividends per share - R$ *	0.17	0.45
Number of shares	5,422,032	5,437,500

The minimum dividends and the dividends declared at year end are accounted for as "Dividends payable" in the balance sheet. During 2013 the Company paid dividends of R$ 986,563 (2012 - R$ 2,263,402). In addition the interest on capital had been fully paid by December 31, 2013.

(*) Adjusted retrospectively as from January 1, 2013 by the stock split approved on April 30 and May 27, 2013. (Note 24 (a)).

(c) Legal reserve and profit retention reserve

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

The profit retention reserve was created to preserve the undistributed balance of retained earnings in order to fund expansion projects pursuant to the Company's investment plan.

(d) Tax incentive reserve

The tax incentive reserve is constituted in accordance with article 195-A of the Brazilian Corporation Law (as amended by Law No. 11638 of 2007); It is credited with the benefits of tax incentives, which are recognized in the statement of income and allocated from retained earnings to this reserve. These incentives are not included in the calculation of the minimum mandatory dividend.

(e) Other comprehensive income

The Company recognizes in other comprehensive income the effects of foreign exchange gains/losses on direct and indirect investments abroad. This account also includes foreign exchange gains/losses on debt and derivatives designated to mitigate risks related to foreign exchange, and interest rate (cash flow hedges), actuarial gains and losses on pension plans.

Additionally, for purchases of non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of a subsidiary is recorded in other comprehensive income as well as gains or losses on disposals of non-controlling interests.

The changes in the cumulative other comprehensive income are as follows:

	Cumulative currency translation adjustments	Cumulative remeasurements of employment benefit obligations	Hedge of a net investment	Interest in comprehensive income of associated companies or joint ventures	Total
At January 1, 2012	232,647	(98,669)	(62,954)	84,738	155,762
Exchange gains (losses) on investment abroad	483,871				483,871
Remeasurement of actuarial gains (losses) on retirement benefits		(49,530)			(49,530)
Realization of investment hedge of Cimpor			238,038		238,038
Hedge of a net investment			(162,250)		(162,250)
Realization of exchange variation of Cimpor	(72,291)				(72,291)
Realization of other comprehensive income of Cimpor				4,328	4,328
Interest in other comprehensive income (loss) of associates and joint ventures				(7,692)	(7,692)
Deferred taxes		13,257	(25,768)		(12,511)
At December 31, 2012	644,227	(134,942)	(12,934)	81,374	577,725
At January 1, 2013	644,227	(134,942)	(12,934)	81,374	577,725
Exchange gains (losses) on investment abroad	665,051				665,051
Remeasurement of actuarial gains (losses) on retirement benefits		71,736			71,736
Realization of other comprehensive income through sale of investments	(31,045)			(15,720)	(46,765)
Hedge of a net investment			(854,062)		(854,062)
Interest in other comprehensive income of investees				(7,361)	(7,361)
Deferred taxes		(29,529)	290,381		260,852
At December 31, 2013	1,278,233	(92,735)	(576,615)	58,293	667,176

25 Revenues

	2013	2012
Domestic revenue	11,102,328	10,243,444
Revenue from outside of Brazil	3,876,527	1,741,040
	14,978,855	11,984,484
Taxes on sales and services and other deductions	(2,836,567)	(2,589,061)
	12,142,288	9,395,423

26 Other operating income (expenses), net

	2013	2012
Non-income tax benefits	207,982	191,305
Gain (loss) on sale of equity investments (including C+PA, note 1(a))	36,757	(7,657)
Gain on sale of property, plant & equipment	20,478	9,132
Recovery of taxes	18,275	36,538
Revenue from co-processing	10,942	15,382
Revenue of waste sales	8,451	11,766
Impairment recognized on - Intangible assets	(26,356)	
Impairment recognized on - Property, plant & equipment	(4,678)	
Impairment recognized on - Trades payable	(4,517)	
Impairment rcognized on - goodwill	(1,616)	
Other operating income (expenses), net	60,407	28,313
	326,125	284,779

27 Expenses by nature

	2013	2012
Labor cost	1,479,595	1,106,852
Freight cost	1,435,461	1,218,351
Inputs and consumables used	1,432,165	1,042,881
Fuel costs	953,582	725,495
Electric power - consumption	835,723	578,754
Maintenance	824,965	710,781
Depreciation, amortization and depletion	773,093	544,307
Services, miscellaneous	634,221	530,008
Packaging materials	229,376	173,590
Other expenses	1,188,744	722,600
	9,786,925	7,353,619
Reconciliation		
Cost of sales and services	8,102,841	6,077,981
Selling expenses	893,711	609,992
General and administrative expenses	790,373	665,646
	9,786,925	7,353,619

2013 includes the effects of the consolidation of results (revenues, expenses and costs) of VCEAA and Artigas, the ownership interests in which were acquired at the end of 2012, and the beginning of the second quarter of 2013, respectively.

28 Employee benefit expenses

	2013	2012
Salaries and other remuneration	910,791	662,407
Post-employment and pension plan	18,198	4,672
Social charges	350,102	276,685
Social benefits	200,504	163,088
	1,479,595	1,106,852

2013 includes the effects of the consolidation of results (revenues, expenses and costs) of VCEAA and Artigas, the ownership interests in which were acquired at the end of 2012, and the beginning of the second quarter of 2013, respectively.

29 Finance income (expenses), net

	2013	2012
Financial income		
Interest from financial assets	33,803	28,212
Assets indexation	103,628	48,476
Income from financial investments	182,853	144,167
Financial instruments - Derivatives	11,227	5,441
Obtained discounts	8,099	18,713
Other financial income	36,491	51,435
	376,101	296,444
Financial expenses		
Interest payable on loans, financing and other	(816,836)	(650,509)
Interest on related party loans	(29,118)	(36,800)
Interest and indexation charges - UBP	(41,589)	(52,965)
Interest on payable taxes	(15,399)	(16,691)
Indxation charges on contingencies	(23,740)	(12,687)
Commission on financial operations	(1)	(311)
Financial instruments - Derivatives	(8,923)	(2,505)
Income tax on remittance of interest abroad	(42,739)	(40,770)
Financial discounts	(47,051)	(11,093)
Other financial expenses	(46,756)	(40,505)
	(1,072,152)	(864,836)
Net foreign exchanges result	(89,745)	(366,072)
Financial result, net	(785,796)	(934,464)

30 Pension plan and post-employment health care benefits

The Company has 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 Company's financial statements.

	2013	2012
Balance sheet obligation for:		
Definited pension benefits	19,713	74,782
Supplementary pension plans	36,021	29,167
Post-employment medical benefits	85,163	80,863
Liabilities in the balance sheet	140,897	184,812
Income statement charge included in operating profit for:		
Definited pension benefits	10,162	(576)
Supplementary pension plans	706	
Post-employment medical benefits	7,330	5,248
	18,198	4,672
Remeasurement for:		
Definited pension benefits - gross balance	(71,736)	49,530
Deferred income tax	29,529	(13,257)
Definited pension benefits - net balance	(42,207)	36,273

(a) Defined contribution

The Company and VCNNE sponsor private pension plans administered by Fundação Senador José Ermírio de Moraes (FUNSEJEM), a private, not-for-profit, pension fund, which is available to all employees. Under the fund regulations, the contributions from employees to FUNSEJEM are matched based on their remuneration. For employees with remuneration lower than the limits established by the regulations, contributions up to 1.5% of their monthly remuneration are matched. For employees with remuneration higher than the limits, contributions of employees up to 6% of their monthly remuneration are matched. Voluntary contributions can also be made to FUNSEJEM. After the contributions to the plan are made, no further payments are required for the Company.

(b) Defined benefit

The Company has defined benefit plans in North America, Europe and Brazil, which follow similar regulatory standards. The defined benefit plans of North America and Europe also offer health care and life insurance, among other benefits. The cost of retirement benefits and other benefits of these plans were granted to eligible employees and is determined using the projected benefit method "pro rata", based on the management's best estimate for the return of plans and plan assets, wages readjustments, cost trends and mortality rates and average retirement ages of employees.

IAS 19R is applicable as of January 1, 2013 (Note 3). One of the main changes brought forward by the revised standard is the methodology to calculate the net interest expenses. According to the new methodology such expense is calculated based on the net position of the defined benefit obligation and the fair value of the plan assets multiplied by the discount factor. The Company has applied this methodology starting from January 1, 2013 but has not adjusted the comparatives for 2012 as the impact of applying the new methodology is immaterial.

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

	2013	2012
Present value of funded obligations	525,405	481,222
Fair value of plan assets	(491,627)	(406,700)
Deficit of funded plans	33,778	74,522
Present value of non-funded obligations	102,386	110,030
Total deficit of defined benefit pension plans	136,164	184,552
Impact of the minimum funding requirement/assets celling	4,733	260
Liabilities in the balance sheet	140,897	184,812

The changes in the defined benefit obligation over the years is as follows:

	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/asset celling	Total
At 1 January 2013	591,252	(406,700)	184,552	260	184,812
Current service cost	7,247		7,247		7,247
Interest expense/(income)	32,792	(20,414)	12,378	12	12,390
Past service cost and gains and losses on settlements	(1,439)		(1,439)		(1,439)
	38,600	(20,414)	18,186	12	18,198
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)		(31,687)	(31,687)		(31,687)
(Gain)/loss from change in demographic assumptions	(3,452)		(3,452)		(3,452)
(Gain)/loss from change in financial assumptions	(281)		(281)		(281)
Experience (gains)/losses	(10,681)	769	(9,912)		(9,912)
Change in asset ceiling, excluding amounts included in interest expense				3,125	3,125
	(14,414)	(30,918)	(45,332)	3,125	(42,207)
Exchange differences	49,623	(26,940)	22,683	17	22,700
Contributions:					
Employers		(33,755)	(33,755)	1,319	(32,436)
Payments from plans:					
Benefit payments	(41,417)	34,971	(6,446)		(6,446)
Acquired in a business combination	3,092	(7,871)	(4,779)		(4,779)
At 31 December 2013	626,736	(491,627)	135,109	4,733	139,842

	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/asset celling	Total
At 1 January 2012	438,427	(304,356)	134,071	467	134,538
Current service cost	3,891		3,891		3,891
Interest expense/(income)	24,124	(23,343)	781		781
	28,015	(23,343)	4,672		4,672
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)		(2,914)	(2,914)		(2,914)
Loss from change in financial assumptions	40,407		40,407		40,407
Experience (gains)/losses	(971)		(971)		(971)
Change in asset ceiling, excluding amounts included in interest expense				(249)	(249)
	39,436	(2,914)	36,522	(249)	36,273
Exchange differences	44,810	(35,237)	9,573	42	9,615
Contributions:					
Employers	66,732	(67,021)	(289)		(289)
Plan participants	362	(362)			
Payments from plans:					
Benefit payments	(26,530)	26,533	3		3
At 31 December 2012	591,252	(406,700)	184,552	260	184,812

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

	2013				2012		
	Brazil	Europe	North America	Total	Brazil	North America	Total
Present value of obligations	41,917	39,513	546,361	627,791	48,913	542,339	591,252
Fair value of plan assets	(46,376)	(2,811)	(442,440)	(491,627)	(49,631)	(357,069)	(406,700)
	(4,459)	36,702	103,921	136,164	(718)	185,270	184,552
Impact of the minimum funding requirement/assets celling	3,404	274		3,678		260	260
	(1,055)	36,976	103,921	139,842	(718)	185,530	184,812

The principal actuarial assumptions used were as follows:

	Percentual						
	2013				2012		
	Brazil	Europe	North America	Total	Brazil	North America	Total
Discount rate	11.0%	8.0%	5.0%	8.0%	8.0%	4.0%	6.0%
Inflaction	5.0%	7.0%	2.0%	4.7%	5.0%	2.0%	3.5%
Salary growth rate	6.0%	5.0%	3.0%	4.7%	8.0%		8.0%
Pension growth rate	5.0%			5.0%	5.0%	3.0%	4.0%

The assumptions relating to mortality experience are set based on the advice of actuaries in accordance with published statistics and experience in each territory. The mortality assumptions for the more significant countries are based on the following tables of post-retirement mortality: (i) Brazil: AT-2000 Basic segregated by sex and board entry into disability RRB-1994 modified and increased by 15%, segregated by gender. (ii) Europe: CSO80 with a projection period of 10-15 years and (iii) North America: RP-2000 segregated by gender with a projection period of 8 years.

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

		Impact on defined benefits	
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	0.50%	Decrease by 5.5%	Increase by 6.0%
Future salary increases	0.50%	Increase by 1.1%	Decrease by 1.0%
Pension increase rate	0.25%	Increase by 0.2%	Decrease by 0.2%

	Increase in assumption by one year	Decrease in assumption by one year
Life expectancy	Increase by 2.3%	Decrease by 2.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(c) Post-employment benefits (pension and medical)

The main health care and pension plan of Company refers to its subsidiary in North America, however the Company operates post-employment benefit plans in Europe too, through VCEAA. The method of accounting, assumptions and frequency of valuations are similar to those used for theDefined benefit pension plans. Most of these plans are not funded.

The obligations related to these plans are included in the change in the defined benefit obligations, above.

31 Non - income Tax benefits

The Company and its subsidiaries have tax incentives related to:

(a) Income tax on profit from regional operations: The Company and Votorantim Cimentos N/NE S.A. have a benefit of partial reduction of income tax, related to some regional operations with cement, mortar and clinker. The tax incentive is measure based on the taxable operating profit measured as determined by the tax incentive rules (identified as "exploration profit") of the specific projects that are benefited from the incentive during a fixed period of time established by the tax authorities. The Company's tax incentives expire in different periods from 2012 to 2020. Under the rules of the benefit an amount equal to the tax benefit (the reduction in income tax) must be appropriated to a reserve account ("Tax incentive reserve") within shareholders' equity of the legal entity which cannot be distributed to the stockholders.

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

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

The periods and terms of the reduction in taxes are established in legislation. The reduction in the amount of the ICMS taxes due is recorded in the statement of income either in the period of measurement of the tax or when the Company meets the conditions established by the state programs in order to receive the benefit.

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

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

The grace and utilization periods are provided for in the tax legislation and, when existing, the conditions refer to facts under the Company's control.

The amount of ICMS that can be paid over a deferral period is 70% of the ICMS related to the tax-incentive product (common cement) for a period of up to 360 months. The deferred amounts are adjusted either based on a general price index or based on fixed interest rates. The benefit is granted for a period of 360 months as from June 25, 2010 or up to the total amount of the contract.

32 Insurance coverage

Pursuant to the Company's Insurance Management Corporate Policy, different types of insurance policies are contracted, such as operational risk and civil liability insurance, to protect assets against production interruptions and for damages caused to third parties.

The Company and its subsidiaries have civil liability insurance for their operations in Brazil, Canada and the United States, for which the coverage and conditions are considered by the Company´s management appropriate for the risks involved.

For the main plants in Brazil and operations abroad, an "All Risks" policy is contracted for all assets, including coverage against losses resulting from production interruptions.

The operational insurance coverage as at December 31, 2013 was as follows:

Assets	Type of coverage	Insured amount
Facilities, equipment and products in inventory	Property damage	17,849,790
	Loss of profits	4,206,115

Operational and civil liability risk insurance of the Pedra do Cavalo hydroelectric power plant - VCNNE

An "All Risks" insurance policy for operational risks is contracted annually for the Hydroelectric Power Plant, with a total insured amount of R$ 199,050. The Company has a civil liability policy for this plant, for which the coverage and conditions are considered by the Company´s management as adequate for the risks involved

33 Non-current assets (or disposal groups) held for sale

The Company intends to sell certain assets which can be summarized as follows:

	Assets		Liabilities	
	2013	2012	2013	2012
China (a)	742,585	701,214	390,305	274,104
Baraúna's property, plant and equipments (b)	44,961			
Equipments (*)	435			
	787,981	701,214	390,305	274,104

(*) Corresponds to kiln/pyro processing equipment in Spain, classified as held for sale as from January 1, 2013.

(a) China operations

The Company does not intend to continue its operations in China that were acquired as part of the Cimpor asset exchange (Note 1a), consequently this operation has been classified as held for sale since December 21, 2012. Although these operations have been classified as held for sale for more than one year the Company continues to present these operations separately in this category as the principal factor contributing to the delay of the planned sale is of a regulatory nature and management is still fully committed to marketing this operation and closing the planned sale.

As this operation was only acquired on December 21, 2012 no retrospective adjustments for the previous periods were applicable.

(i) Assets held for sale

	2013	2012
Inventories	47,841	38,787
Property, plant and equipment	214,775	202,688
Goodwill	279,973	332,585
Intangible assets	48,033	42,358
Other assets	151,963	84,796
	742,585	701,214

Adjustment to the property, plant and equipment balance related to the negative fair value adjustment identified through the purchase price allocation exercise (Note 17(d)) which was previously presented in Property, plant and equipment, was reclassified during the period; comparative periods not material for retrospective adjustment.

(ii) Liabilities related to assets held for sale

	2013	2012
Accounts payable	311,338	213,190
Provisions	32,036	33,895
Other liabilities	46,931	27,019
	390,305	274,104

(iii) Statement of income - discontinued operations

	2013
Revenues	185,127
Cost of sales and services	(210,123)
Gross loss	(24,996)
Financial income (expenses), net	(24,994)
Loss before taxation	(49,990)
Income tax and social contribution	
Current	
Deferred	1,133
Loss for the year	(48,857)

(b) Baraúna assets

VCNNE intends to sell certain assets (industrial equipment) it holds in the city of Baraúna, State of Rio Grande do Norte, and is negotiated with Mizú S. A.. Consequently these assets have been classified as held for sale since September 30, 2013. Management expects to realize the sale within one year.

34 Financial information by operating segment

IFRS 8 requires operating segments to be identified on the basis of internal reports on components of a company that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to the segments and to assess their performance. The Company has defined its Chief Executive Officer to be the CODM.

For management purposes, the Company is organized by geographical areas and has three operating segments which are based on location of the Company's main assets, as follows (1) Brazil (including our operations in other countries in South America), (2) North America, and (3) Europe, Africa and Asia.

Each of these operating and reportable segments derives its revenues from the sale of the following lines of products:

1. Cement;
2. Concrete / Ready Mix;
3. Aggregates; and
4. Other building materials.

The key financial performance for management of the reportable segments is Adjusted EBITDA which is reported on a monthly basis to the CODM for each of our operating segments (Brazil, North America, and Europe, Africa and Asia) and also according to each product line. Adjusted EBITDA is calculated based on net income plus/less financial income (expenses), net plus income tax and social contribution plus depreciation or amortization and depletion less equity in results of investees plus dividends received from investees less exceptional non-cash items. Non-cash items considered by management as exceptional are excluded in measuring Adjusted EBITDA. As result of using Adjusted EBITDA for measuring performance of our operating segments, the Company does not include financial income and expense, income tax expense and equity in investees as part of such measurement and as a result, such information is not disclosed in the tables below.

	2013			
	Brazil	North America	Europe, Africa and Asia (*)	Consolidated
Revenues	8,527,550	2,002,758	1,611,980	12,142,288
Operating profit before results from investments and financial result	2,308,969	143,953	228,566	2,681,488
Depreciation, amortization and depletion	386,621	207,564	178,908	773,093
Adjusted EBITDA	2,787,930	356,195	372,570	3,516,695
PP&E additions (CAPEX)	1,086,695	113,847	115,615	1,316,157
Total assets	15,169,494	4,945,379	4,535,512	24,650,385

(*) Include Itacamba and Artigas.

	2012			
	Brazil	North America	Europe, Africa and Asia (**)	Consolidated
Revenues	7.705.102	1.690.321		9.395.423
Operating profit before results from investments and financial result	2.492.561	100.796		2.593.357
Depreciation, amortization and depletion	348.230	196.077		544.307
Adjusted EBITDA	2.775.051	296.873		3.071.924
PP&E additions (CAPEX)	1.422.527	75.166		1.497.693
Total assets	15.492.404	4.455.869	3.986.623	23.934.896

(**)The operations relating to the Europe, Africa and Asia segment are only considered for 2013.

The accounting policies of the operating segments are consistent with the Company´s accounting policies (Note 2).

Information by operating segments

There are no sales between the operating segments. The following table reconciles Adjusted EBITDA for operating segments to net income:

	2013	2012
Net income for the year	1,388,835	1,640,483
Plus (less):		
Equity in the results of associates	(127,908)	160,533
Financial income, net - continuing operations	785,796	934,464
Financial income, net - discontinued operations	24,994	
Income tax and social contribution - continuing operations	585,908	(142,123)
Income tax and social contribution - discontinued operations	(1,134)	
Depreciation, amortization and depletion - continuing operations	773,093	544,307
Depreciation, amortization and depletion - discontinued operations	24,465	
EBITDA before results of investees	3,454,049	3,137,664
Plus (less):		
Dividends received	61,704	193,377
Exceptional items:		
EBITDA - discontinued operations	532	
Loss on disposal of equity investment - Yguazú		7,657
Gain on disposal of equity investment - Cimpor		(266,774)
Gain on disposal of equity investments - FINOR	(1,853)	
Gain on disposal of equity investments - CPA	(34,904)	
Adjustment of non-recurring item:		
Impairmnt provision for goodwill - SPCIM	1,616	
Impairment provision for advances do supliers	4,517	
Impairment provision for invesments - Usina Pai Querê e Santa Izabel	26,356	
Impairment provision or property, plant and equipment - VCNA	4,678	
Adjusted EBITDA	3,516,695	3,071,924

(a) Revenue by line of products

Revenues from external customers	2013	2012
Cement	8,329,674	6,211,178
Ready Mix/ Concrete	2,280,468	2,099,121
Aggregates	754,835	378,932
Others	777,311	706,192
	12,142,288	9,395,423

35 Events after the balance sheet date

(a) Acquisition of shares by VCN/NE

On January 20, 2014, VCNNE repurchased its own shares held by Banco Votorantim SA and its financial institutions, to be held in treasury. The number of shares acquired was 806,620, comprising 663,591 common and 143,029 preferred shares. The purchase price per unit was R$ 214each, totaling R$ 172,626.

(b) CADE's trial

On January 22, 2014, CADE initiated the trial of the proceeding which started in 2006, as mentioned in item (vii) of Note 20 (e.1), with four of CADE's five Counselors voting in favor of condemnation of, a number of individual persons and six of the mayor cement players in Brazil, recommending fines in the amount of R$ 3.1 billion. Furthermore, four of the accused companies were condemned to sell part of their assets, representing approximately 24% of the market capacity in this sector in Brazil.

The process referendary proposed the condemnation of Votorantim Cimentos, with the implementation of several administrative sanctions, including (i) payment of a fine in the amount of R$ 1.565 billion and (ii) the sale of certain assets, to be defined and disclosed by CADE on a later stage which, according to the referendary's estimate, is equivalent to 11 million tons of the Company's installed capacity. According to the referendary's terms, the sale of these assets should be to a single buyer, so as to allow a new sufficiently significant player in this market segment.

The trial was suspended at this same date, January 22, which was due to the request of one of the counselors, who has not voted yet. There is no formal term for this counselor to finish his analysis on the matter, nor for the CADE to finish the trial, which could be concluded at any future meeting. Until the trial is officially finalized, any counselor might review or change his vote, even if previously voted on.

The Company is waiting for the conclusion of the trial and, in case of a negative outcome or confirmation of CADE's actual recommendation, the Company intends to take this case to the Supreme Court, as the Company is of the opinion that there does not exist any anti-corruption behavior nor an impact on the Brazilian economy, and as such the Company should not be subject to any administrative and/or criminal sanctions or penalties. As such the Company classified the probability of loss for this matter in a legal environment as possible.

* * *

Votorantim Cimentos S.A.

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

Report of independent auditors on the consolidated financial statements

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

We have audited the accompanying consolidated financial statements of Votorantim Cimentos S.A. and its subsidiaries ("the Company"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

PricewaterhouseCoopers, Al.Dr. Carlos de Carvalho, 417, 10º andar, Curitiba, PR, Brasil 80410-180, Caixa Postal 699
T: (41) 3883-1600, F: (41) 3322-6514, www.pwc.com/br

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

Curitiba, May 29, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

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Votorantim Cimentos S.A.

Consolidated balance sheets
In thousands of reais

Assets	Note	12/31/2012	12/31/2011
Current assets			
Cash and cash equivalents	9	969,546	225,130
Financial assets - held for trading	10	2,032,431	1,450,510
Trade accounts receivable	11	910,690	786,077
Inventories	12	1,182,101	890,668
Other taxes recoverable	13	176,195	149,316
Current income tax and social contribution receivable	13	83,920	23,554
Advances to suppliers		110,174	118,425
Dividends receivable		512	7,552
Other assets		138,957	140,336
		5,604,526	3,791,568
Assets of disposal group classified as held for sale	32	701,214	
		6,305,740	3,791,568
Non-current assets			
Related parties	14	16,418	52,764
Judicial deposits		246,470	149,432
Deferred taxes	20(b)	971,979	759,140
Other taxes recoverable	13	41,296	14,923
Other assets		253,983	199,305
		1,530,146	1,175,564
Investments in associates	15	1,800,304	3,241,411
Property, plant and equipment	16	9,527,427	6,954,265
Intangible assets	17	4,798,437	3,466,389
		16,126,168	13,662,065
Total assets		23,962,054	18,629,197

Liabilities and stockholders' equity	Note	12/31/2012	12/31/2011
Current liabilities			
Loans and financing	18	615,813	413,551
Trade payables		856,226	662,532
Salaries and payroll charges		227,543	151,373
Income tax and social contribution payable		51,186	132,882
Other taxes payable		207,497	181,473
Dividends payable	14	439,122	274,031
Advances from customers	15	18,622	14,370
Account payable for the aquisition of investees		328,452	
Payables - Trading	22	53,784	36,826
Account payable		105,315	57,993
Use of Public Asset	19	23,561	22,005
Other liabilities		332,129	211,269
		3,259,250	2,158,305
Liabilities of disposal group classified as held for sale	32	274,104	
		3,533,354	2,158,305
Non-current liabilities			
Loans and financing	18	12,177,174	7,643,161
Related parties	14	486,597	726,093
Provisions	21	1,070,799	934,953
Deferred taxes	20(b)	842,721	983,326
Use of Public Asset	19	381,585	352,180
Pension liabilities	30 (b)	184,812	134,538
Other liabilities		377,166	278,224
		15,520,854	11,052,475
		19,054,208	13,210,780
Stockholders' equity	23		
Capital		2,746,024	2,746,024
Tax incentive reserve		544,441	360,648
Profit reserves		789,781	1,963,935
Cumulative other comprehensive income		577,725	155,762
Total equity attributable to owners of the parent		4,657,971	5,226,369
Non-controlling interests		249,875	192,048
Total stockholders' equity		4,907,846	5,418,417
Total liabilities and stockholders' equity		23,962,054	18,629,197

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

Votorantim Cimentos S.A.

Consolidated statements of income
Years ended December 31
In thousands of reais, unless otherwise indicated

	Note	2012	2011	2010
Revenues	24	9,481,673	8,698,352	8,047,081
Cost of sales and services		(6,177,116)	(5,684,439)	(4,986,902)
Gross profit		3,304,557	3,013,913	3,060,179
Operating income (expenses)				
Selling		(609,992)	(595,402)	(500,731)
General and administrative		(668,007)	(529,991)	(413,144)
Gain on transfer of assets - Cimpor	1 (a)			1,672,429
Gain on the disposal of our investment - Cimpor	1 (a)	266,774		
Other operating income (expenses), net	26	284,779	(295,932)	187,239
		(726,446)	(1,421,325)	945,793
Operating profit before results from investments and financial results		2,578,111	1,592,588	4,005,972
Results from investments				
Realization of other comprehensive income on disposal on investment in Cimpor	1 (a)	(170,075)		
Equity in the results of investees	15	25,461	311,753	191,985
		(144,614)	311,753	191,985
Financial income	29	316,496	204,862	425,759
Financial expense	29	(869,941)	(723,633)	(913,698)
Net foreign exchange gains (losses)	29	(381,819)	(253,643)	97,227
Financial income (expenses), net		(935,264)	(772,414)	(390,712)
Profit before taxation		1,498,233	1,131,927	3,807,245
Income tax and social contribution				
Current	20(a)	(359,199)	(478,071)	(582,398)
Deferred	20(b)	501,449	200,936	(544,423)
Net income for the year		1,640,483	854,792	2,680,424
Net income attributable to Company´s stockholders		1,616,799	835,445	2,648,413
Net income attributable to non-controlling interests		23,684	19,347	32,011
Basic and diluted earnings per share - R$		14.61	7.57	24.65
Weighted average number of shares (thousand)		110,635	110,410	107,434

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

Votorantim Cimentos S.A.

Consolidated statement of comprehensive income
Years ended December 31
In thousands of reais, unless otherwise indicated

	2012	2011	2010
Net income for the year	1,640,483	854,792	2,680,424
Other comprehensive income (loss) net of taxes			
Interest in other comprehensive income of associated companies	(7,692)	(837)	85,575
Actuarial gains and losses on retirement benefits	(36,273)	(25,265)	(19,216)
Realization of other comprehensive income on disposal of investment in Cimpor	89,142		
Hedge of a net investment	(107,085)	(155,446)	92,492
Currency translation differences	483,751	412,307	(419,721)
Other comprehensive income (losses) for the year	421,843	230,759	(260,870)
Total comprehensive income for the year	2,062,326	1,085,551	2,419,554
Attributable			
Comprehensive income attributable to owners of the parent	2,038,762	1,079,951	2,396,627
Comprehensive income attributable to non-controlling interests	23,564	5,600	22,927

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

Votorantim Cimentos S.A.

Consolidated statements of changes in stockholders' equity
In thousands of reais, unless otherwise indicated

	Note	Attributable to owners of the parent							Non-controlling interests	Total stockholders' equity
		Capital	Tax incentive reserve	Profit reserves		Retained earnings	Cumulative other comprehensive income	Total		
				Legal	Profit retention					
At January 1, 2010		1,889,722	139,768	91,803	2,786,377		163,042	5,070,712	172,156	5,242,868
Total comprehensive income for the year										
Net income for the year						2,648,413		2,648,413	32,011	2,680,424
Other comprehensive income (losses) for the year							(251,786)	(251,786)	(9,084)	(260,870)
Total comprehensive income for the year						2,648,413	(251,786)	2,396,627	22,927	2,419,554
Total contributions by and distributions to stockholders										
Capital increase	23 (a)	437,490			(200,000)			237,490		237,490
Acquisition of non-controlling interests					(8,867)			(8,867)	(8,635)	(17,502)
Allocation of net income for the year										
Tax incentive reserve			81,045			(81,045)				
Legal reserve	23 (b)			135,929		(135,929)				
Dividends (R$ 26.26 per share)	23 (e)				(1,793,594)	(1,028,005)		(2,821,599)		(2,821,599)
Profit retention	23 (b)				1,403,434	(1,403,434)				
Total contributions by and distributions to stockholders		437,490	81,045	135,929	(599,027)	(2,648,413)		(2,592,976)	(8,635)	(2,601,611)
At December 31, 2010		2,327,212	220,813	227,732	2,187,350		(88,744)	4,874,363	186,448	5,060,811

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

Votorantim Cimentos S.A.

Consolidated statements of changes in stockholders' equity
In thousands of reais, unless otherwise indicated

	Note	Attributable to owners of the parent							Non-controlling interests	Total stockholders' equity
		Capital	Tax incentive reserve	Profit reserves		Retained earnings	Cumulative other comprehensive income	Total		
				Legal	Profit retention					
At January 1, 2011		2,327,212	220,813	227,732	2,187,350		(88,744)	4,874,363	186,448	5,060,811
Total comprehensive income for the year										
Net income for the year						835,445		835,445	19,347	854,792
Other comprehensive income (losses) for the year							244,506	244,506	(13,747)	230,759
Total comprehensive income for the year						835,445	244,506	1,079,951	5,600	1,085,551
Total contributions by and distributions to stockholders										
Capital increase	23 (a)	418,812			(400,000)			18,812		18,812
Allocation of net income for the year										
Tax incentive reserve			139,835	92	(84,342)	(55,585)				
Legal reserve	23 (b)			44,406		(44,406)				
Dividends (R$ 6.76 per share)	23 (e)				(746,757)			(746,757)		(746,757)
Profit retention	23 (b)				735,454	(735,454)				
Total contributions by and distributions to stockholders		418,812	139,835	44,498	(495,645)	(835,445)		(727,945)		(727,945)
At December 31, 2011		2,746,024	360,648	272,230	1,691,705		155,762	5,226,369	192,048	5,418,417

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

Votorantim Cimentos S.A.

Consolidated statements of changes in stockholders' equity
In thousands of reais, unless otherwise indicated

	Note	Attributable to owners of the parent							Non-controlling interests	Total stockholders' equity
		Capital	Tax incentive reserve	Profit reserves		Retained earnings	Cumulative other comprehensive income	Total		
				Legal	Profit retention					
At January 1, 2012		2,746,024	360,648	272,230	1,691,705		155,762	5,226,369	192,048	5,418,417
Total comprehensive income for the year										
Net income for the year						1,616,799		1,616,799	23,684	1,640,483
Other comprehensive income (losses) for the year							421,963	421,963	(120)	421,843
Total comprehensive income for the year						1,616,799	421,963	2,038,762	23,564	2,062,326
Total contributions by and distributions to stockholders										
Non-controlling interest arising on business combination	1 (a)								68,953	68,953
Acquisition non-controlling interests Itacamba	1 (c)								(1,983)	(1,983)
Acquisition non-controlling interests VCA	2.2 (d)								(32,707)	(32,707)
Allocation of net income for the year										
Legal reserve	23 (b)			80,840		(80,840)				
Tax incentive reserve			183,793			(183,793)				
Interest on stockholders equity (R$ 1.61 per share)	23 (e)					(178,667)		(178,667)		(178,667)
Dividends (R$ 21.95 per share)	23 (e)				(1,562,988)	(865,505)		(2,428,493)		(2,428,493)
Profit retention	23 (b)				307,994	(307,994)				
Total contributions by and distributions to stockholders			183,793	80,840	(1,254,994)	(1,616,799)		(2,607,160)	34,263	(2,572,897)
At December 31, 2012		2,746,024	544,441	353,070	436,711		577,725	4,657,971	249,875	4,907,846

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

Votorantim Cimentos S.A.

Consolidated statements of cash flows
at December 31, 2012
All amounts In thousands of reais, unless otherwise indicated

	Nota	2012	2011	2010
Cash flows from operating activities				
Profit before income taxe and social contribution		1,498,233	1,131,927	3,807,245
Adjustments to reconcile net income to cash from operations				
Depreciation, amortization and depletion	16 e 17	558,279	441,055	420,322
Equity in the results of investees	15(a)	(25,461)	(311,753)	(191,985)
Interest, monetary and exchange variations		1,227,412	838,651	255,990
Gain on disposal of property, plant and equipment		(16,789)	(20,896)	(14,187)
Provision for contingencies and tax liabilities	21(b)	138,432	153,817	186,654
Allowance for doubtful accounts	11	11,077	1,922	128,757
Provision for inventory losses		(16,217)	(21,547)	23,323
Gain on transfer of assets - Cimpor	1 (a)			(1,672,429)
Gain on disposal of equity investments - Cimpor	1 (a)	(266,774)		
Loss on the disposal of investment in Yguazú	1 (c)	7,657		
Impairment of investments	15 (d)		586,538	
Realization of other comprehensive income on disposal of investment in Cimpor	1 (a)	170,075		
		3,285,924	2,799,714	2,943,690
Changes in assets and liabilities				
Financial investments held for trading		(581,921)	(266,530)	1,358,478
Trade accounts receivable		166,802	(108,437)	(16,025)
Inventories		(14,311)	(72,285)	(117,440)
Taxes recoverable		(11,524)	(66,706)	4,429
Related parties		(65,183)	(124,939)	(58,592)
Other assets		153,456	(134,960)	(318,568)
Suppliers		(24,775)	24,004	182,343
Taxes payable		(24,669)	10,558	60,911
Salaries and social charges		76,170	39,987	14,677
Advances from customers		4,252	(11,918)	(887)
Accounts payable and other liabilities		(303,492)	(200,053)	559,512
Cash provided by operations		2,660,729	1,888,435	4,612,528
Interest paid	18(b)	(719,109)	(550,229)	(280,176)
Income tax and social contribution paid		(519,525)	(531,553)	(682,802)
Net cash provided by operating activities		1,422,095	806,653	3,649,550
Cash flows from investing activities				
Capital increase in investees	15(b)	(58,602)	(11,759)	(118,763)
Acquisition of Cimpor	1(a)			(390,000)
Acquisition of Vila	1(d)			(416,252)
Acquisition Cementos Portland S.A.	15(a)		(56,570)	
Acquisition of property, plant and equipment	16	(1,500,091)	(1,723,061)	(964,395)
Acquisitions of intangible assets	17	(41,332)	(152,020)	(148,371)
Cash obtianed as a result of our acquisition of VCEAA	17(d)	148,799		
Proceeds from disposal of investment in Yguazu		30,535		
Proceeds from sale of property, plant and equipment		20,064	232,912	38,077
Dividends received		193,377	156,590	51,895
Net cash used in investing activities		(1,207,250)	(1,553,908)	(1,947,809)
Cash flows from financing activities				
New loans and financing	18(b)	3,674,624	2,434,303	2,976,719
Amortization of loans and financing	18(b)	(513,499)	(143,958)	(574,971)
Capital increase			18,812	237,490
Dividends paid	23(e)	(2,263,402)	(683,782)	(2,610,543)
Related party, net		(207,001)	(692,693)	(1,699,254)
Interest on stockholders equity	23(e)	(178,667)		
Aquisition of non-controlling interests				(17,500)
Net cash provided by financing activities		512,055	932,682	(1,688,059)
Exchange results on cash and cash equivalents of foreign subsidiaries		17,516	14,755	(2,741)
Increase in cash and cash equivalents		726,900	185,427	13,682
Cash and cash equivalents at the beginning of the year		225,130	24,948	14,007
Cash and cash equivalents at the end of the year		969,546	225,130	24,948

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

1 General information

Votorantim Cimentos S.A. (the "Company" or "VCSA") and its subsidiaries are principally engaged in the production and sale of cement and aggregates and supplementary products, as well as of raw materials and byproducts, similar and related products; rendering of concrete pouring services; research, mining and processing of mineral reserves in connection with its cement producing activities; transportation, distribution and importing; and holding investments in other companies. The Company is a corporation headquartered in the city and State of São Paulo. The Company and its subsidiaries operate in all regions of Brazil, in the United States and Canada and Europe, Africa and Asia. Through its associates, the Company also has operations in others countries in Latin America and until December 2012 in Portugal.

The Company and its subsidiaries are members of the "Votorantim", one of Brazil's largest private conglomerates. The Company's direct parent company is Votorantim Industrial S.A.(hereafter commonly referred to as "VID" or "Parent Company") and the ultimate parent company is Votorantim Participações S.A. ("VPAR").

Changes in interests in 2012, 2011 and 2010

(a) Transactions related to our equity investment in CIMPOR

(a.1) Cimpor acquisition in 2010

On February 3, 2010 the Company and Companhia Nacional de Cimento Portland ("Lafarge Brasil") signed a Stock Swap Agreement whereby Lafarge Brasil transferred to VCSA shares of Cimpor Cimentos de Portugal SGPS S.A. ("Cimpor"), representing 17,28% of the capital of this Portuguese domiciled company, in exchange for all of the shares held in a Special Purpose Entity ("SPE") created by the Company which owned cement plants in the Central-West and Northeast of Brazil. The assets, rights and obligations of the SPE include a cement grinding plant transferred from Votorantim Cimentos Brasil S.A. ("VCB") and a cement factory and a grinding plant transferred from Votrantim Cimentos N/NE S.A. ("VCNNE"), both direct and indirect subsidiaries, respectively, of VCSA. As part of the same operation, the Company acquired 3.93% of Cimpor from third parties on February 11, 2010 for a cash consideration of R$ 390,000.

The transactions described above resulted in a gain on the transfer of assets of R$ 1,672,429, representing the difference between the carrying amount of the assets transferred (primarily the cement factory and the cement grinding plants referred to above) and the fair value of the participation received. The gain was directly recognized in the income statement and resulted in a corresponding deferred tax liability of R$ 568,626.

The initial recognition of the 21.21% participation in Cimpor was based on the fair value of the consideration transferred, of R$ 2,207 million, including the cash consideration. The initial investment consists of the Company's relative share in the fair value of the net assets of Cimpor of R$ 1,040 million and goodwill of R$ 1,167 million.

(a.2) 2012 Cimpor asset exchange

On June 25, 2012, VCSA executed a stockholders agreement ("Shareholder Agreement") with Inter Cement Austria Holding GmbH, a member of the Camargo Correa Group, to exchange its 21.21% interest in Cimpor for a controlling interest in the operations of entities in six countries, Turkey, Morocco, Tunisia, India, China and Spain, together with a limestone quarry in Peru.

This exchange was consummated on December 21, 2012, when we transferred 21.21% of the equity interest in Cimpor to the Camargo Correa Group and we received ownership of 100% of Votorantim Cimentos EAA Inversiones S.L. (hereafter referred to as 'Votorantim Cimentos Europe, Asia and Africa' or 'VCEAA'), a recently created holding company which in turn is the sole owner of the former Cimpor businesses operating in Spain, Morocco, Tunisia, Turkey, India and China. The liabilities of VCEAA as of December 21, 2012 also include certain indebtedness of Cimpor and its subsidiaries in an aggregate principal amount of US$ 434.1 million (equivalent to R$ 901.2 million using the exchange rate applicable as of December 21, 2012) assumed by VCEAA in preparation for the exchange.

The shares of Cimpor transferred for this 100% interest in VCEAA were valued at EUR 759,970 (R$ 2,077,447), based on the value of the 142,492,130 shares of Cimpor exchanged at a price of EUR 5.33 per share, which is the price per share offered in the public tender auction by Camargo Correa of EUR 5.50 less dividends received from Cimpor between June 25, 2012 and December 21, 2012. The parties agreed contractually that the fair value of the business acquired from Cimpor would be determined based on the fair value as determined by two investment banks involved in the transaction and was determined at EUR 817,017 (R$ 2,233,394) The difference between the consideration transferred and the fair value of the businesses acquired as determined by the contractual terms, resulted in an additional cash consideration of EUR 57,048 (R$ 155,946) which was paid in January 2013 to the Camargo Correa group. As such, the total consideration transferred is R$ 2,233,394. There is no contingent consideration as part of the exchange agreement. The acquisition of VCEAA resulted in a business combination that is further disclosed in Note 17.b and the effects of this acquisition in 2012 is disclosed in the notes to the financial statements as "acquisition of VCEAA" or "acquisition of subsidiary".

As a result of the disposal of our investment in CIMPOR we have recognized a gain in the income statement of R$ 266,774 corresponding to the difference between the fair value of the shares transferred of R$ 2,077,446 and the carrying amount of the investment in Cimpor of R$ 1,810,672. As result of this transaction, we also reversed a deferred tax liability of R$ 391,018 in the income statement (see Note 20 (a)) and we have recognized in the income statement a loss of R$ 170,075 corresponding to the cumulative translation adjustment and the amount of hedge of the net investment in Cimpor previously recognized in equity for which we recognized a deferred tax liability of R$ 89,142.

(b) Acquisition of interests in Argentina and Uruguay

On December 27, 2012, the Company acquired an interest of 10.61% in Cementos Avellaneda S.A. ("Avellaneda"), in Argentina, from Cementos Molins S.A.. The cash consideration for this acquisition is US$ 60 million (R$ 121,909) and was settled on January 18, 2013. There is no contingent consideration as part of the purchase agreement.

On the same date, the Company acquired an interest in Cementos Artigas S.A. ("Artigas"), in Uruguay, from Cementos Molins S.A.. The cash consideration for this acquisition is US$ 25 million (R$ 50,795) and was settled on January 18, 2013.There is no contingent consideration as part of the purchase agreement.

We account for our interests in Avellaneda and Artigas as equity investees, as we have a significant influence in these companies through Board representations.

(c) Other acquisitions and disposals

During the year we have disposed of our 35% equity investment in Yguazú for an amount of R$ 30,535, resulting in a loss of R$ 7,657. In addition we acquired an additional 16,66% interest in Itacamba, an already consolidated subsidiary, bringing our total interest to 66,66%. The consideration paid was USD 500 thousand (R$ 1,022).

(d) Acquisition of interest in Votoratim Investimentos Latino-Americanos S.A. ("VILA")

On November 24, 2010, the Company and Bradesplan Participações Ltda. ("Bradesplan") signed a share purchase agreement whereby Bradesplan transferred to VCSA 54 registered common shares without par value of VILA, representing 6.55% of its voting capital, for a cash consideration of R$ 416,252.

Subsequently, on November 30, 2010 the Company acquired an additional interest in VILA of 8.72%. This additional interest was acquired through issuance of new shares by VILA. The newly issued shares were issued to the Company as settlement for a receivable that the Company had against VILA. As result of such transactions the Company obtained a 15.27% interest in VILA.

2 Presentation of financial statements

The financial statements for the year ended December 31, 2012 were authorized for issue by management of the Company on February 27, 2013.

2.1 Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance and are in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, as modified for financial assets and financial liabilities(including derivative instruments) at fair value through profit or loss (where applicable).

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

Cash flows from operating activities are presented under the indirect method. Consolidated net income is adjusted for non-monetary items, such as measurement gains and losses, changes in provisions and in receivables and liabilities balances. All income and expense arising from non-monetary transactions, attributable to investing and financing activities, are eliminated. Interest received or paid is classified as operating cash flows.

During 2012, 2011 and 2010 the Company had the following significant non-cash transactions relating to investing and financing activities:

. The disposal of the Company's equity investment in Cimpor and the related acquisition of its subsidiary VCEAA as described in the Notes 1a (2012).

. The acquisition of the Company's equity investments in Artigas and Avellaneda as set out in Note 1(b) (2012).

. The acquisition of the additional interest of 8.74% in VILA as described in Note 1(d) (2010).

. The acquisition of a 17.28% interest in Cimpor in exchange for a cement grinding plant and a cement factory (2010).

2.2 Consolidation, proportional consolidation and joint-ventures

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

(a) Subsidiaries

Subsidiaries are entities over which the Company has the power to determine the financial and operating policies, generally reflecting a shareholding of more than one half of the voting rights. The existence and effect of possible voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and unconsolidated from the date that control ceases.

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

(b) Transactions with entities in which has non-controlling interests

The Company accounts for transactions with entities in which it has non-controlling interests as transactions with equity owners of the Company. For purchases from entities in which it has non-controlling interests, the difference between any consideration paid and the share acquired of the book value of net assets of the subsidiary is recorded in stockholders' equity. Gains or losses on disposals to entities which has non-controlling interests are also recorded in stockholders' equity, in "Carrying value adjustments".

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in book value recognized in profit or loss. In addition, any amounts previously recognized in Other comprehensive income in respect of that entity are accounted for as if the Company had directly sold the related assets or liabilities, which means that amounts previously recognized in Other comprehensive income are reclassified to profit or loss.

(c) Associated companies

Associated companies are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, with significant influence obtained through either shareholding interest, rights with respect to financial and operating decisions through shareholder agreements or representation on the board or through other factors. Investments in associated companies are accounted for using the equity method and are initially recognized at cost. The Company's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Company's share of its associated companies' profits or losses is recognized in the statement of income, and its share of stockholders' equity movements is recognized in its own equity. When the Company's share of losses in an associated company equals or exceeds its interest in the associated company, including any other receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Company and its associated companies are eliminated proportionally to the Company's interest in the associated companies. Unrealized losses are also eliminated unless the transaction demonstrates evidence of an impairment of the asset transferred. Accounting policies of associated companies are changed where necessary to ensure consistency with the policies adopted by the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. One of the factors considered in assessing whether objective evidence of impairment exists is a significant reduction in the quoted market price of listed associates. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement. The recoverable amount is measured as the higher of the value in use and fair value less cost of sale. Value in use is measured based on the share of the Company in the associate discounted cash flows both for listed and non-listed entities. For listed entities, the quoted market price as of the date of the impairment analysis is used to determine the fair value less cost of sale as of such date.

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

(d) Companies included in the consolidated financial statements

The main subsidiaries included in the consolidation are as follows:

	Place of business / country of incorporation	% of ownership interest held by the group		
		December 31, 2012	December 31, 2011	December 31, 2010
Votorantim Cimentos and subsidiaries				
Votorantim Cimentos N/NE S.A.	Brazil	95.25	95.25	95.25
Votorantim Cimentos Americas S.A. (**)	Brazil		95.00	95.00
Interavia Transportes Ltda.	Brazil	100.00	100.00	100.00
Silcar - Empreend. Com Particip. Ltda.	Brazil	100.00	100.00	100.00
A21 Mineração Ltda. (**)	Brazil		85.00	85.00
Pedreira Pedra Negra Ltda.	Brazil	100.00	100.00	100.00
Acariuba Mineração e Participação Ltda.	Brazil	100.00	100.00	100.00
Eromar S.A.	Brazil	100.00	100.00	100.00
Itacamba Cemento S.A.	Brazil	66.67	50.00	50.00
Votorantim Cimentos Chile Ltda.	Brazil	100.00	100.00	100.00
Companhia Cimento Ribeirão Grande (*)	Brazil		100.00	100.00
Lux Cem International S.A.	Brazil	100.00	100.00	100.00
Seacrown do Brasil, Com.Import. e Part. S.A.	Brazil	100.00	100.00	100.00
Votorantim Cement North America inc. and subsidiaries				
Prairie Material Sales Inc.	Unites States	100.00	100.00	100.00
St. Marys Cement Co. LLC	Canada	100.00	100.00	100.00
St. Barbara Cement, Inc.	Unites States	100.00	100.00	100.00
St. Marys Cement Inc. (Canada)	Canada	100.00	100.00	100.00
St. Marys Cement, Inc. (US)	Unites States	100.00	100.00	100.00
Rosedale Securities Ltd.	Unites States	100.00	100.00	100.00
Votorantim Cement North America inc.	Canada	100.00	100.00	100.00
Suwannee Holdings LLC	Unites States	100.00	100.00	100.00
VCNA Nova Scotia ULC	Unites States	100.00	100.00	100.00
Hutton Transport Limited	Unites States	100.00	100.00	100.00
VCNA Prestige Gunite, Inc.	Unites States	100.00	100.00	100.00
American Gunite Management Co., Inc	Unites States	100.00	100.00	100.00
Sacramento Prestige Gunite, Inc.	Unites States	100.00	100.00	100.00
VCNA Prestige Concrete Products, Inc.	Unites States	100.00	100.00	100.00
VCNA III Nova Scotia ULC	Unites States	100.00	100.00	100.00
VCNA US Materials, Inc.	Unites States	100.00	100.00	100.00
VCNA US Inc.	Unites States	100.00	100.00	100.00
VCNA Prairie inc.	Unites States	100.00	100.00	100.00
Central Ready Mix Concrete, Inc.	Unites States	100.00	100.00	100.00
VCNA Prairie Aggregate Holdings Illinois, Inc.	Unites States	100.00	100.00	100.00
St Marys VCNA, LLC	Canada	100.00	100.00	100.00
Votorantim Cimentos EAA Inversiones S.L and subsidiaries				
Votorantim Europe S.L.U.	Spain	100.00		
Societe Les Ciments de Jbel Oust - CJO	Tunisia	99.99		
Shree Digvijay Cement Company Limited	India	73.63		
Cimpor Macau – Investment Company, S.A.	China	50.00		
Cimpor Yibitas Çimento Sanayi ve Ticaret A.S.	Turkey	99.76		
Yibitas Yozgat Isci Birligi Insaat Malzemeleri Ticaret ve Sanayi A.S.	Turkey	82.96		
Asment De Temara, S.A.	Morocco	62.62		
Cementos Otorongo, S.A.C	Peru	99.99		
Cementos Cosmos S.A.	Spain	99.77		
Cimpor Canarias, S.L.	Spain	100.00		
Sociedad de Cementos y Materiales de Construcción de Andalucia, S.A.	Spain	100.00		

(*) Merged into the Company in 2011

(**) Merged into the Company in 2012

(***) The entities were merged into the Company in 2012. The non-controlling interests were all held by entities under common control. The transactions were entered into at the book value of the non-controlling interest and the acquisition was made through non-cash transactions

(e) Joint ventures

The Company's interests in jointly controlled entities are accounted for by proportionate consolidation. The Company combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the consolidated financial statements.

The Company has a 50% interest in the following entities as of December 31, 2012: (Sumter Cement LLC, Trinity Materials LLC, Suwannee American Cement LLC, Great Lakes Slag Inc, Bot-Duff Resources Inc. and Superior Buidling Materials LLC), all incorporated in the United States of America.

The following amounts represent the group's 50% share of the assets and liabilities, revenues and profit (loss) of the joint venture.

	Proportional Consolidation					
	12/31/2012					
	Sumter Cement Co., LLC	Trinity Materials LLC	Suwannee American Cement, LLC	Great Lakes Slag Inc.	Bot-Duff Resources Inc.	Superior Building Materials, LLC
Ownership percentage	50%	50%	50%	50%	50%	50%
Current assets	41	119	22,058	4,937	192	14,891
Non-current assets	37,451	6,137	91,120	15,381	280	22,795
Current liabilities		2	8,458	2,771	427	18,457
Non-current liabilities	23,022		6,470			74
Revenues			27,839			62,986
Expenses	494	1,930	36,052	510	12	69,111
Profit (loss) after income tax	(494)	(1,930)	(8,214)	(510)	(12)	(6,125)

	12/31/2011					
	Sumter Cement Co., LLC	Trinity Materials LLC	Suwannee American Cement, LLC	Great Lakes Slag Inc.	Bot-Duff Resources Inc.	Superior Building Materials, LLC
Ownership percentage	50%	50%	50%	50%	50%	50%
Current assets	20	194	21,684	4,814	423	18,890
Non-current assets	37,649	8,033	100,583	17,656	268	24,307
Current liabilities		12	9,946	3,388	1,140	22,867
Non-current liabilities	22,754		2,697	157		74
Revenues			23,277			57,607
Expenses	284	68	36,606	461	(121)	62,887
Profit (loss) after income tax	(284)	(68)	(13,329)	(461)	121	(5,280)

2.3 Foreign currency translation

(a) Functional and presentation currency

After an analysis of the Company's operations and business, management concluded that the Brazilian Real ("R$") is the Company's functional and presentation currency. This conclusion is based on the analysis of the following indicators:

. Currency that more significantly affects the prices of products and services;

. Currency of the country whose competitive forces and regulations have a significant effect in the determination of the sales price of its products and services;

. Currency that affects more significantly labor, materials and other costs related to the supply of products and services;

. Currency in which financial resources are mainly obtained; and

. Currency in which amounts generated by the operating activities are normally held.

The functional currencies of the operations of VCNA, the Company's main subsidiary abroad, are the Canadian dollar and the United States dollar. The functional currency of our recently acquired subsidiary VCEAA (Note 1a) is the euro.

(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 remeasured. 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 stockholders' equity as qualifying net investment hedges.

(c) Subsidiaries and joint ventures with a different functional currency

The results and financial position of all the Company's 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 stockholders' equity, in the account "Other comprehensive income".

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 recorded in stockholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in stockholders' 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 exchange rate.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits, and highly liquid short-term investments (investments with a original maturity date below 90 days), which are readily convertible into a known amount of cash and subject to immaterial risk of change in value, as well as overdraft accounts. Financial investments considered as cash and cash equivalents are measured at amortized cost, which is equivalent to the fair value since the transactions are carried out at floating rates. Overdraft accounts are presented as "Loans and financing", in current liabilities, when applicable.

2.5 Financial assets

2.5.1 Classification

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

(a) Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss trading are characterized by active and frequent trading in the financial markets. These assets are measured at their fair value, and any changes in fair value are recognized in the statement of income under "Net financial results". Assets in this category are classified as current assets.

Financial assets held for trading are classified in this category as well as derivatives, unless they have been designated as hedge instruments.

(b) Loans and receivables

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

2.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. 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 no longer recognized when the rights to receive cash flows from the investments have expired or have been transferred, but only if the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at their fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets held for trading are presented in the statement of income under "Net financial results" in the year they occur.

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, which use recent third party transactions, references to other substantially similar instruments, discounted cash flow analysis and option pricing models.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported 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.

2.5.4 Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period 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 criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

. Significant financial difficulty of the issuer or debtor;

. A breach of contract, such as a default or delinquency in interest or principal payments;

. The Company, for economic or legal reasons relating to the debtor's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;

. The probability that the borrower will enter bankruptcy or other financial reorganization;

. The disappearance of an active market for that financial asset because of financial difficulties; or

. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that indicate defaults on the assets in the portfolio.

The amount of any impairment loss is measured as the difference between the asset's book value 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 book value of the asset is reduced and the loss is recognized in the statement of income.

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

2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognized at the 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, and if so, the nature of the item being hedged.

The Company designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at 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 the various derivative instruments entered into are disclosed in Note 7. The full fair value of a derivative is classified as a non-current asset or liability when the remaining 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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other operating income (expenses) - net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'finance income/cost'.

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 when the forecast transaction is ultimately recognized in the income statement. 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 income statement within 'other operating income (expenses) net'.

(b) Hedge of a net investment

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

For additional details regarding the Company's hedging strategies see Note 7.

2.7 Trade accounts receivable

Trade accounts receivable correspond to the amounts receivable from sales and services made in the normal course of the Company's business. If receipt is expected in one year or less, the accounts receivable are classified as current assets. If not, they are included in non-current assets.
Trade accounts receivable are initially recognized at their fair value and, subsequently, measured at their amortized cost using the effective interest method, less an allowance for doubtful debts. Trade accounts receivable from export sales are presented at the foreign exchange rates prevailing on the reporting 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 products and work in process comprises raw materials, direct labor, other direct costs and related general production overheads (based on normal operating capacity). The net realizable value is the estimated sales price in the normal course of business, less estimated conclusion costs and estimated 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 expenses for the period comprise current and deferred taxes. Taxes on income are recognized in the statement of income, except when related to items recognized directly in stockholders' equity. In this case, the taxes are also recognized in stockholders' equity or in comprehensive income.

The current and deferred income tax and social contribution are 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; and it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.10 Property, plant and equipment

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

Subsequent costs are included in the asset's book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The book value of the replaced part is derecognized.

Repairs and maintenance costs are allocated to the results of operations as incurred. The cost of major renovations is included in the book value of the asset when it is probable that the Company will realize future economic benefits in excess of the original benchmark performance specifications of the existing asset. Renovations 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 or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	36-59 years
Machinery	16-20 years
Vehicles	3-5 years
Furniture, fixtures and equipment	10 years

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

An asset's book value is written down immediately to its recoverable amount when the asset's book value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the book value and are recognized within "Other operating income, net" in the statement of income.

2.11 Leases

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

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company substantially has the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease inception at the lower of the fair value of the leased property 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 long-term liabilities. The interest element of the finance cost is charged to the statement of income over the lease period so as to generate 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 shorter of the useful life of the asset and the lease term.

2.12 Intangible assets

(a) Goodwill

Goodwill represents the positive difference between the amount paid or payable and the net amount of the 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 and as investments in the parent company. If the acquirer determines negative goodwill, the amount is recorded as a gain in the statement of income at the acquisition date. Goodwill is tested on an annual basis to identify probable losses from impairment and recorded at cost less accumulated impairment losses, which are not reversed. The gains and losses on the disposal of an entity include the book value of the goodwill related to the entity sold.

Goodwill is allocated to Cash-Generating Units (CGU) for the purpose of impairment testing. The allocation is made to the CGU or to groups of CGU which benefited from the business combination originating the goodwill.

(b) Exploration rights over mineral resources

When the economic feasibility of the mineral reserves is proven, the consideration paid to acquire the mining exploration rights are capitalized under "Property plant and equipment - assets under construction", together with the costs capitalized in relation to the construction of the plant that is going to be operated at the mine's location. When the mine becomes operational the cumulative costs capitalized in relation to exploration rights are reclassified from property plants and equipment to intangible assets and subsequently amortized or included in cost of production. The capitalized construction costs relating to the plant are reclassified to "Equipment and facilities" under the Property, plant and equipment line item.

The costs of mining rights are capitalized and amortized using the straight-line method over their useful lives or, when applicable, based on the depletion of mines.

Once the mine is operational, these expenses are amortized and included in cost of production.

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

(c) Use of public asset

Use of public asset corresponds to the rights granted by the government to use hydraulic energy potential in a specific area of the Paraguaçu river in exchange for the payment in cash of an annual charge by the Company (onerous authorization under the legal form of an agreement for the Use of Public Asset ("UBP"). The amount is recognized once the operating license is obtained. 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).

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.

(d) Contractual customer relationships and non-competition agreements

Contractual customer relationships and non-competition agreements acquired as a result of a business combination are recognized at fair value at the acquisition date. The contractual customer relationships 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 estimated useful lives as follows:

. Customer relationships	15 years
. Non-competition agreements	5 years

2.13 Business combinations

The Company uses the purchase method to account for transactions classified as business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values 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. In each acquisition, the Company recognizes any non-controlling interest in the acquiree either at fair value or based upon the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The accounting for non-controlling interests to be recognized is determined for each acquisition.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Company attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and goodwill is determined considering the Company's non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

Goodwill is presented under intangible assets in the consolidated financial statements. It is not amortized but is subject to annual impairment testing, as described below.

2.14 Impairment of non-financial assets

Non-financial assets with indefinite useful lives, such as goodwill, are not subject to amortization and are tested for impairment annually. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less any selling costs and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGUs). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.15 Assets or disposal groups 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 a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.16 Trade payables

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

2.17 Loans and financing

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

Loans and financing are classified as current liabilities unless the Company has an unconditional right to defer repayment of the liability for at least 12 months after the reporting date.

2.18 Provisions

Provisions for restructuring costs and legal claims are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required for their 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 single item included in the same class of obligations may be small.

Provisions are 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 the passage of time is recognized as interest expense.

2.19 Asset Retirement Obligation

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

2.20 Employee benefits

(a) Pension obligations

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

In Brazil, the Company sponsors a defined contribution plan. A defined contribution plan is a pension plan made up of contributions from participants and sponsors, which accumulate reserves in an individual account on behalf of the participant, and under which the Company has no legal or other obligations to make additional contributions should the fund not have sufficient assets to honor the benefits related to employee service in the current or prior periods. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Regular contributions are recognized as operating expenses.

For its North-American subsidiaries, 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 upon their retirement, usually dependent on one or more factors such as age, years of service and salary.

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 end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash 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.

Actuarial gains and losses arising from changes in actuarial assumptions and amendments to pension plans are recognized in "Other comprehensive income".

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

(b) Health care (post-retirement)

The Company, through its subsidiaries, offer post-retirement health care benefits to its employees. The health care benefit for retired employees was offered by the Company under a policy which has been discontinued. This policy established a lifetime benefits concession to a specified group of employees. This benefit is closed to new participants and there are no active employees who can opt in.

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-services costs, similar to the accounting methodology used for defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined through an estimate of the future cash outflow. Actuarial gains and losses arising from changes in actuarial assumptions and amendments to pension plans are fully recognized in "Other comprehensive income ".

(c) Profit sharing

Provisions are recorded to recognize the expenses related to employee profit sharing. These provisions are calculated based on qualitative and quantitative targets established by management and are recorded as "Employee benefits", in the statement of income.

2.21 Capital

Common shares are classified as stockholders' equity.

Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from stockholders' equity attributable to the Company's stockholders until the shares are retired or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, is included in capital attributable to the Company's stockholders.

2.22 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 Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the consolidated companies. The Company recognizes 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 Company's activities as described below. Revenue will not be deemed as reliably measured if all sale conditions are not resolved. The Company bases its estimates on historical data, 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:

(i) Sales of products - sales are mainly made for payment in up to 30 days. These sales are normally recognized when the products are delivered to the carrier and the ownership and risks with respect thereto are transferred to the customer.

(ii) Sales of services - the Company renders concrete pouring, co-processing and cargo transportation services. These services are based on time and materials or as a fixed-price contract, and the terms generally vary up to three years. Revenue for services is recognized when services are provided.

If circumstances arise that may change the original estimates of revenues, costs or percentage of 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.

2.23 Dividend

A dividend distribution to the Company's stockholders is recognized as a liability in the financial statements at year-end based on the minimum mandatory dividend established in the Company bylaws. Any dividend that exceeds the minimum mandatory dividend is only recognized only upon its approval by the stockholders at the Annual General Meeting.

The minimum dividends, established by the Company's bylaws, are 25%.

2.24 Earnings per share

Earnings per share are computed by dividing net income attributable to the owners of the Company by the weighted average number of common shares outstanding for each reporting year. Weighted average shares are computed based on the periods for which the shares were outstanding.

The Company does not have instruments or arrangements that could have a dilutive effect on the basic earnings per share calculation.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all related conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.26 Interest on stockholders equity

Interest on stockholders equity is subject to a withholding income tax rate of 15%, except for stockholders equity 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 stockholders equity 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 credit from the deduction of interest on stockholders equity is recognized in profit or loss. For accounting purposes, stockholders equity is reduced in a manner similar to a dividend.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

3 New Standards, Amendments and Interpretations to Standards that Are not Yet Effective

The following new standards, amendments and interpretations to existing standards were issued by IASB but are not effective for 2012. The early adoption of these standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. IFRS 9 - "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model and the contractual

cash flow characteristics of the financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The Company has not yet assessed IFRS 9's full impact. This standard is applicable as from January 1, 2015.

. IFRS 10 - "Consolidated financial statements", included as an amendment to CPC 36(R3), "Consolidated financial statements". This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This standard provides additional guidance to assist in the determination of control and is applicable as from January 1, 2013. The Company expects that its adoption will not generate significant impacts on its financial statements.

. IFRS 11 - "Joint arrangements" was issued in May 2011 and included as an amendment to CPC 19(R2), "Joint ventures". This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: (i) joint operations - arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses; and (ii) joint ventures - arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. The proportional consolidation method will no longer be permitted in joint ventures. This standard is applicable as from January 1, 2013, and its adoption will have an immaterial impact on the Company, since the Company has certain investments in joint ventures in North America to the extent, as disclosed in Note 2.2e. These joint ventures are currently proportionally consolidated and will, as of the effective date for this standard, be accounted for using the equity method.

. IFRS 12 - "Disclosures of interests in other entities", considered in a new pronouncement CPC 45 - "Disclosures of interests in other entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associated companies, special purpose vehicles and other off balance sheet vehicles. This standard is applicable as from January 1, 2013, and the implementation this standard will have a limited impact on the Company's disclosures.

. IFRS 13 - "Fair value measurement" was issued in May 2011 and disclosed in a new pronouncement CPC 46, "Fair value measurement". IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS standards. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. This standard is applicable as from January 1, 2013, and the implementation of this standard will have a limited impact on the Company's disclosures.

. IAS 19 - "Employee benefits", was amended in June 2011. The impact on the Company will be as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company's current accounting policy choice is to recognize actuarial gains and losses in other comprehensive income and therefore the Company does not expect any significant impact in the Company's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company's financial statements.

4 Critical Accounting Estimates and Judgments

Based on assumptions, the Company makes estimates concerning future events. 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 book values of assets and liabilities within the next financial year are addressed below.

(a) Impairment of goodwill and investments

The Company has a total of R$ 2,930,527 recognized as goodwill on its balance sheet as of December 31, 2012 (December 31, 2011 - R$ 2,009,307).

The Company tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy (Note 2.14). The recoverable amounts of a cash-generating unit (CGU) or group of CGU's have been determined based on value-in-use calculations. These calculations require the use of estimates.

For the recoverable amount of its investments in associates, the Company applies a similar procedure to impairment testing of goodwill. During 2011, this resulted in an impairment loss of R$ 522,377 for the investee Cimpor and an impairment loss of R$ 64,161 with respect to its investment in the associate Cementos Bio Bio S.A.

(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 a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 7).

(c) Provisions and contingent liabilities

The Company is party to labor, civil and tax proceedings, which are pending at different court levels. The provisions for contingencies against potentially unfavorable outcomes of litigation in progress are established and updated based on management evaluation, as supported by the opinions of external legal counsel, and require a high level of judgment regarding on the matters involved (Note 21).

(d) 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 fair value of the company's net identifiable assets. The measurement of these assets and liabilities, on the acquisition date, is subject to recoverability analysis, including estimates of future cash flows, fair value, credit risk and others, and could be significantly different from actual results.

For additional information we refer to Note 17(d).

(e) Income tax, social contribution and other taxes

The Company is subject to income taxes in all countries in which it operates. Significant judgment is required in calculating the Company's worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company also recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which the determination is made.

For additional information we refer to Note 20.

(f) Employee benefits

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

At the end of each year, the Company determines the appropriate discount rate, which is the interest rate that should be used to determine the present value of estimated future cash outflows required to settle the pension obligations.

Any changes in the assumptions used to calculate these obligations would impact the recorded fair value at the balance sheet date.

For additional information we refer to Note 28.

(g) Revenue recognition and accounts receivable

The Company recognizes revenue and associated cost of sales at the time products are delivered to customers or when title and associated risks pass to customers. Revenue is recorded net of taxes, discounts and sales returns.

The allowance for doubtful accounts is recorded in an amount considered sufficient to cover any probable losses on realization of trade accounts receivable and is included in selling expenses. The Company's accounting policy for establishing the allowance for doubtful accounts 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.

(h) Review of the useful lives and recoverability of long-lived assets

The Company reviews its long-lived assets to be held and used in its activities, for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable on the basis of undiscounted future cash flows. The Company adjusts the net book value of its underlying assets if the sum of the expected future cash flows is less than the book value.

(i) 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).

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 adjusted for the contractual payments.

5 Financial Risk Management

5.1 Financial risk factors

The Company's activities expose it to a number of financial risks: (a) market risk (currency risk and interest rate risk); (b) credit risk and (c) liquidity risk.

The Company's sales are predominantly denominated in Reais; certain costs and investments in assets are denominated in foreign currency.

The Company has loans linked to indices and denominated in foreign currencies, which may impact its cash flows.

In order to mitigate the adverse effects of each market risk factor, the Company adopted the Parent Company's Market Risk Management Policy, which is also followed by its subsidiaries, with the purpose of establishing the governance and the macro-guidelines of the market risk management process, as well as the metrics for their measurement and monitoring. This policy is complemented by other policies that establish guidelines and rules for: (i) Foreign Exchange Exposure Management; (ii) Interest Rate Exposure Management; (iii) Commodity Price Exposure Management; (iv) Issuers and Counterparties Risk Management and (v) Financial Indebtedness and Liquidity Management.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is managed using the Parent Company's Foreign Exchange Exposure Management Policy, which states that the objectives of derivative transactions are to reduce cash flow volatility, hedge against foreign exchange exposure and avoid currency mismatches.

The proposals for entering into hedge transactions are prepared by management and are based on the Company's projected foreign exchange exposure through the end of the year subsequent to the date on which the analysis is made.

Additionally, during the preparation of the annual budget, hedging strategies may be designed to mitigate risks to the Company's cash flows.

The Brazilian Real (R$ or Reais) is the functional currency of the Company and all of its subsidiaries in Brazil, and all market risk management process efforts are designed to mitigate risks to the cash flow in this currency, to maintain the Company's ability to honour its financial obligations, and to achieve the liquidity and indebtedness target levels defined by management.

The Company has certain investments in foreign operations, which net assets expose the Company to foreign exchange risk. The foreign exchange exposure arising from investments in foreign operations is partially hedged by loans in the same currency as the functional currency of the investees which are designated in some cases as hedge of net investment for accounting purposes. Presented below are the asset and liabilities in foreign currencies (Euro, US dollar, Canadian dollar, Moroccan dirham, Turkish lira and Chinese rimimbi) at the end of the reporting period:

	12/31/2012	12/31/2011
Assets denominated in foreign currency		
Cash and cash equivalents	957,720	196,083
Financial assets - held for trading	70,217	
Trade accounts receivable	684,358	290,701
Assets of disposal groups classified as held for sale	701,214	
	2,413,509	486,784
Liabilities denominated in foreign currency		
Loans and financing	6,519,029	4,216,192
Suppliers	403,810	259,570
Accounts payable - Trading	53,784	36,826
Liabilities of disposal groups classified as held for sale	274,104	
	7,250,727	4,512,588
Net liability exposure	4,837,218	4,025,804

(ii) Cash flow or fair value risk associated with interest rate

The Company's interest rate risk arises mainly from long-term loans. Loans issued at variable rates expose the Company to cash flow interest rate risk. Loans issued at fixed rates expose the Company to fair value risk associated with interest rate.

The Interest Rate Exposure Management Policy establishes guidelines and rules to hedge against fluctuations in interest rates that impact the cash flow of the Company and its subsidiaries. Exposures to each interest rate (mainly CDI, LIBOR and TJLP) are projected until the maturity of the assets and liabilities exposed to such indices.

(b) Credit risk

Derivative financial instruments, time deposits, and Bank Deposit Certificates (CDB) create exposure to credit risk with respect to the counterparties and issuers. The Company has a policy of making deposits in financial institutions that have, at least, an assessment by two of the following rating agencies: Fitch, Moody's or Standard & Poor's. The minimum rating required for counterparties is "A+" (local rating scale) or "BBB-" (international rating scale), or equivalent (Note 8). The ratings disclosed in the note are always the most conservative of the aforementioned rating agencies. For countries where issuers do not meet the minimum rating previously described, the criteria that management includes: global positioning of banks, relationship with the Company, and local presence.

In the case of credit risk arising from customer credit exposure, the Company assesses the credit quality of the particular customers, mainly taking into account the history of the relationship and financial indicators defining individual credit limits, which the Company continuously monitors.

The allowance for doubtful accounts is recorded at an amount sufficient to cover probable losses on the collection of trade accounts receivable and is charged to "Selling expenses".

(c) Liquidity risk

This risk is managed by means of the Parent Company's Liquidity and Financial Indebtedness Management Policy, aimed at ensuring sufficient net funds to meet the financial commitments with no additional cost.

The main liquidity measurement and monitoring instrument is the cash flow projection, observing a minimum projection period of 12 months from the benchmark date.

The liquidity and indebtedness management adopts comparable metrics provided by global risk rating agencies for credit risk BBB stable or equivalent.

The table below analyzes the Company's main financial liabilities by maturity, corresponding to the remaining period in the balance sheet up to the contractual maturity date. The amounts represent undiscounted contractual cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years
At December 31, 2012					
Loans and financing	1,207,153	2,052,786	5,385,678	6,566,987	5,990,466
Suppliers	856,226				
Dividends payable	439,122				
Use of Public Asset	23,511	25,126	85,064	180,553	947,465
Account Payable for aquisition of invetees	328,452				
Related parties	35,222	112,154	105,762	514,462	
Account payable	105,315				
Accounts payable - Trading	53,784				
	3,048,785	2,190,066	5,576,504	7,262,002	6,937,931

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years
At December 31, 2011					
Loans and financing	883,182	885,979	3,080,131	6,805,127	3,400,213
Suppliers	662,532				
Dividends payable	274,031				
Use of Public Asset	22,005	23,511	80,123	134,920	1,023,165
Related parties	32,420	382,733	97,083	504,575	
Accounts payable - Trading	36,826				
Account payable	57,993				
	1,968,989	1,292,223	3,257,337	7,444,622	4,423,378

As the amounts included in the table are undiscounted contractual future cash flows, these amounts may not reconcile to the amounts disclosed in the balance sheet for loans, derivative financial instruments and suppliers.

5.2 Capital management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio, which corresponds to net debt divided by Adjusted EBITDA. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents, financial investments and derivative financial instruments. Adjusted EBITDA is calculated based on the sum of operating profit, depreciation, amortization, depletion, dividends received, any other non-cash items included in operating profit and items assessed by the Company's management as exceptional. Adjusted EBITDA reconciles to our net income since Adjusted EBITDA can also be defined as net income *plus/less* financial income (expenses), net *plus* income tax and social contribution *plus* depreciation or amortization and depletion *less* equity in results of investees, plus dividends received, and exceptional non-cash items.

Included in exceptional items are items that are unusual or infrequent. These items are generally related to our equity investments and associates, such as gains/losses on acquisitions, disposals or exchange of assets and/or impairment related items.

The gearing ratios at December 31, 2012 and 2011 may be summarized as follows:

	Note	12/31/2012	12/31/2011
Loans and financing	18	12,792,987	8,056,712
Cash and cash equivalents	9	(969,546)	(225,130)
Derivatives		(9,081)	(1,405)
Financial assets - held for trading	10	(2,032,431)	(1,450,510)
Net debt (A)		9,781,929	6,379,667

Adjusted EBITDA

	Note	12/31/2012	12/31/2011	12/31/2010
Reconciliation of net income to Adjusted EBITDA				
Net income		1,640,483	854,792	2,680,424
Plus (less):				
Financial income (expenses), net		935,264	772,414	390,712
Income tax and social contribution		(142,250)	277,135	1,126,821
Depreciation, amortization and depletion		558,279	441,055	420,322
Equity in the results of investees		144,614	(311,753)	(191,985)
EBITDA		3,136,390	2,033,643	4,426,294
Adjusted EBITDA				
Dividends received		193,377	156,590	51,895
Exceptional items				
Impairment of investiments	15(d)		586,538	
Loss on disposal of equity investments	1(c)	7,657		
Gain on transfer of assets - Cimpor	1(a)			(1,672,429)
Gain on disposal of equity investments	1(a)	(266,774)		
Adjusted EBITDA		3,070,650	2,776,771	2,805,760
Gearing ratio		3.19	2.30	

5.3 Fair value estimates

The carrying amounts of trade accounts receivable, less allowance for doubtful accounts, and of trade accounts payable, approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

The main financial instruments and the assumptions made by the Company for their valuation are described below:

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

Loans and financing - these instruments bear interest at usual market interest rates. Market value was based on the present value of expected future cash disbursement, based on interest rates payable for issuance of debts with similar maturities and terms the Company adopted for financial instruments that are measured on the balance sheet at fair value.

The fair value of these liabilities is R$ 818,493 which was below their book value as at December 31, 2012 (2011 - R$ 84,342) (Note 18g).

The Company disclosed fair value measurements by level based on the following fair value measurement hierarchy:

. Quoted prices (unadjusted) in active markets for identical assets or 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 asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At December 31, 2012 e 2011, the financial instruments measured at fair value were classified at Level 2 of the fair value hierarchy, except for the "cash and cash equivalents" balances, as detailed in Note 9, which are classified as Level 1.

5.4 Sensitivity analysis

The sensitivity analysis presented below for the open positions on financial instruments is based on the appreciation/depreciation of the major risks on these scenarios. Risk factors for the probable scenario for foreign exchange risk represent the percentage of depreciation of the currency

. Scenario I - based on interest curves and quotations that correspond to a scenario of likely occurrence in the view of our management.

. Scenario II - considers a change of + or - 25% in the interest curves and the market quotations of December 31, 2012, used for the pricing of financial instruments.

. Scenario III - considers a change of + or - 50% in the interest curves and the market quotations of December 31, 2012, used for the pricing of financial instruments.

	Impacts on P&L						Impacts on equity				
		Scenario I			Scenarios II & III		Scenario I			Scenarios II & III	
Risk factor	Risk factor	Probable	-25%	-50%	25%	50%	Probable	-25%	-50%	25%	50%
Foreign exchange											
USD	3.00%	(106,152)	986,365	1,972,731	(986,365)	(1,972,731)	(10,555)	100,559	200,118	(100,559)	(200,118)
EUR	1.00%	(839)	26,371	52,741	(26,371)	(52,741)	(9,933)	303,041	607,082	(303,041)	(607,082)
Interest rates											
BRL - CDI	0 bps		65,369	130,262	(65,369)	(130,262)					
USD Libor	12 bps	(1,769)	1,105	2,211	(1,105)	(2,211)					

With respect to changes in the foreign exchange rate, the impact on the income statement is different from equity as a result from the effects of hedge accounting (Note 7c)

6 Financial Instruments by Category

	Note	Loans and receivables	Assets held for trading	Total
December 31, 2012				
Assets as per balance sheet				
Trade accounts receivable	11	910,690		910,690
Financial assets - held for trading	10		2,032,431	2,032,431
Derivatives			9,081	9,081
Cash and cash equivalents	9	969,546		969,546
Dividends receivable	14	512		512
Related parties	14	16,418		16,418
		1,897,166	2,041,512	3,938,678

	Note	Other financial liabilities
December 31, 2012		
Liabilities as per balance sheet		
Loans and financing	18	12,792,987
Suppliers		856,226
Accounts payable - Trading	22	53,784
Dividends payable	14	439,122
Use of Public Asset		405,146
Accounts payable		105,315
Accounts Payable for the aquisitions of investees		328,452
Related parties	14	486,597
		15,467,629

	Note	Loans and receivables	Assets held for trading	Total
December 31, 2011				
Assets as per balance sheet				
Trade accounts receivable	11	786,077		786,077
Financial assets - held for trading	10		1,450,510	1,450,510
Derivatives			1,405	1,405
Cash and cash equivalents	9	225,130		225,130
Dividends receivable	14	7,552		7,552
Related parties	14	52,764		52,764
		1,071,523	1,451,915	2,523,438

	Note	Other financial liabilities
December 31, 2011		
Liabilities as per balance sheet		
Loans and financing	18	8,056,712
Suppliers		662,532
Accounts payable - Trading	22	36,826
Dividends payable		274,031
Use of Public Asset		374,185
Accounts payable		57,993
Related parties	14	726,093
		10,188,372

7 Derivative financial instruments

The Company enters into interest rate derivatives to mitigate its exposure to volatility of future cash flows relating to LIBOR rates payable on certain of its long term debt. These interest rate derivatives utilized in these hedge strategies have, in some cases been designated as a cash flow hedges for accounting purposes. Below we give an overview of our derivative financial instruments.

(a) Cash flow hedge

Interest rate swaps

During 2010, the Company's subsidiary VCNA entered into swap agreements, with an initial principal amount of US$ 200 million, for which VCNA contracted to receive three months LIBOR on a quarterly basis and pay a fixed interest rate quarterly thorough October 31, 2014 (the "interest rate swaps"). The fair value of the interest rate swaps at December 31, 2012 was US$ 2 million positive (US$ 1.3 million in 2011), and the cumulative fair value movement of the interest rate swaps was recognized through other comprehensive income. This hedge relationship was determined to be highly effective during the periods presented.

The notional amount of the outstanding interest rate swaps at December 31, 2012 was US$ 179 million (2011 - US$ 192.5 million).

Basis swaps

During 2011, the Company's subsidiary VCNA entered into basis swap contracts, with an initial principal amount of US$ 192.5 million, for which VCNA receives one month LIBOR + approximately 13 basis points on a monthly basis and pays three months LIBOR quarterly through December 31, 2013 (the "basis swaps"). The basis swaps are used together with the interest rate swaps described above as hedging instruments to hedge the variability of the cash flows attributable to interest rate changes of the hedged object (i.e. US$ denominated loan). The fair value of the basic swaps at December 31, 2012 was US$ 68 thousand (2011 - US$ 0) and the cumulative fair value movement of the basis swaps was recognized in other comprehensive income.

The company also entered into basis swap agreements with a nominal initial amount of US$ 116.4 million in which VCNA receives one month LIBOR + 13 basis points on a monthly basis and pays three month LIBOR quarterly until December 31, 2013. The notional amount at December 31, 2012 was US$ 44.7 million. The fair value of this swap at December 31, 2012 is US$ 49 thousand positive and was recorded in the statement of income as they were not designated for hedge accounting.

The notional amounts of the outstanding basic interest rate swaps at December 31, 2012 were US$ 309.9 million.

(b) Hedge of net investment

The Company designated a portion of its indebtedness denominated in euros in an aggregate amount equal to R$ 2,092,875 (2011 - R$ 1,890,100) as the hedging instrument with respect to its investment in CIMPOR in a hedge of net investment strategy.

As described in Note 1a we have disposed of our equity investment in Cimpor which was designated in a hedge of a net investment relationship. On disposal of our investment we recycled an amount of R$ 238,038 from cumulative other comprehensive income to the income statement. Subsequently, we designated the net investment in our subsidiary VCEAA, domiciled in Spain, into a new hedge

relationship with the same amount of the euro-denominated debt. The amount of foreign exchange on the debt recognized in other comprehensive income during the period of the newly designated hedge relationship was R$ 24,388.

Some of the group's US dollar-denominated borrowings amounting to US$ 223 million are designated as a hedge of the net investment in the group's US subsidiary. The foreign exchange gain on the translation of the debt recognized in other comprehensive income was US$ 5.1 million (R$ 9,989) (2011: loss of US$ 7.7 million, R$ 12,858) The hedging relationship was formally documented and qualified for hedge accounting in May 2011, therefore the foreign exchange before such date was recognized in income.

The exchange gains and losses of other USD denominated borrowings, not incorporated in this hedge relationship, continue to be recognized in the income statement.

(c) Instruments to hedge real-denominated debts

During January, 2012 the Company contracted a series of interest rate swaps, with a nominal value of R$ 500,000, to convert its fixed rate real-denominated debt into a CDI floating rate. Changes in fair value of these instruments are recognized in the income statement under financial income, (expenses), net. The Company has not applied hedge accounting for these derivative financial instruments and asat December 31, 2012, the fair value of these financial derivatives was R$ 4,666.

8 Credit quality of financial assets

The following table reflects the credit quality of issuers and counterparties in transactions involving financial assets. The "Rating Local" corresponds to ratings under the local rating scales used by rating agencies, while "Rating Global" corresponds to ratings issued by those rating agencies under their global scales.

	12/31/2012			12/31/2011		
	Rating Local	Rating Global	Total	Rating Local	Rating Global	Total
Cash and cash equivalents						
AAA	10,522		10,522	5,053		5,053
AA+	7		7	1		1
AA	139		139			
AA-	9		9	90	868	958
A+		733,513	733,513	5,324	97,459	102,783
A		13,865	13,865	1	55,186	55,187
A-		5,724	5,724			
BBB		96,541	96,541			
BBB+	14	12,799	12,813	4	42,570	42,574
BBB-		25,241	25,241			
BB			-	2,025		2,025
BB-		1,974	1,974			
B		24,989	24,989	16,549		16,549
Without rating	1,135	43,074	44,209			
	11,826	957,720	969,546	29,047	196,083	225,130
Financial assets held for trading						
AAA	1,354,269	366	1,354,635	726,018		726,018
AA+	461,782		461,782	650,287		650,287
AA	57,775	14,805	72,580	58,840		58,840
A		70,217	70,217	14,653		14,653
A-	676		676	712		712
Without rating	72,541		72,541			
	1,947,043	85,388	2,032,431	1,450,510		1,450,510
	1,958,869	1,043,108	3,001,977	1,479,557	196,083	1,675,640

9 Cash and cash equivalents

	12/31/2012	12/31/2011
Cash and banks - local currency	10,648	26,509
Cash and banks - foreign currency	957,720	196,083
Bank Deposit Certificate (CDB)	626	925
Others	552	1,613
	969,546	225,130

10 Financial assets held for trading

	12/31/2012	12/31/2011
Financial assets - held for trading		
Shares of investment fund DI	1,944,901	1,435,579
Financial assets - foreign currency	70,217	
Bank Deposit Certificates (CDB)	16,369	14,653
Others	944	278
	2,032,431	1,450,510

The investments in investment funds yield on average 100% of the CDI rate.

The DI fund is controlled by Votorantim Industrial S.A. and as such is a related party.

11 Trade accounts receivable

	Note	12/31/2012	12/31/2011
Local customers		194,223	453,182
Foreign customers (outside Brazil)		684,358	290,701
Related parties	14	75,105	77,488
Allowance for doubtful accounts		(42,996)	(35,294)
		910,690	786,077

Transfers of trade receivables

During the last quarter of 2012 some receivables from local customers were transferred to a financial institution. In connection with this transaction the Company assumes the first 1% of losses of the credits transferred. Since the Company transferred the significant risks and rewards of the receivables it has derecognized receivables with a carrying amount of R$ 139.8 million and recognized a liability under "Other liabilities" in the amount of R$ 1.4 million, representing the fair value of the guarantee granted with respect the first 1% of losses which is also the value of the Company's maximum exposure related to continuing involvement in the receivables transferred. The Company has no obligation or right or option to repurchase the receivables and there are no other contractual obligations or rights and the transaction did not result in any significant gain or loss.

The Company's trade accounts receivable are denominated in the following currencies:

	12/31/2012	12/31/2011
Euro	127,644	
Reais	254,053	508,889
U.S. dollars	170,863	136,655
Canadian dollars	183,295	138,760
Moroccan dirham	58,446	
Turkish lira	93,546	
Other	22,843	1,773
	910,690	786,077

The credit quality of trade receivables that are non-overdue and not impaired is as follows:

	12/31/2012	12/31/2011
High risk	63,976	61,725
Medium risk	145,883	180,280
Low risk	600,105	401,631
Customers AAA	43,326	32,934
	853,290	676,570

High risk - New customers without historical financial information.
Medium risk - Customers with a history of some delay in payments.
Low risk - Customers with solid commercial and payment history.
Customers AAA - Classification only for wholesale customers, based on individual credit analysis.

The changes in the allowance for doubtful accounts are as follows:

	12/31/2012	12/31/2011	12/31/2010
Balance at the beginning of the year	(35,294)	(56,825)	(59,234)
Additions (net of reversals)	(11,077)	(1,922)	(3,318)
Trade accounts receivable written off during the year as uncollectible	5,555	29,621	4,838
Exchange variation	(2,180)	(6,168)	889
Balance at the end of the year	(42,996)	(35,294)	(56,825)

The additions to and the release of the allowance for doubtful accounts have been included in "Selling expenses". Amounts charged to the allowance for doubtful accounts are generally written off when there is no expectation of recovering additional cash.

Ageing of overdue receivables

	12/31/2012	12/31/2011
Up to 3 months	110,761	18,626
From 3 to 6 months	4,261	36,196
Over 6 months	7,391	12,491
	122,413	67,313

12 Inventories

	12/31/2012	12/31/2011
Finished products	131,383	63,967
Semi finished products	514,457	319,837
Raw materials	281,166	276,811
Auxiliary materials and consumables	267,717	219,743
Imports in transit	79,934	95,550
Provision for losses	(115,882)	(132,099)
Other	23,326	46,859
	1,182,101	890,668

As of December 31, 2012 the Company had no inventories pledged as collateral for any of its liabilities.

The provision for losses refers mainly to obsolete of materials in inventory.

For the amount of inventories included in cost of goods sold we refer to Note 26.

13 Taxes recoverable

	12/31/2012	12/31/2011
Current income tax and social contribution receivable	83,920	23,554
	83,920	23,554
ICMS credits on acquisition of property, plant and equipment	59,676	50,005
Value-added Tax on Sales and Services (ICMS)	74,536	58,707
Excise Tax (IPI)	20,512	20,723
Social Contribution on Revenues (COFINS)	14,339	20,301
Other	48,428	14,503
	217,491	164,239
Taxes recoverable	**301,411**	**187,793**
Current	(260,115)	(172,870)
Non current	41,296	14,923

At December 31, 2012 R$ 42 million of the balance included in "Other" corresponds to taxes recoverable by VCEAA.

The credits related to State Value-added Tax on Sales and Services (ICMS) arise from the purchase of property, plant and equipment items (recoverable in 48 monthly installments) and consumable products, to be applied to pay ICMS payable during the ordinary course of the Company's own operations.

The Company estimates that 71% of direct taxes recoverable and 98% of indirect tax recoverable will be used to offset taxes during 2013.

14 Related parties

(a) Analysis

	Trade Account Receivables		Dividends Receivable		Long-term receivables		Trade payables		Non-current liabilities		Dividends payable		Income statement: Purchase			Income statement: Sales		
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2010	2012	2011	2010
Shareholders																		
Votorantim Industrial S.A. (iii)	71	37				407	10,168	10,230		293,523	330,334	181,712	34,300	24,900	24,300			
Votorantim Participações S.A.		15				6,754			33,390	16,666								
Inecap Investimentos S.A.												8,890						
Related companies and associated companies																		
Citrovita Agroindustrial S.A.						26,666						2						
Companhia Brasileira de Alumínio	316	363				24		14,211		844		846		900	165	1	1,732	
Companhia de Cimento Itambé	18,865	4,213														14,583	28,118	21,645
Fibria Celulose S.A.					420		31,362									6		
Hailstone Limited					10,426	9,570			23,301	19,957								
Ibar Administração e Participações Ltda.					5,075	5,075												
Maré Cimento Ltda.	2,327	8,351					2									37,697	70,314	54,339
Metalúrgica Atlas S.A.		7					378						12,312	10,260		3	3	
Mizu S.A.	4,757	6,000	90	90	1	1	173	230								61,372	59,225	34,476
Polimix Concreto S.A.	19,219	19,258	53	53	8	8	101	219								136,844	169,356	90,761
Santa Cruz Geração de Energia											257	292						
Santa Maria Com e Serviços Ltda											113							
Supermix Concreto S.A.	28,183	29,415														327,655	311,671	160,104
Verona Participações Ltda.			222	7,188														
Votener-Votorantim C.Energia							17	307					174,625	253,743	81,619	6,967	19,298	16,887
Voto IV (i)									409,665	375,691								
Votocel Investimentos Ltda.											183							
Votorantim GmbH							11,369	25,374	18,545	17,859			230,215	415,546	57,866			
Votorantim Metais Ltda.								10,946				1		1,615				
Votorantim Metais Níquel S.A.		7,241			2		8,066						1,745				43,541	
Votorantim Metais Zinco S.A.	70	70							12	12		8				3	75	
Votorantim Siderurgia S.A.	571	792			270		805	2,279					4	6,721	36,743		39	
Other	726	1,725	148	222	216	4,259	312	1,993	1,684	1,540	184	82,280		24,260	10,190	7,261	14,136	
	75,105	77,487	513	7,553	16,418	52,764	62,753	65,789	486,597	726,092	331,071	274,031	453,201	737,945	210,883	592,392	717,508	378,212
Total non-controlling interests											108,051							
Current	(75,105)	(77,488)	(512)	(7,552)			(62,753)	(65,789)			(439,122)	(274,031)						
Non current					16,418	52,764			486,597	726,093								

Products are sold between related parties based on the companies' internal price lists which in the case of purchases made by the Company from our related party Votorantim GmbH (consisting substantially of petcoke bought by Votorantim GmbH from third party suppliers and resold to the Company) include a margin with respect to the purchase price charged by the suppliers which has been between 14% and 15% in the periods presented. Services purchased include those provided by the Shared Solutions Center (Centro de Soluções Compartilhadas), or CSC, of VID related to administrative activities, human resources, back office, accounting, taxes, technical assistance, training, and those provided by the Center of Competency in Information Technology (Centro de Competência em Tecnologia da Informação). Those services are provided to all the companies of the Votorantim Group and we reimburse the expenses related to these services to VID based upon the services actually provided to us by the CSC and the CCTI.

The Fund DI is controlled by Votorantim Industrial S.A. and the balances outstanding are disclosed in Note 10.

Other prices for the sales and provision of services between related parties have been negotiated based on internal costs, with no margins charged.

(i) Refers to loan from VOTO-Votorantim Overseas Trading Operations IV Limited ("VOTO IV"), payable semiannually and with final maturity in 2020, bearing fixed interest of 8.5% denominated in US dollars.

(ii) Refers to intercompany loan agreements, indexed monthly for inflation and carrying interest at the rate of 12% per year.

Guarantees of indebtedness of the Company and its subsidiaries granted by related parties

Instrument	Guarantor	12/31/2012	12/31/2011
BNDES	Hejoassu	1,469,308	1,237,232
1st emission of debentures	VPAR	1,005,658	1,008,703
2nd emission of debentures	VID	1,017,727	1,028,924
3rd emission of debentures	VID	618,075	628,895
4th emission of debentures	VID (*)	1,035,868	
5th emission of debentures	VID	1,205,939	
ECA Framework Agreement	VID (*)	126,936	94,485
Voto VII	VPAR(100%) / CBA(50%)	2,092,876	1,890,100
Voto VIII	VID (*)	2,598,101	1,431,217
Backstop Facility	VID / VCSA	900,532	
		12,071,019	**7,319,557**

(*) In 2012, after the fulfillment of certain contractual conditions, Votorantim Industrial has assumed the obligations as guarantor for certain loans and financing, previously guaranteed by its parent company, Votorantim Participações S.A.

Guarantees of indebtedness of related parties granted by the Company and its subsidiaries

Instrument	Debtor	Guarantor	Percentage guaranteed by the Company	Debt as December 31, 2012	Amount guaranteed Dec/12	Debt as December 31, 2011	Amount guaranteed Dec/11
VOTO III	Voto III	VPAR, Fibria, VCSA, VMZ, VMN	45%			427,105	192,197
VOTO IV	Voto IV	VPAR, Fibria, VCSA	50%	818,456	409,228	376,046	188,023
Voto V	CBA	VPAR, VCSA	50%	2,079,226	1,039,613	1,910,665	955,333
Voto VI	CBA	VPAR, VCSA	50%	1,557,051	778,526	1,429,272	714,636
TOTAL					**2,227,367**		**2,050,189**

(b) Key management compensation

Company key management compensation, including all benefits, are as follows:

	2012	2011	2010
Salaries and other remuneration	19,878	18,456	19,500
Social charges	2,874	2,487	2,888
Social and post-employment benefits	1,298	1,428	1,444
	24,050	22,371	23,832

The benefits above include fixed compensation (salaries and fees, paid vacations and 13th month salary), social charges (contributions to the National Institute of Social Security (INSS) and the Government Severance Indemnity Fund for Employees (FGTS)) and benefits under the Company's variable compensation program.

15 Investments

(a) Analysis

	Information at December 31, 2012				Equity in the results of investees	Investment balance
	Net equity	Net income (loss) for the year	Percentage Voting	Percentage Total	12/31/2012	12/31/2012
Investments following the equity method						
Cimpor - Cimentos de Portugal S.A. (Note 1 (a))					(79,320)	
Votorantim Investimentos Latino Americano S.A. (b)	4,005,620	(173,399)	12.36	12.36	(24,744)	687,262
Sirama Participações Ltda.	751,929	177,445	38.25	38.25	58,522	287,613
Cementos Avellaneda S.A. (b) (d)	344,629		10.61	10.61		121,909
Cemento Bio Bio S.A. (b)	873,683	(128,792)	15.15	15.15	(19,512)	132,363
Maré Cimento Ltda. (c)	165,898	54,598	51.00	51.00	27,845	84,608
Cementos Portland S.A.	216,569	(1,614)	29.50	29.50	(476)	63,888
Supermix Concreto S.A.	223,564	66,300	25.00	25.00	16,575	55,891
Polimix Concreto Ltda. (a)	335,840	31,121	27.57	27.57	8,580	92,591
Cementos Artigas S.A. (b) (d)	226,715		12.61	12.61		50,795
Mizu S.A. (c)	79,547	16,855	51.00	51.00	8,597	40,569
Yguazú Cemento S.A. (Note 1 (c))			35.00	35.00	2,721	
Verona Participações Ltda. (a)	116,160	71,560	25.00	25.00	17,890	29,040
Maesa - Machadinho Energética S.A. (b)	472,515	54,335	6.76	6.76	8,529	31,942
Polimix Cimento Ltda. (c)	30,345		51.00	51.00		15,476
Other investments					254	106,357
					25,461	1,800,304

	Information at December 31, 2011				Equity in the results of investees	Investment balance
	Net equity	Net income (loss) for the year	Percentage Voting	Percentage Total	12/31/2011	12/31/2011
Investments accounted for on the equity method						
Cimpor - Cimentos de Portugal S.A. (Note 1 (a))	4,639,059	585,592	21.21	21.21	124,204	1,751,017
Votorantim Investimentos Latino Americano S.A.	4,008,446	179,798	14.27	14.27	25,657	687,705
Sirama Participações Ltda.	589,748	222,508	38.25	38.25	85,110	225,583
Cemento Bio Bio S.A. (b)	774,936	(107,537)	15.15	15.15	(16,292)	117,403
Maré Cimento Ltda. (c)	227,384	60,074	51.00	51.00	30,638	115,966
Polimix Concreto Ltda. (a)	163,883	46,645	27.57	27.57	12,861	45,186
Supermix Concreto S.A.	193,134	61,089	25.00	25.00	15,272	48,284
Mizu S.A. (c)	77,401	20,608	51.00	51.00	10,510	39,475
Maesa - Machadinho Energética S.A. (b)	417,215	53,374	5.62	5.62	3,000	23,447
Yguazú Cemento S.A.	88,958	10,750	35.00	35.00	3,762	31,135
Verona Participações Ltda. (a)	113,436	58,356	25.00	25.00	14,589	28,359
Polimix Cimento Ltda. (c)	30,345		51.00	51.00		15,476
Cementos Portland S.A.	190,614	(1,147)	29.50	29.50	(339)	56,231
Other investments					2,781	56,144
					311,753	3,241,411

	Information at December 31, 2010				Equity in the results of investees
	Net equity	Net income (loss) for the year	Percentage Voting	Percentage Total	12/31/2010
Investments accounted for on the equity method					
Cimpor - Cimentos de Portugal S.A. (Note 1 (a))	4,484,601	399,274	21.21	21.21	84,712
Votorantim Investimentos Latino Americano S.A. (b)	2,822,534	59,380	15.39	15.39	6,032
Sirama Participações Ltda. (a)	465,172	156,306	38.25	38.25	59,798
Cemento Bio Bio S.A. (b)	879,690	(106,178)	15.15	15.15	(16,086)
Maré Cimento Ltda. (a) (c)	167,191	50,170	51.00	51.00	28,011
Polimix Concreto Ltda. (a)	135,001	74,543	27.57	27.57	7,841
Supermix Concreto S.A.	176,503	61,600	25.00	25.00	15,400
Mizu S.A. (a) (c)	53,950	24,109	51.00	51.00	11,816
Maesa - Machadinho Energética S.A. (b)	364,348	11,000	6.76	6.76	744
Verona Participações Ltda. (a)	55,408	42,137	25.00	25.00	5,175
Other investments					(11,458)
					191,985

(a) Corresponds to investees of the Company's subsidiary Silcar - Empreendimentos Comércio e Participações Ltda. As per the terms of the shareholders agreement the Company can only participate in certain defined financial and operating decisions with respect to certain matters and certain activities of the associates and, and as such, the Company does not control the entities. Dividends are distributed in amounts disproportional to the percentage of ownership.

(b) Corresponds to investees in which the Company has less than 20% of the voting interest but we excerpt significant influence over their activities through shareholders agreements to which the Company is party.

(c) Corresponds to investees in which the Company has more than 50% of the voting interest: however we do not have control of these entities due to our limited rights to make strategic, operating and finance decisions.

(d) Interests acquired on December 27, 2012 and for that reason no equity in results is recognized for the year.

(b) Changes in investments

	12/31/2012	12/31/2011	12/31/2010
Balance at the beginning of the year	3,241,411	3,521,492	572,120
Equity in the results	25,461	311,753	191,985
Dividends received/recognized	(186,337)	(158,599)	(32,995)
Exchange gains (losses) on investment abroad	287,848	120,011	(354,578)
Other comprehensive income of investees	3,661	(35,037)	80,826
Capital increase in investees	104,420	11,759	161,659
Capital reduction of investees			(6,745)
Acquisitions of investments	172,704	56,570	2,909,220
Impairment of investments		(586,538)	
Diposal of our investment in Yguazu	(38,192)		
Diposal of our investment in Cimpor	(1,810,672)		
Balance at the end of the year	1,800,304	3,241,411	3,521,492

The main acquisitions and disposals are described in Note 1.

(c) Investments in listed equity investees

	12/31/2012		12/31/2011	
	Carrying value	Market value	Carrying value	Market value
Cementos Bio Bio S.A. (*)	132,363	131,333	117,403	108,500
Cimpor Cimentos de Portugal SGPS S.A. (*)			1,751,017	1,845,771

(*) Calculated proportionally to the Company's interest, based on the quoted market price of the shares of the investees

(d) Impairment test performed for investments in associates

Cimpor Cimentos de Portugal SGPS S.A.

The carrying value of the CIMPOR investment amounted to R$ 1,751,017 at December 31, 2011.

The projections as of December 31, 2011 prepared based on the budget approved by management, indicated adverse circumstances in the markets where Cimpor conducts significant transactions.

The calculation of the value in use in 2011, was based on the projections of Cimpor, applying an average gross margin of 24.9%, growth rate of 0% and pre-tax discount rate of 9.28% and resulted in an impairment amounting to R$ 522,377 (R$ 344,768, net of tax), recognized under "Other operating income (expenses)" in the statement of income.

Cementos Bio Bio S.A.

For the carrying amount of our investment in Cementos Bio Bio S.A. at December 31, 2012 the Company did not identify any indicators that the carrying amount could be impaired. As such no impairment test was performed.

The calculation of the value in use as of December 31, 2011, was based on the cash flow projections, applying an average gross margin of 13.5%, growth rate of 8.3% and pre-tax discount rate of 9.1% and resulted in an impairment charge of R$ 64,161 (R$ 42,346, net of tax), recognized under "Other operating income (expenses)" in the Income statement.

16 Property, plant and equipment

(a) Analysis

								12/31/2012
	Land and buildings	Equipment and facilities	Leasehold improvements	Vehicles	Furniture and fixtures	Construction in progress	Others	Total
Balance at the beginning of the year								
Cost	2,230,214	7,191,878	296,501	697,263	65,577	1,302,588	23,998	11,808,019
Acummulated Depreciation	(734,318)	(3,460,568)	(126,629)	(470,381)	(53,514)		(8,344)	(4,853,754)
Net Balance at the end of the year	1,495,896	3,731,310	169,872	226,882	12,063	1,302,588	15,654	6,954,265
Balance at the beginning of the year	1,495,896	3,731,310	169,872	226,882	12,063	1,302,588	15,654	6,954,265
Acquisitions	23,087	56,637	9,613	23,152	322	1,387,276	4	1,500,091
Disposals	(140)	(676)	(45)	(2,338)	(78)			(3,277)
Depreciation	(47,612)	(338,441)	(14,289)	(76,285)	(2,509)		(3,263)	(482,399)
Exchange variation	43,117	50,451	16,412	17,792	3,019	8,100	(91)	138,800
Transfers	116,213	336,066	8,325	61,130	4,411	(702,319)		(176,174)
Acquistion of subsidiary (note 17 (d))	472,294	1,004,850		19,847	3,012	96,118		1,596,121
Balance at the end of the year	2,102,855	4,840,197	189,888	270,180	20,240	2,091,763	12,304	9,527,427
Cost	3,337,502	11,383,859	335,930	904,770	108,911	2,091,763	24,650	18,187,385
Acummulated Depreciation	(1,234,647)	(6,543,662)	(146,042)	(634,590)	(88,671)		(12,346)	(8,659,958)
Net Balance	2,102,855	4,840,197	189,888	270,180	20,240	2,091,763	12,304	9,527,427
Average annual depreciation - %	**2**	**13**	**7**	**21**	**10**		**4**	

	Land and buildings	Equipment and facilities	Leasehold improvements	Vehicles	Furniture and fixtures	Construction in progress	Others	12/31/2011 Total	12/31/2010 Total
Balance at the beginning of the year									
Cost	2,284,326	5,253,600	21,155	627,975	64,483	1,687,786	3,830	9,943,155	9,321,021
Acummulated Depreciation	(833,306)	(3,054,566)	(11,223)	(402,766)	(56,844)		(3,152)	(4,361,857)	(4,191,736)
Net Balance at the end of the year	1,451,020	2,199,034	9,932	225,209	7,639	1,687,786	678	5,581,298	5,129,285
Balance at the beginning of the year	1,451,020	2,199,034	9,932	225,209	7,639	1,687,786	678	5,581,298	5,129,285
Acquisitions	22,529	60,140	13,199	23,879	448	1,563,183	39,684	1,723,062	964,395
Disposals	(9,488)	(7,927)	(532)	(3,185)	(1,669)	(168,253)	(20,962)	(212,016)	(23,890)
Depreciation	(34,082)	(252,267)	(12,428)	(63,358)	(1,446)		(2,747)	(366,328)	(254,662)
Exchange variation	59,453	95,068		18,915		9,076		182,512	(62,694)
Transfers	(362)	1,622,102	159,693	24,467	5,975	(1,747,135)		64,740	(46,815)
Acquisition of non-significant subsidiaries	6,826	15,160	8	955	116	1,454		24,519	
Exclusion of non-significant subsidiaries from consolidation									(124,321)
Reclassification - other assets						(43,522)		(43,522)	
Balance at the end of the year	1,495,896	3,731,310	169,872	226,882	11,063	1,302,589	16,653	6,954,265	5,581,298
Cost	2,230,214	7,191,878	296,501	697,263	65,577	1,302,589	23,997	11,808,019	9,942,155
Acummulated Depreciation	(734,318)	(3,460,568)	(126,629)	(470,381)	(54,514)		(7,344)	(4,853,754)	(4,360,857)
Net Balance	1,495,896	3,731,310	169,872	226,882	11,063	1,302,589	16,653	6,954,265	5,581,298

The Company has no significant contractual commitments for the purchase of new fixed assets

(b) Estimated useful lives

The Company periodically reviews the estimated economic useful lives of its property, plant and equipment items used to calculate depreciation, as well as the estimated residual value.

(c) Construction in progress

Assets under construction mainly comprise projects for expansion and optimization of the industrial plants. The main projects for 2012 and 2011 are as follows:

	12/31/2012	12/31/2011
New production line in Rio Branco/PR	536,216	162,975
New unit in Cuiabá/MT	503,209	133,083
New unit in Edealina/GO	117,019	40,781
New production line in Salto de Pirapora	35,951	39,458
New plant in Vidal Ramos/SC	46,493	31,393
New unit in Primavera/PA	42,360	22,732
New unit in Ituaçú/BA	12,096	10,299
Cement crushing Z3 in Cimesa	3,219	2,898
Cement crushing in Santa Helena	25,578	
Crushing in São Luis/MA	3,035	20,169
New unit in Porto Velho/RO	439	18,916
Construction and paving in Vicente Matheus		12,856
New unit in Xambioá		12,415
Pozzolana crushing in Poty Paulista	219	11,787
Cement crushing in Imbituba	2,192	7,080

During 2012, borrowing charges capitalized in construction in progress totaled R$ 88,079 (December 31, 2011 - R$ 137,778). The capitalization rate used was 0.65% per month (2011 - 0.78% per month).

17 Intangible assets

(a) Analysis and change

							12/31/2012
	Use of public asset	Exploration rights over natural resources	Software	Goodwill	Contractual customer relationships and non-competition agreements	Other	Total
Balance at the beginning of the year							
Cost	197,342	1,134,432	132,938	2,009,307	265,735	122,612	3,862,366
Acummulated Amortization	(43,910)	(76,137)	(110,895)		(87,877)	(77,158)	(395,977)
Net Balance at the end of the year	153,432	1,058,295	22,043	2,009,307	177,858	45,454	3,466,389
Balance at the beginning of the year	153,432	1,058,295	22,043	2,009,307	177,858	45,454	3,466,389
Acquisitions		8,733	159			32,440	41,332
Disposals							
Amortization	(6,057)	(29,441)	(10,422)		(26,400)	(3,560)	(75,880)
Acquistion of subsidiary (note 17 (d)) (*)		190,314	4,636	869,977		22,839	1,087,766
Exchange variation		65,065	511	51,243	16,085	(11)	132,893
Transfers (**)		102,722	27,103		3,793	12,319	145,937
Balance at the end of the year	147,375	1,395,688	44,030	2,930,527	171,336	109,481	4,798,437
Cost	197,341	1,619,903	182,987	2,930,527	291,878	157,042	5,379,678
Acummulated Amortization	(49,966)	(224,216)	(138,956)		(120,542)	(47,561)	(581,241)
Net Balance	147,375	1,395,687	44,031	2,930,527	171,336	109,481	4,798,437

(*) The preliminary goodwill is net of the goodwill allocated to the China operations included in assets of disposal group classified as held for sale in the balance sheet.

(**) The transfers in intangible assets during the period related to a reclassification of rights over mineral sources from property, plant and equipment to intangible assets.

							12/31/2011	12/31/2010
	Use of public asset	Exploration rights over natural resources	Software	Goodwill	Contractual customer relationships and non-competition agreements	Other	Total	Total
Balance at the beginning of the year								
Cost	165,546	1,087,858	82,385	1,912,045	232,796	89,598	3,570,228	3,330,480
Acummulated Amortization	(6,057)	(176,164)	(68,961)		(58,355)	(1,252)	(310,789)	(145,129)
Net Balance at the end of the year	159,489	911,694	13,424	1,912,045	174,441	88,346	3,259,439	3,185,351
Balance at the beginning of the year	159,489	911,694	13,424	1,912,045	174,441	88,346	3,259,439	3,185,351
Acquisitions		95,156	14,163		3,654	39,047	152,020	148,371
Disposals						(1,539)	(1,539)	
Amortization	(6,057)	(5,888)	(19,007)		(22,181)	(21,594)	(74,727)	(165,660)
Exchange variation		68,789	(392)	97,262	21,944		187,603	22,973
Transfers		(11,456)	13,855			(58,806)	(56,407)	68,404
Balance at the end of the year	153,432	1,058,295	22,043	2,009,307	177,858	45,454	3,466,389	3,259,439
Cost	197,342	1,134,432	132,938	2,009,307	265,735	122,612	3,862,366	3,570,228
Acummulated Amortization	(43,910)	(76,137)	(110,895)		(87,877)	(77,158)	(395,977)	(310,789)
Net Balance	153,432	1,058,295	22,043	2,009,307	177,858	45,454	3,466,389	3,259,439

(b) Goodwill arising on acquisitions

We allocate goodwill to cash generating units (CGU) or groups of CGUs with each CGU or group of CGUs being the lowest level at which goodwill is monitored for internal management purposes and not being larger than an operating segment. We allocated goodwill related to our operations in North America to our operating segment North America, goodwill related to our operations in Europe, Africa and Asia to VCEAA and we allocated goodwill related to businesses acquired in Brazil to CGUs which are the specific business acquired as detailed below:

	12/31/2012	12/31/2011
Operating segment North America "VCNA"	1,662,503	1,598,517
Operating segment Europe, Asia and Africa "VCEAA"	854,407	
Goodwill related to bussines acquired in Brazil		
Companhia Cimento Ribeirão Grande	205,939	205,939
Engemix S.A.	75,882	75,882
CJ Mineração Ltda.	15,641	15,641
Mineração Potilider Ltda.	71,401	71,401
Petrolina Zeta Mineração Ltda	13,455	13,455
Pedreira Pedra Negra Ltda.	11,700	11,700
Others	19,599	16,772
	2,930,527	2,009,307

Goodwill is based on the expectation of future profitability of the investments.

(c) Impairment tests for goodwill and non-current assets

The Company and its subsidiaries assess at least annually the recoverability of the carrying amount of the operating segment North America and of the CGUs to which goodwill of our Brazilian operations is allocated based on the value in use of such operating segment or CGU measured applying the discounted cash flow model. The process of estimating these values involves using assumptions, judgments and estimates of future cash flows and represents the Company's best estimate.

These calculations use post-tax cash flow projections based on financial budgets approved by the Company's management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The use of post-tax cash flows does not result in any significant difference with respect to the use of pre-tax cash flows. The growth rates used do not exceed the long-term average growth rate for the corresponding business. Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are post-tax and reflect specific risks relating to the operating segment or the CGU being tested.

During the periods presented the Company concluded that there are no reasonably possible changes in key assumptions that would result in the carrying amount of the operating segment or CGU to exceed the estimated value in use.

North America

Goodwill related to the acquisition of the Company's subsidiary Votorantim Cimentos North America is monitored at the level of its operating segment North America and as such has been allocated to such operating segment and the carrying amount of such goodwill is presented in the table above.

The key assumptions used to determine the value-in-use calculation of the operating segment North America are as follows:

	2012	2011
Gross margin (average over the 5 year period)	19.9%	29.7%
Growth rate used to extrapolate over the 5 year period	0.0%	1.0%
Discount rate	6.9%	7.1%

Companhia Cimento Ribeirão Grande and other CGUs in Brazil

The most significant CGU to which goodwill was allocated was Companhia Cimento Ribeirão Grande. The key assumptions used to determine the value-in-use calculation of such CGUs are as follows:

	2012	2011
Gross margin (average over the 5 year period)	30.0%	30.2%
Growth rate used to extrapolate over the 5 year period	0.0%	0.0%
Discount rate	8.17%	8.3%

The value in use of the other CGUs to which goodwill was allocated was determined following the same methodologies as described above.

(d) Business combination VCEAA

As described in Note 1a, the Company acquired a 100% interest in VCEAA, a recently incorporated company that holds the former CIMPOR operations in Spain, Morocco, Tunisia, Turkey, India and China. The acquisition date was December 21, 2012 and as such the company is still allocating the consideration to the identifiable assets and liabilities of VCEAA and expects to finalize this process in the second quarter of 2013. The following table summarizes the consideration transferred and the preliminary fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition:

	Fair value recognized on acquisition date
Property, plant and equipment	1,596,121
Intangible assets	217,789
Inventories	260,905
Trade account receivable (i)	302,492
Cash and cash equivalents	148,799
Other assets	173,884
	2,699,990
Loans and financing (iii)	948,389
Trade payables	218,469
Taxes payable	68,957
Provisions	86,913
Deferred taxes (ii)	203,858
Other liabilities	15,207
	1,541,793
Non-controlling interest	68,953
Net assets acquired	**1,089,244**
Preliminary goodwill on acquisition	1,143,790
Total consideration transferred	**2,233,034**
(of which in cash) paid in january 2013	(155,946)

(i) The fair value as well as the gross amount of the trade receivables amount to R$ 399,614 and includes an allowance of R$ 97,122 for uncollectability.

(ii) Includes R$ 77,808 deferred taxes on the difference between fair value and tax base mainly related to fixed assets and fair value remeasurement of assets and liabilities.

(iii) Includes US$ 434.1 million (R$ 901.2 million) of debt of Cimpor assumed by VCEAA.

The preliminary goodwill of R$ 1,143,790 million relates principally to expected synergies the Company can achieve basically cost synergies by means of removing duplication, intangibles that do not meet the IFRS3R recognition criteria, such as non-contractual customer relationship and workforce, as well as value expected to be generated mainly through cost reductions as result of the application of our operational management model. The amount of goodwill is currently supported by independent and internal analysis based on cash flow projections and market forecasts which management believes are appropriate to support the preliminary goodwill. The goodwill recognized is expected to be deductible up to the amount of goodwill recorded in the fiscal books and will be realized on sale of our subsidiary.

Considering the reduced time between the consummation of the transaction on December 21, 2012 and year-end and the reduced volume of activities as results of the holiday seasons we will effectively consolidate the result of the Cimpor Assets acquired as from January 1, 2013. We estimate revenue and net income for the period from December 21, 2012 to December 31, 2012 to represent less than 0.4% of

our revenue and net income for the year. Had this business combination been effected at the beginning of the year, the Company's revenues would have been approximately R$ 11,096,046 (unaudited) and the profit for the period of the Company would have been approximately R$ 285,488 (unaudited). The Company however does not consider these 'pro-forma' figures to represent an appropriate measure of the performance of the combined businesses on an annualized continuing basis and nor does believes it provides an initial reference point for comparisons in future periods, because of the substantial impairment charges on goodwill and on property plant and equipment that where recognized by the business acquired during 2012 before the acquisition date, totaling an amount of EUR 594,000 thousand (R$ 1,491,124) which are considered exceptional by management.

Acquisition related costs amounting to R$ 12 million have been excluded from the consideration transferred and have been recognized as an expense in the current year, within the other expenses line item in the consolidated income statement.

18 Loans and financing

(a) Analysis

Type	Average annual charges (%)	Current 12/31/2012	Current 12/31/2011	Non Current 12/31/2012	Non Current 12/31/2011	Total 12/31/2012	Total 12/31/2011
In foreign currency							
Development agency	Libor USD + 1,39%	11,570	7,473	115,366	87,012	126,936	94,485
BNDES	UMBNDES + 2,40%	35,832	18,527	191,306	180,281	227,138	198,808
Eurobonds EUR	5,25% Pré EUR	71,343	64,431	2,021,532	1,825,669	2,092,875	1,890,100
Eurobond USD	7,25% Pré USD	43,726	24,367	2,554,375	1,406,850	2,598,101	1,431,217
Sindicated loans	LIBOR + 1,25%	55,266	36,673	1,344,930	555,760	1,400,196	592,433
Working Capital	LIBOR + 2,50%	8,938	9,149			8,938	9,149
Other		47,693		17,152		64,845	
		274,368	160,620	6,244,661	4,055,572	6,519,029	4,216,192
In local currency							
Development agency	TJLP + 3,50%	898	902	1,776	2,664	2,674	3,566
BNDES	TJLP + 2,84% and 5,13% Pré BRL	221,470	142,243	1,020,699	896,181	1,242,169	1,038,424
Debentures	111,70% CDI / CDI + 1,09%	83,267	66,523	4,800,000	2,600,000	4,883,267	2,666,523
FINAME	5,96% Pré BRL / TJLP + 2,52%	19,592	22,912	79,551	45,302	99,143	68,214
Other	2,43% Pré BRL / TJLP	16,218	20,351	30,487	43,442	46,705	63,793
		341,445	252,931	5,932,513	3,587,589	6,273,958	3,840,520
		615,813	413,551	12,177,174	7,643,161	12,792,987	8,056,712

Interest on loans and financing	212,454	167,820
Current portion of long term loans and financing (principal)	346,728	236,583
Short term financing	56,631	9,149
Total Financing	615,813	413,552

EUR - Euro

USD - United States dollar

BRL - Local currency "Reais"

BNDES - National Bank for Economic and Social Development

FINAME	- Government Agency for Machinery and Equipment Financing
UMBNDES	- Monetary unit of the BNDES reflecting the weighted basket of currencies of foreign currency debt obligation as at December 31, 2011 the basket was comprised 97% of US Dollars
URTJLP	- Long-term Interest Rate set by the National Monetary Council, the TJLP is the basic cost of financing of the BNDES
LIBOR	- London Interbank Offered Rate
CDI	- Interbank Deposit Certificate

(b) Maturity profile

The maturity profile of the long-term debt balance (including current portion) based on the discounted balances at December 31, 2012 is as follows:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	On wards 2023	Total
In local currency												
Development agency	898	888	888									2,674
BNDES	221,470	261,638	260,911	232,920	146,719	70,347	48,164					1,242,169
Debentures	83,267					2,520,000	1,400,000	640,000	240,000			4,883,267
FINAME	19,592	16,740	16,789	16,312	11,573	5,457	4,430	3,586	3,085	1,579		99,143
Others	16,218	16,192	10,989				3,213	93				46,705
Subtotal	341,445	295,458	289,577	249,232	158,292	2,595,804	1,455,807	643,679	243,085	1,579		6,273,958
%	5.44	4.71	4.62	3.97	2.52	41.37	23.20	10.26	3.87	0.03		
In foreign currency												
Development agency	11,570	13,722	13,722	13,722	13,722	13,722	13,722	13,722	9,976	6,224	3,112	126,936
BNDES	35,832	45,533	45,817	42,870	30,588	15,271	10,791	436				227,138
Eurobonds - EUR	71,343				2,021,532							2,092,875
Eurobonds - USD	43,726										2,554,375	2,598,101
Syndicated loans	55,266	948,406	54,085	338,159	2,140	2,140						1,400,196
Working capital	8,938											8,938
Others	47,693	4,017	1,090	521	585	654	728	808	891	987	6,871	64,845
Subtotal	274,368	1,011,678	114,714	395,272	2,068,567	31,787	25,241	14,966	10,867	7,211	2,564,358	6,519,029
%	4.21	15.52	1.76	6.06	31.73	0.49	0.39	0.23	0.17	0.11	39.34	
Total	615,813	1,307,136	404,291	644,504	2,226,859	2,627,591	1,481,048	658,645	253,952	8,790	2,564,358	12,792,987
%	4.81	10.22	3.16	5.04	17.41	20.54	11.58	5.15	1.99	0.07	20.05	

(c) Changes

	12/31/2012	12/31/2011	12/31/2010
Balance at the beginning of the year	8,056,712	5,248,323	2,962,378
New loans and financing	3,674,624	2,434,303	2,976,719
Amortization	(513,499)	(143,958)	(574,971)
Interest paid	(719,109)	(550,229)	(280,176)
Interest accrual	760,785	610,344	232,677
Exchange variation	585,085	457,929	(68,304)
Acquistion of the subsidiary (note 17 (d))	948,389		
Balance at the end of the year	12,792,987	8,056,712	5,248,323

(d) Index

	12/31/2012	12/31/2011
In local currency		
CDI	4,883,267	2,671,964
TJLP	1,119,305	905,860
Fixed rate	271,165	255,670
Others	221	7,026
	6,273,958	3,840,520
In foreign currency		
LIBOR	1,499,396	684,148
UMBNDES	227,139	198,808
Fixed rate	4,754,744	3,330,718
Others	37,750	2,518
	6,519,029	4,216,192
Total	12,792,987	8,056,712

(e) Currency

	12/31/2012	12/31/2011
Real	6,273,958	3,840,520
U.S. Dollar	4,146,339	2,118,796
Euro	2,118,128	1,890,100
Currency basket	225,745	192,858
Others	28,817	14,438
Total	12,792,987	8,056,712

(f) New loans

(i) During December 2012, in connection with the 2012 Cimpor asset exchange, the Company's subsidiary VCEAA assumed a loan facility of US 434.1 million, with a maturity in February 2014 and an average interest rate of LIBOR + 1,33% a.a. The proceeds of this loan facility were used to redeem previously contracted financing under the Cimpor assets.

(ii) On December 5, 2012, the Company issued debentures in the total aggregate amount of R$ 1,200.0 million, which are unconditionally and irrevocably guaranteed by VID. These debentures bear interest at a rate of 109.2% of CDI per annum. Principal on the debentures is due in a bullet payment on December 5, 2018 and interest is payable in 12 semi-annual installments, the first of which is due on June 5, 2013.

(iii) On February 9, 2012, the Company issued additional 2041 Notes in an aggregate principal amount of US$ 500.0 million. With this additional issuance, as of December 31, 2012, the total outstanding amount under this program is an aggregate principal amount of US$ 1,250.0 million, which were unconditionally and irrevocably guaranteed by VPar and VID. On September 6, 2012, VPar was released as guarantor under these notes, and VID remained as the sole guarantor. The 2041 Notes bear interest at a rate of 7.25% per annum, payable on a semi-annual basis on April 5 and October 5 of each year. The principal amount under the 2041 Notes is payable on maturity on April 5, 2041.

(iv) On January 20, 2012, the Company issued debentures in the total aggregate amount of R$ 1,000.0 million, divided into two tranches of R$ 500.0 million each, both of which are unconditionally and irrevocably guaranteed by VID. The debentures under the first tranche bear interest at a rate of CDI plus 1.09% per annum, while the debentures under the second tranche bear interest at a rate of 111% of the CDI per annum. This transaction has a risk rating "BBB" of Standard&Poor's "Baa3" of Moody's and "BBB" of Fitch.

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

(vi) On April 4, 2011, the Company issued 30 year bonds in the international capital market of US$ 750 million, due in April 2041. The bonds are rated "BBB" by Standard & Poor's, "Baa3" by Moody's and "BBB-" by Fitch Ratings. This transaction was guaranteed by VPAR and VID. On September 6, 2012, VPar was released as guarantor under these notes, and VID remained as the sole guarantor. The bonds accrue interest of 7.25% p.a., payable semiannually. The proceeds from the issuance were used for early repayment of borrowings, thus extending the debt maturity profile.

(vii) In February 2011, Votorantim Cimentos S.A. completed its third issuance of simple, non-convertible non-privileged, unsecured debentures. The debentures were distributed under 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 issuance of R$ 600 million, which fall due in February 2021, pays interest of 113.90% of the Interbank Deposit Certificate (CDI).

(g) Fair value of loans and financing

The values below were calculated according to the criteria in Note 5.1.

	12/31/2012		12/31/2011	
	Book value	**Fair value**	**Book value**	**Fair value**
In local currency				
Development agency	2,674	2,725		
BNDES	1,242,169	1,240,864	1,038,424	981,279
Debentures	4,883,267	5,130,015	2,666,523	2,862,304
FINAME	99,143	97,002	68,214	61,084
Others	46,705	42,747	67,359	67,359
Subtotal	6,273,958	6,513,353	3,840,520	3,972,026
In foreign currency				
Development agency	126,936	126,545	94,485	89,252
BNDES	227,138	251,451	198,808	213,311
Eurobonds - EUR	2,092,875	2,300,178	1,890,100	1,886,153
Eurobonds - USD	2,598,101	2,929,338	1,431,216	1,378,731
Syndicated loans	1,400,196	1,416,832	601,583	601,582
Working capital	8,938	8,938		
Others	64,845	64,845		
Subtotal	6,519,029	7,098,127	4,216,192	4,169,029
Total	12,792,987	13,611,480	8,056,712	8,141,055

19 Use of public asset

The subsidiary VCNNE has been granted the right to use (UBP) the hydroeletrical potential for generation of electric energy. The UBP agreements require annual cash payments to be made which are adjusted based on the IGPM inflation index in exchange for such right of use.

The average duration of the contracts is 35 years, and the amounts to be paid annually are shown below:

			Concession starting date	Concession end date	Payment starting date	12/31/2012	12/31/2011
Pedra do Cavalo	Votorantim Cimentos N/NE S.A.	100%	mar/02	abr/37	abr/06	405,146	374,185
Current						(23,561)	(22,005)
Non-current						381,585	352,180

20 Income tax and social contribution

The Company and its subsidiaries calculate taxable income and record their income tax and social contribution based on the substantially enacted rates at year-end. Deferred income tax and social contribution assets corresponds to tax losses, tax loss carry forwards and temporary differences mainly relating to (a) the effect of foreign exchange rate variation (corresponding to the choice to tax foreign exchange gains and losses on a cash basis, (b) fair value adjustment of derivative instruments, (c) provisions not deductible until the moment of its settlement, and (d) other temporary differences arising from differences between the assets and liabilities under tax rules and for accounting purposes.

(a) Reconciliation of income tax and social contribution expense

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

	12/31/2012	12/31/2011	12/31/2010
Profit before taxation and non-controlling interests	1,498,233	1,131,927	3,807,245
Standard rate	34%	34%	34%
Income tax and social contribution at standard rates	(509,399)	(384,855)	(1,294,463)
Adjustments for the calculation of income tax and social contribution effective rates			
Equity in the results of investees	35,626	63,767	65,275
Tax incentives	63,710	15,419	32,622
Income tax adjustment with respect to prior years	8,037	(23,694)	(11,762)
Donations and grants for investment	13,247	47,529	35,430
Amounts not subject to additional income tax	(9,897)	8,871	6,817
Reversal of deferred income tax liability of investment in Cimpor (note 1(a))	391,018		
Difference in tax rate for subsidiaries outside Brazil	17,834	35,824	(11,652)
Income tax effect of non-taxable gain of Cimpor disposal (note 1 (a))	90,780		
Tax-deductible interest on stockholders equity	60,747		
Other permanent additions (exclusions), net	(19,453)	(39,996)	50,912
Income tax and social contribution	142,250	(277,135)	(1,126,821)
Current	(359,199)	(478,071)	(582,398)
Deferred	501,449	200,936	(544,423)
Income tax and social contribution for the year	142,250	(277,135)	(1,126,821)

(b) Analysis of deferred tax balances

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

	12/31/2012	12/31/2011
Assets		
Tax losses	177,967	101,377
Temporary differences		
Provision for participation on results - PPR	25,065	17,464
Tax contingencies	222,741	273,795
Allowance for doubtful accounts	10,918	3,612
Provision for inventory losses	29,874	36,566
Provision for investment losses	36,127	45,113
Provision for taxes under litigation with judicial deposits	71,989	63,343
Foreing exchange taxed on cash basis	253,263	73,702
Use of Public Asset	87,642	75,056
Other	56,393	69,112
	971,979	759,140
Liabilities		
Depreciation of property, plant and equipament	344,389	311,203
Amortization of goodwill	214,993	157,357
Difference in basis on investment in Cimpor		391,018
Deferred tax assets and liabilities of business acquired	226,042	33,502
Other	57,297	90,246
	842,721	983,326

(c) Movement

	12/31/2012	12/31/2011	12/31/2010
Balance at the beginning of the year	(224,186)	(476,618)	74,477
Tax losses and negative base	76,589	18,443	(69,818)
Provision for participation on results - PPR	7,601	17,464	12,461
Tax contingencies	(56,127)	27,881	21,860
Provison for allowance for doubtful accounts	7,306	1,849	(4,292)
Provision for inventory losses	(6,691)	11,987	7,858
Provision for investment losses	(22,229)	24,062	3,268
Provision for taxes under litigation with judicial deposits	8,646	39,965	9,821
Provision for tax losses	5,073		
Foreing exchange taxed on cash basis	179,561	131,755	49,208
Use of Public Asset	12,586	8,226	(8,874)
Depreciation of property, plant and equipament	(33,186)	(168,090)	(12,257)
Amortization of goodwill	(57,636)	(51,467)	(66,100)
Deferred tax on equity method investments and asset exchange - Cimpor	391,018	177,608	(568,626)
Deferred tax assets and liabilities of business acquired	(192,540)	69,664	66,465
Other	33,473	(56,915)	7,931
Balance at the end of the year	129,258	(224,186)	(476,618)

21 Provisions

	12/31/2012				12/31/2011			
	Asset Retirement Obligation (a)	Restructuring	Legal claims (b)	Total	Asset Retirement Obligation	Restructuring	Legal claims	Total
Balance at the beginning of the year	99,839		835,114	934,953	86,403		850,640	937,043
Present value adjustment	7,179			7,179	(3,556)			(3,556)
Charged/(credited) to the statement of income			138,432	138,432			153,817	153,817
Revisions in estimated cash flows	2,430			2,430	14,272			14,272
Judicial deposits, net of write off			(165,723)	(165,723)			(132,999)	(132,999)
Acquistion of subsidiary (note 17 (d))	77,376	86,913		164,289				
Used during year			(207,019)	(207,019)			(122,449)	(122,449)
Monetary adjustments and reversals			192,215	192,215			86,105	86,105
Exchange variation	4,042			4,042	2,720			2,720
Balance at the end of the year	190,866	86,913	793,019	1,070,798	99,839		835,114	934,953

(a) (ARO) Asset Retirement Obligation

Measurement of asset retirement Obligations involves judgment and the use of assumptions. For environmental purposes, this relates to currently existing obligations to restore or recover the environment in the future, to similar or equivalent conditions that were existent at the moment when the project was initiated. In the absence of a possibility to restore to pre-existing conditions, this can also be an obligation to take compensating measures, agreed with applicable regulators or organizations.

These obligations are the result of either the environmental impact of the asset involved, or of formal commitments assumed with the environmental regulator, for which the Company needs to compensate this impact. The dismantling and removal of a plant or other asset occurs when it is permanently deactivated, by discontinuing its activities or by sale.

As these are long term obligations that are revised periodically for inflation and discounted to present value, using the real interest rate. The discount rates used for 2012 and 2011 are 2.97% and 0.17% a.a., depending on the applicable country. The liability recognized is adjusted periodically based on these rates and revised for inflation for the reference period.

(b) Provisions for legal claims

The Company is party to labor, civil, tax and other ongoing lawsuits and is contesting these matters both at the administrative and judicial levels, which are backed by judicial deposits, when applicable.

The provisions and the corresponding judicial deposits are as follows:

	12/31/2012			12/31/2011		
	Judicial deposits	Provision for legal claims	Total, net	Judicial deposits	Provision for legal claims	Total, net
Tax	477,245	(1,174,275)	(697,030)	313,332	(994,582)	(681,250)
Labor	8,442	(21,303)	(12,861)	5,517	(69,732)	(64,215)
Civil and other	12,764	(95,892)	(83,128)	13,879	(103,528)	(89,649)
	498,451	(1,291,470)	(793,019)	332,728	(1,167,842)	(835,114)

The legal deposits related to legal actions classified from lawyers of the Company as possible loss, were recognized in other non-current assets.

Nature of provisions for legal claims

(i) Tax lawsuits

Refer mainly to disputes concerning federal, state and municipal taxes. The main tax lawsuits refer to collection of ICMS (State Value-added Tax on Sales and Services), PIS (Social Integration Program), COFINS (Social Contribution on Revenues), IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income).

(ii) Labor lawsuits

Refer mainly to lawsuits filed by former employees and outsourced employees claiming the payment of indemnity upon termination, health and safety hazard bonus, risk premium, overtime, commuting hours, as well as civil lawsuits referring to indemnity claims by former employees or employees from outsourced companies based on alleged occupational illnesses, work accidents, property and personal damages.

(iii) Civil lawsuits

The main lawsuits relate to claims for property and personal damages.

Lawsuits with likelihood of losses considered as possible

The Company and its subsidiaries are parties to other tax, labor and civil lawsuits involving possible loss risks, as detailed below:

	12/31/2012	12/31/2011
Tax	1,340,714	779,682
Civil	3,608,760	521,979
Other	25,649	20,954
	4,975,123	1,322,615

Description of the main probable and possible legal proceedings

Tax liabilities and contingencies

In December 2011, a tax assessment in the amount of R$ 182.6 million was issued by the Receita Federal do Brasil ("RFB", the Brazilian Federal tax Authority) against VCSA charging IRPJ and CSLL related to the period between 2006 and 2010 due to VCSA allegedly (i) incorrectly amortized goodwill; (ii) use of tax loss carry forwards in excess of the 30% limit permitted under applicable tax regulations; and (iii) lack of payment of the IRPJ and CSLL monthly advances. As of December 31, 2012, the amount under discussion was R$ 202.1 million and we had recorded a provision of R$ 0.1 million in connection with this tax assessment.

In January 2010, two tax assessments in the amount of R$ 97.7 million were issued by the Distrito Federal (the Brazilian District Capital) against us related to ICMS credits (use and consumption of petcoke) which were allegedly erroneously recorded by us during the period between September 2006 and June 2009 as well as uncollected ICMS liabilities related to interstate transactions. A final administrative decision is pending. The expectation of loss under these claims is considered remote. As of December 31, 2012, the amount under discussion was R$ 125.9 million and we had not recorded any provision.

The DNPM (The federal mining regulator) issued several tax assessments against us, alleging that we owed CFEM related to the period of 1991 until 2011. As of December 31, 2012, the amount involved was R$ 378.3 million, of which approximately R$ 290.9 million is considered to be a possible loss and approximately R$ 87.7 million is considered to be a probable loss. We have established a provision of R$ 87.7 with respect to these tax assessments.

Civil and environmental liabilities and contingencies

- **Fishermen's Litigation**

  On October 9, 2003, the association of fishermen of the State of Goiás made a claim against us seeking the annulment or suspension of certain environmental licenses granted by IBAMA to companies operating in the Serra do Facão region. The association is also seeking monetary damages in an amount to be established by the court. We have presented our defense and in May 2004, temporary relief was granted against us and the other defendants. Based on the advice of our external legal counsel, we believe the probability of loss under this claim is possible and as such have not

recorded any provision with respect to this claim. The amount in dispute is approximately R$ 177 million.

. **Transklein**

In August 2010, Transklein Transporte e Carga Ltda. filed a claim against VCNNE seeking compensation for damages in the amount of R$ 123.7 million, alleging that VCNNE failed to comply with the minimum volume of transportation established in the cement transportation agreement entered into by the parties. VCNNE was notified of this claim in March 2011 and presented its response, which was replied by Transklein, which also made a plea of lack of jurisdiction. In June 2012, the court determined that Transklein should present a response regarding its request for an exemption from its obligation to pay for legal fees in connection with this matter. We presented a formal objection against the court's decision, and the proceeding was suspended until the court issues its ruling on this matter. On January 22, 2013, the court published its decision accepting our plea and transferring the case to the civil court in the city of Recife. Based on the advice of its external legal counsel, VCNNE believes the probability of loss under this claim is possible and have not recorded any provision for to this claim.

. **Tabernaculo**

In September 2005, Tabernaculo Comercial e Transportadora Ltda., or Tabernaculo, filed a claim against VCB seeking compensation for material damages in the amount of R$ 84.2 million and moral damages in an unspecified value alleging that we failed to perform two oral contracts entered with it. Tabernaculo argues that those breaches caused the discontinuance of the activities of the sales department and huge losses to its transportation area. We presented our response in September 2009, sustaining that (1) the statute of limitations had expired; (2) we did not change the general conditions of the reverse repurchase agreement; and (3) Tabernaculo was unable to conduct the business and caused its own insolvency. In August 2011, the court had denied the argument of the expiration of the statute of limitations alleged by us and determined the implementation of the expert examination requested by Tabernaculo, which has not yet been completed. The expectation of loss for the different claims under dispute is considered probable for 1% (R$ 1.5 million) of the amount involved and possible for the remaining amount (R$ 151.2 million). As of December 31, 2012, the amount under discussion was R$ 152.8 million and we had recorded a provision of R$ 1.5 million in connection with this claim.

Anti-Trust Matters

. **Administrative Proceedings by SDE**

In 2003, the SDE initiated an administrative proceeding against the largest concrete producing Brazilian cement companies, including us. This proceeding relates 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. If our cement/concrete 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 1.0% up to 30.0%, or range from 0.1% up to 20.0% if the new Brazilian antitrust law is applied, of our cement company's annual after-tax revenues relating to the fiscal year immediately prior to the year in which the administrative proceeding was initiated, and deriving from the cement business activities of Votorantim Industrial and its subsidiaries. The SDE continues to analyze these allegations, and it is not possible to foresee whether the agency intends to conduct further investigation. The expectation of loss under this matter is considered possible. We have established no provision for this matter.

In 2006, the SDE initiated an administrative proceeding against the largest Brazilian cement companies, including us. This proceeding relates to allegations of anti-competitive practices that include price fixing and the formation of a cartel. If our cement 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 1.0% up to 30.0%, or range from 0.1% up to 20.0% if the new Brazilian antitrust law is applied, of our cement company's annual after-tax revenues relating to its fiscal year immediately prior to the year in which the administrative proceeding was initiated, and deriving from the cement business activities of Votorantim Industrial and its subsidiaries. The SDE issued a non-binding recommendation to CADE on November 10, 2011 to impose fines and other non-monetary penalties as set forth by the Brazilian antitrust law on the cement companies under investigation, including our Brazilian cement company, for breach of Brazilian antitrust laws. This opinion was sent to CADE for its analysis, but is not binding on CADE. There is no formal deadline for CADE to complete its review of this matter and issue its decision, so it may issue its decision at any time. The expectation of loss under these matters is considered possible. We have established no provision for this matters.

. **Civil Class Action - Cartel**

The Office of the Public Prosecutor of Rio Grande do Norte filed a civil class action against the Company, together with eight other defendants, including several of Brazil's largest cement manufacturers alleging breach of Brazilian antitrust laws as a result of alleged cartel formation, seeking that the defendants pay an indemnity, on a joint basis, in favor of the class action plaintiffs for moral and collective damages; and penalties under the Brazilian antitrust laws. Because the total amount of the claims in this civil class action is R$ 5,600 million and the claims allege joint liability, we have estimated that, based on our market share, our share of the liability would be approximately R$ 2,400 million. However, there can be no assurance that this apportionment would prevail and that we will not be held liable for a different portion, which may be larger, or for the entire amount of this claim. The expectation of loss under this matter is considered possible and we have established no provision for this claim.

22 Accounts payable - trading

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

23 Stockholders' equity

(a) Capital

On January 20, 2011, the Stockholders' Extraordinary General Meeting approved the capitalization of R$ 400,000 of profit reserves, increasing capital from R$ 2,327,212 to R$ 2,727,212.

On March 9, 2011, the Stockholders' Extraordinary General Meeting approved a capital increase of R$ 14,613 through the issue 355,388 new common shares without par value, from R$ 2,727,212 to R$ 2,741,825. At December 31, 2011, the Company made a capital increase of R$ 4,199 by issuing 96,052 new registered common shares, without par value, raising capital from R$ 2,741,825 to R$ 2,746,024. The shares issued were fully subscribed and paid up by the parent company Votorantim Industrial S.A., with express consent of the Company's other shareholders and waiver of their preemptive rights to the subscription of the shares issued.

At December 31, 2012, fully subscribed and paid-up capital was represented by 110,635,436 common shares without par value.

(b) Legal reserve and profit retention reserve

The legal reserve is credited annually with 5% of net income for the year, and cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the sufficient capital is maintained. This reserve can be used only to increase capital and to offset accumulated losses.

The profit retention reserve was created to account for the retention of the remaining balance of retained earnings, in order to fund expansion projects pursuant to the Company's investment plan.

(c) Tax incentive reserve

The tax incentive reserve is constituted in accordance with article 195-A of the Brazilian Corporation Law (as amended by Law nº 11638 of 2007); this reserve is credited with the benefits of tax incentives, which are recognized in the statement of income for the year and allocated from retained earnings to this reserve. These incentives are not included in the calculation of the minimum mandatory dividend.

(d) Cumulative other comprehensive income

For purchases of non-controlling interests, the difference between any consideration paid and the share acquired of the carrying value of the net assets of the subsidiary is recorded in stockholders' equity. Gains or losses on disposals for non-controlling interests are also recorded directly in stockholders' equity.

	Exchange gains (losses) on investment abroad	Actuarial gains and losses on retirement benefits	Hedge of a net investment	Interest in comprehensive income of associated companies	TOTAL
At January 1, 2010	**217,230**	**(54,188)**	-	-	**163,042**
Exchange gains (losses) on investment abroad	(410,637)				(410,637)
Actuarial gains and losses on retirement benefits		(29,115)			(29,115)
Hedge of a net investment / cash flow hedge			140,139		140,139
Interest in comprehensive income of associated companies				85,575	85,575
Deferred income tax		9,899	(47,647)		(37,748)
At December 31, 2010	**(193,407)**	**(73,404)**	**92,492**	**85,575**	**(88,744)**
Exchange gains (losses) on investment abroad	426,054				426,054
Actuarial gains and losses on retirement benefits		(38,280)			(38,280)
Hedge of a net investment			(235,524)		(235,524)
Interest in comprehensive income of associated companies				(837)	(837)
Deferred income tax		13,015	80,078		93,093
At December 31, 2011	**232,647**	**(98,669)**	**(62,954)**	**84,738**	**155,762**
Exchange gains (losses) on investment abroad	483,871				483,871
Actuarial gains and losses on retirement benefits		(54,959)			(54,959)
Recycling of the accumulated net investment hedge reserve related to our investment in Cimpor (*)			238,038		238,038
Recycling of the accumulated translation differences related to our investment in Cimpor (*)	(72,291)				(72,291)
Recycling of other comprehensive income related to our investment in Cimpor (*)				4,328	4,328
Hedge of a net investment			(162,250)		(162,250)
Interest in comprehensive income of associated companies				(7,692)	(7,692)
Deferred income tax		18,686	(25,768)		(7,082)
At December 31, 2012	**644,227**	**(134,942)**	**(12,934)**	**81,374**	**577,725**

(*) These amounts relate to the disposal of the Company's equity investment in CIMPOR as described in Note 1a. The amounts are gross of income taxes of R$ 89,142.

(e) Dividends

Dividends are calculated in accordance with the Company's bylaws and the Brazilian Corporation Law. The calculation of the amount of minimum dividends payable is as follows:

	2012	2011	2010
Net income for the year attributable to the owners of the parent, used for calculation of dividend	1,616,799	888,125	2,670,448
Legal reserve	(80,840)	(44,406)	(133,522)
Interest on stockholder's equity	(178,667)		
Tax incentive reserve	(25,190)	(2,799)	
Dividend calculation basis	1,332,102	840,920	2,536,926
Minimum proposed dividends - 25% in accordance with bylaws	333,026	210,230	634,232
Additional dividends approved	2,095,467	536,527	2,187,367
Total dividends approved	2,428,493	746,757	2,821,599
Dividends per share - R$	21.95	6.76	26.26

The minimum dividends and the already approved dividends at year end are accounted for as "Dividends payable" in the balance sheet. During 2012 the Company paid an amount of dividends of R$ 2,263,402 (2011 - R$ 683,782 and 2010 - R$ 2,610,543). In addition the interests on capital were fully paid at December 31, 2012.

24 Revenues

	2012	2011	2010
Sales	10,736,371	9,827,434	9,086,538
Services	1,334,364	1,378,121	1,237,124
	12,070,735	11,205,555	10,323,662
Taxes on sales and services and other deductions	(2,589,062)	(2,507,203)	(2,276,581)
Revenues	9,481,673	8,698,352	8,047,081

25 Other operating income (expenses), net

	2012	2011	2010
Non-income tax benefits	260,684	195,420	90,378
Impairment of investments		(586,538)	
Revenue from co-processing	15,382	14,239	7,177
Recovery of taxes	12,688	23,881	10,746
Sales of energy	42,399	15,739	2,072
Loss on the sale of our investment in Yguazú	(7,657)		
Gain from sale of scrap	11,766	10,044	10,151
Gain on sale of Property, plant & equipment	9,132	20,896	14,187
Other operating income (expenses)	(59,615)	10,387	52,528
	284,779	(295,932)	187,239

26 Expenses by nature

	2012	2011	2010
Fuel costs	732,310	731,436	580,956
Maintenance	1,277,820	1,181,536	867,759
Electric power - consumption	578,935	585,546	479,231
Employee benefit expense	1,106,852	983,489	879,856
Raw material and consumables used	346,312	369,519	344,958
Depreciation, amortization and depletion	558,279	441,055	420,322
Transportation expenses	1,196,421	985,129	941,834
Services, miscellaneous	555,879	694,867	739,843
Packaging materials	173,601	158,018	137,043
Other expenses	928,706	679,237	508,975
Total selling and administrative expenses and distribution costs	7,455,115	6,809,832	5,900,777

	2012	2011	2010
Cost of sales and services	6,177,116	5,684,439	4,986,902
Selling expenses	609,992	595,402	500,731
General and administrative expenses	668,007	529,991	413,144
	7,455,115	6,809,832	5,900,777

27 Employee benefit expenses

	2012	2011	2010
Salaries and other remuneration	662,406	611,288	502,608
Retirement plans and post-employment benefits" (note 30)	3,956	(10,489)	3,313
Social charges	276,685	226,172	218,911
Social benefits	163,805	156,518	155,023
	1,106,852	983,489	879,855

28 Financial income (expenses), net

	2012	2011	2010
Income			
Interest receivable on financial assets	242,797	179,273	40,224
Interest receivable on loans to related parties	274	1,134	230,362
Financial investment earnings interest	28,140	23,888	139,984
Other financial income	45,285	567	15,189
	316,496	204,862	425,759
Expenses			
Interest payable on loans, financing and other	(657,394)	(479,402)	(261,051)
Interest payable on loans from related parties	(36,800)	(29,605)	(402,906)
Interest and monetary adjustment	(52,965)	(38,870)	(48,532)
Monetary adjustment of contingencies	(12,924)	(44,673)	(15,588)
Commission on financial transactions	(311)	(25,022)	(29,000)
Income tax witheld on interest remittances abroad	(18,561)	(33,130)	(4,453)
Tax on Financial Transactions (IOF)	(49,022)	(20,947)	(72,021)
Other financial expenses	(41,964)	(51,984)	(80,147)
	(869,941)	(723,633)	(913,698)
Net foreign exchanges gains (losses)	(381,819)	(253,643)	97,227
Net financial result	(935,264)	(772,414)	(390,712)

29 Pension plan and post-employment health care benefits

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

(a) Defined contribution

The Company and VCNNE sponsor private pension plans administered by Fundação Senador José Ermírio de Moraes (FUNSEJEM), a private, not-for-profit, pension fund, which is available to all employees. Under the fund regulations, the contributions from employees to FUNSEJEM are matched based on their remuneration. For employees with remuneration lower than the limits established by the regulations, contributions up to 1.5% of their monthly remuneration are matched. For employees with remuneration higher than the limits, contributions of employees up to 6% of their monthly remuneration are matched. Voluntary contributions can also be made to FUNSEJEM.

After the contributions to the plan are made, no further payments are required by the Company.

(b) Defined benefit

Votorantim Cement North America Inc. and Votorantim Cimentos N/NE have a defined benefit pension plan that also offers medical assistance and life insurance, among others. The cost of the retirement

benefits and other benefits of these plans granted to eligible employees is determined by the projected benefit method on a *pro-rata* basis for the service and management's best estimates of returns on plan assets, salary adjustments, cost trends and the mortality rate and retirement age of the employees.

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

	2012	2011	2010
Projected benefit obligations for:			
Benefit plans	497,082	414,470	377,372
Supplementary pension plans	29,166	23,892	21,973
Post-employment health benefits	80,866	62,806	70,079
	607,114	**501,168**	**469,424**

Recognized in the income statement	2012	2011	2010
Pension plan benefits	(1,292)	(4,369)	(2,821)
Post-employment health benefits	5,248	(6,120)	6,134
	3,956	(10,489)	3,313
Recognized in other comprehensive income			
Accumalated actuarial losses recognized in other comprehensive income of other years	149,498	111,218	82,103
Actuarial losses recognized in other comprehensive income for the year	54,959	38,280	29,115

	2012	2011	2010
Present value of funded obligations	607,114	501,168	469,904
Fair value of plan assets	422,561	367,097	356,315
Deficit	184,553	134,071	113,109
Asset ceiling	259	467	909
Balance Sheet	**184,812**	**134,538**	**114,018**

The change in the fair value of the defined benefit obligation and of plan assets during the years is as follows:

Defined benefit obligation	2012	2011	2010
At January 1	501,168	469,424	414,255
Current service cost	3,892	4,332	3,808
Interest cost	24,434	24,371	23,609
Contributions by plan participants	3,140	2,067	2,747
Actuarial losses (gains)	52,695	18,074	31,990
Exchange variation	52,668	26,038	23,006
Benefits paid	(30,570)	(30,439)	(29,511)
Curtailments	(313)	(12,699)	
At December 31	**607,114**	**501,168**	**469,904**

Plan assets	2012	2011	2010
At January 1	367,097	356,316	326,247
Expected return on plan assets	27,278	7,753	29,530
Actuarial gains (losses)	2,914	(338)	
Employer contributions	19,712	20,375	15,167
Employee contributions	893	723	763
Benefits paid	(30,570)	(30,439)	(29,511)
Exchange variation	35,238	12,707	14,120
At December 31	**422,562**	**367,097**	**356,316**

The principal actuarial assumptions used were as follows:

	2012	2011	2010
VCNNE	**Brazil**	**Brazil**	**Brazil**
Discount rate	8.2	8.2	8.2
Expected return on plan assets	3.6	5.0	5.0
Future salary increases	3.0	3.0	3.0
Health care cast trend rate	8.3	8.3	8.3

	2012	2011	2010
VCNA	**Canada**	**Canada**	**Canada**
Discount rate	4.3	5.2	5.6
Expected return on plan assets	7.0	7.0	7.0
Future salary increases	2.5	2.5	2.5
Health care cast trend rate	8.3	8.3	6.0

(c) Post-employment benefits (pension and medical)

The assets of the principal health care and pension plan (Votorantim Cement North America Inc.) are comprised as follows:

	2012	2011	2010
Cash and cash equivalents	5,788	3,671	7,126
Equity instruments	178,534	183,548	195,973
Fixed-income fund	174,963	179,878	153,217
Income fund (multimarket)	63,276		
	422,561	**367,097**	**356,316**

30 Tax benefits

The Company and its subsidiaries have tax incentives related to:

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

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

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

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

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

(c) PRÓ-DF II program - the Company has tax incentives from state industrial development programs consisting of financing or deferral of payment of taxes. The purpose of this state program is to promote

in the long term the expansion of the local economic capacity of production of goods and services and job generation, and to foster the economic and social development of the Federal District in a sustainable and integrated manner.

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

31 Non-current assets (or disposal groups) held for sale

As described in Note 1.a, the Company acquired operations in Spain, Morocco, Tunisia, Turkey, India and China. The Company does not intend to continue operations in China and has developed a plan to sell these assets and liabilities. Consequently, these assets and liabilities are included in a group held for sale and are presented in a separate line in the balance sheet. Management expects the completion of the sale within a period of one year.

	12/31/2012
Property, plant and equipment	301,385
Goodwill	233,888
Intangible assets	42,358
Inventories	38,787
Othet assets	84,796
	701,214

	12/31/2012
Other account payables	213,190
Other current liabilities	27,019
Provisions	33,895
Total	274,104

32 Insurance coverage

Pursuant to the Company's Insurance Management Corporate Policy, different types of insurance policies are contracted, such as operational risk and civil liability insurance, to protect assets against production interruptions and for damages caused to third parties.

The Company and its subsidiaries have civil liability insurance for their operations in Brazil, Canada and the United States, for which the coverage and conditions are considered by the Company's management appropriate for the risks involved.

For the main plants in Brazil and operations in North America, an "All Risks" policy is contracted for all assets, including coverage against losses resulting from production interruptions.

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

Assets	Type of coverage	Insured amount
Facilities and equipment	Property damage	13,808,560
	Loss of profits	2,459,934
		16,268,494

Operational and civil liability risk insurance of the Pedra do Cavalo hydroelectric power plant - VCNNE

An "All Risks" insurance policy for operational risks is contracted annually for the Hydroelectric Power Plant, with a total insured amount of R$ 199,050. The Company has a civil liability policy for this plant, for which the coverage and conditions are considered by the Company's management as adequate for the risks involved.

33 Financial information by operating segment and entity-wide disclosures

(i) Introduction

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to the segments and to assess their performance. We have defined our Chief Executive Officer to be the CODM.

For management purposes, the Company is organized by geographical areas and has three operating segments which are based on location of the Company's main assets, as follows (1) Brazil (including our operations in other countries in South America) (2) North America, and (3) Europe, Africa and Asia (which includes operations in Spain, Turkey, Morocco, Tunisia, India and China).

Each of these operating and reportable segments derives its revenues from the sale of the following lines of products:

1 Cement.
2 Concrete/Ready Mix.
3 Aggregates, and
4 Other construction materials.

We have summarized the financial information of these operating segments and the revenue related to these product lines below. The key financial performance for management of the reportable segments is

Adjusted EBITDA which is reported on a monthly basis to the CODM for each of our operating segments (Brazil, North America, and Europe, Africa and Asia). Adjusted EBITDA is calculated based on the sum of operating profit, depreciation, amortization, depletion plus any other non-cash items included in operating profit that are assessed by the Company's management as exceptional. Adjusted EBITDA can be reconciled to our net income since Adjusted EBITDA can also be defined as net income *plus/less* financial income (expenses), net *plus* income tax and social contribution *plus* depreciation or amortization and depletion *less* equity in results of investees *plus* dividends received from investees *less* exceptional non-cash items. Non-cash items considered by management as exceptional and excluded in measuring Adjusted EBITDA in the periods presented correspond to the gain of R$ 1,672,429 recognized in 2010 in connection with the exchange of assets related to our acquisition of and to the gain on the disposal of our investment in Cimpor amount to R$ 266,794 in 2012 an equity interest in Cimpor, to the impairment loss of R$ 586,538 recognized in 2011.

As result of using Adjusted EBITDA for measuring performance of our operating segments we do not include financial income and expense, income tax expense and equity in investees as part of such measurement and as a result such information is not disclosed in the tables below.

The accounting policies of the operating segments are the same as the Company's accounting policies described in Note 2. The amounts presented under Brazil include also amounts related to our only subsidiary consolidated in South America (Itacamba Cemento S.A. based in Bolivia) which represents less than 1% of revenue and Adjusted EBITDA of the amounts disclosed under Brazil. All the other interests of the Company accounted for following the equity method and the equity in the results of investees is a reconciling item between the Adjusted EBITDA and net income.

Information by operating segments

	Period ended December 31, 2012			
	Brazil	North America	Europe, Africa and Asia	Consolidated
Revenues	7,705,102	1,776,571		9,481,673
Operating profit before results from investments and financial results	2,492,561	85,550		2,578,111
Depreciation, amortization and depletion	(348,231)	(210,048)		(558,279)
Adjusted EBITDA	**2,775,052**	**295,598**		**3,070,650**
Capital expenditure	**(1,422,528)**	**(77,563)**		**(1,500,091)**
Total assets	**15,492,404**	**4,501,324**	**3,968,326**	**23,962,054**

	Period ended December 31, 2011		
	Brazil	North America	Consolidated
Revenues	7,250,396	1,447,956	8,698,352
Operating profit before results from investments and financial results	1,564,403	28,185	1,592,588
Depreciation, amortization and depletion	(267,297)	(173,758)	(441,055)
Adjusted EBITDA	**2,574,828**	**201,943**	**2,776,771**
Capital expenditure	**(1,656,839)**	**(66,222)**	**(1,723,061)**
Total assets	**14,468,715**	**4,160,482**	**18,629,197**

	Period ended December 31, 2010		
	Brazil	North America	Consolidated
Revenues	6,538,100	1,508,981	8,047,081
Operating profit before results from investments and financial results	3,942,611	63,361	4,005,972
Depreciation, amortization and depletion	(220,289)	(200,033)	(420,322)
Adjusted EBITDA	**2,542,366**	**263,394**	**2,805,760**
Capital expenditure	**(912,370)**	**(52,025)**	**(964,395)**
Total assets	**12,600,766**	**3,771,516**	**16,372,282**

There are no sales between the operating segments.

The following table reconciles Adjusted EBITDA for our operating segments to our net income:

	Note	12/31/2012	12/31/2011	12/31/2010
Reconciliation of net income to Adjusted EBITDA				
Net income		1,640,483	854,792	2,680,424
Plus (less):				
Financial income (expenses), net		935,264	772,414	390,712
Income tax and social contribution		(142,250)	277,135	1,126,821
Depreciation, amortization and depletion		558,279	441,055	420,322
Equity in the results of investees		144,614	(311,753)	(191,985)
EBITDA		3,136,390	2,033,643	4,426,294
Adjusted EBITDA				
Dividends received		193,377	156,590	51,895
Exceptional items				
Impairment of investiments	15(d)		586,538	
Loss on disposal of equity investments	1(c)	7,657		
Gain on transfer of assets - Cimpor	1(a)			(1,672,429)
Gain on disposal of equity investments	1(a)	(266,774)		
Adjusted EBITDA		3,070,650	2,776,771	2,805,760

Revenue by line of products

	Period ended December 31, 2012				
	Cement	Ready Mix / Concrete2	Aggregates	Others	Total
Revenues from external customers	6.297.428	2.099.121	378.932	706.192	9.481.673

	Period ended December 31, 2011				
	Cement	Ready Mix / Concrete2	Aggregates	Others	Total
Revenues from external customers	5.890.923	1.880.745	371.850	554.834	8.698.352

	Period ended December 31, 2010				
	Cement	Ready Mix / Concrete2	Aggregates	Others	Total
Revenues from external customers	5.472.401	1.789.321	303.567	481.793	8.047.081

34 Subsequent events

(i) On January 10, 2013, we acquired an additional 48.0% equity interest in C+PA Cimento e Produtos Associados, S.A., which holds a 25.0% equity interest in Cimpor Macau in China, for a purchase price of € 10.4 million. This additional interest has been acquired in order to be sold in conjunction with the controlling interest acquired as part of the 2012 Cimpor Asset Exchange.

(ii) On January 31, 2013, we made a dividend payment of R$ 100.0 million to VID.

(i) In January 2013, VCEAA prepaid US$ 200 million of a loan maturing in February 2014 with the objective of reducing gross debt. The current balance of this loan is US$ 234.1 million.

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