



**Financial Statements**

**Cisa Trading S.A.**

December 31, 2016 and 2015  
with Independent Auditor's Report

**Cisa Trading S.A.**

Financial statements

December 31, 2016 and 2015

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*Cisa  
Trading*

## Independent auditor's report on individual and consolidated financial statements

The  
Board of Directors, Shareholders and Officers  
**Cisa Trading S.A.**  
Vitória - ES

### Opinion

We have audited the accompanying individual and consolidated financial statements of Cisa Trading S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2016 and the related statements of profit of loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Cisa Trading S.A. as at December 31, 2016, its individual and consolidated financial performance, and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

### Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

### **Auditor's responsibilities for the audit of individual and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on auditing will always detect material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can influence, within a reasonable perspective, the economic decisions of users made on the basis of these financial statements.

As part of the audit conducted in accordance with Brazilian and International standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control relevant to the audit 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 Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Other matters**

Basis of preparation of financial statements:

We draw attention to Note 2 to the financial statements, which describes the basis of preparation and presentation of these financial statements, and supported the Company in preparing these financial statements for readers and users of other countries; in addition, specific criteria were applied to translate these financial statements from Brazilian Reais (R\$) into US dollars. Consequently, the financial statements may not be used for other purposes. Our report is intended solely for this purpose and may not be used otherwise.

São Paulo, March 31, 2017.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6

Fernando Próspero Neto  
Accountant CRC-1SP189791/O-0



### Cisa Trading S.A.

Statements of financial position  
December 31, 2016 and 2015  
(In thousands of US Dollars)

	Note	Company		Consolidated	
		2016	2015	2016	2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	<b>8,073</b>	11,959	<b>37,882</b>	26,033
Marketable securities	4	<b>28,734</b>	16,400	<b>3,272</b>	5,955
Derivative financial instruments	22	-	73	-	73
Trade accounts receivable	5	<b>137,775</b>	124,458	<b>141,795</b>	125,065
Related parties	10	<b>65</b>	7,431	-	6,857
Inventories	6	<b>68,834</b>	92,266	<b>68,834</b>	92,266
Taxes recoverable	7	<b>8,297</b>	3,891	<b>8,401</b>	3,904
Other receivables	8	<b>9,974</b>	8,988	<b>11,157</b>	11,241
Prepaid expenses		<b>2,562</b>	2,973	<b>2,570</b>	2,973
Total current assets		<b>264,314</b>	268,439	<b>273,911</b>	274,367
<b>Noncurrent assets</b>					
Marketable securities	9	<b>682</b>	640	<b>682</b>	640
Deferred income and social contribution taxes	11.a	<b>6,037</b>	4,921	<b>6,125</b>	4,921
Other receivables	8	<b>2,632</b>	2,201	<b>2,613</b>	2,201
Taxes recoverable	7	<b>95</b>	79	<b>95</b>	79
Judicial deposits	19	<b>18,355</b>	13,426	<b>18,446</b>	13,426
Investments	12	<b>44,468</b>	24,519	<b>27,227</b>	12,376
Investment properties	13	-	-	<b>6,977</b>	6,035
Property, plant and equipment		<b>8,224</b>	7,459	<b>8,866</b>	7,797
Intangible assets		<b>640</b>	482	<b>695</b>	483
Total noncurrent assets		<b>81,133</b>	53,727	<b>71,726</b>	47,958
Total assets		<b>345,447</b>	322,166	<b>345,637</b>	322,325

# Trading

	Note	Company		Consolidated	
		2016	2015	2016	2015
Liabilities and equity					
Current liabilities					
Loans and financing	14	<b>103,098</b>	84,310	<b>103,098</b>	84,310
Derivative financial instruments	22	-	207	-	207
Trade accounts payable	15	<b>64,540</b>	92,107	<b>64,591</b>	92,172
Advances from customers	16	<b>13,864</b>	7,310	<b>13,884</b>	7,310
Dividends payable	20	<b>3,710</b>	4,951	<b>3,710</b>	4,951
Tax liabilities	17	<b>18,364</b>	14,643	<b>18,398</b>	14,698
Other liabilities	18	<b>5,343</b>	6,154	<b>5,401</b>	6,171
Total current liabilities		<b>208,919</b>	209,682	<b>209,082</b>	209,819
Noncurrent liabilities					
Loans and financing	14	<b>5,124</b>	5,367	<b>5,124</b>	5,367
Provision for contingencies	19	<b>19,944</b>	14,704	<b>19,668</b>	14,704
Tax liabilities	17	<b>34,128</b>	30,158	<b>34,128</b>	30,158
Other liabilities	18	<b>5,645</b>	4,432	<b>5,948</b>	4,454
Total noncurrent liabilities		<b>64,841</b>	54,661	<b>64,868</b>	54,683
Equity					
Capital	20	<b>18,886</b>	15,763	<b>18,886</b>	15,763
Income reserves		<b>49,091</b>	36,022	<b>49,091</b>	36,022
Proposed additional dividends		<b>3,710</b>	6,038	<b>3,710</b>	6,038
Total equity		<b>71,687</b>	57,823	<b>71,687</b>	57,823
Total liabilities and equity		<b>345,447</b>	322,166	<b>345,637</b>	322,325

See accompanying notes

### Cisa Trading S.A.

Statements of profit or loss  
 Years ended December 31, 2016 and 2015  
 (In thousands of US Dollars, except earnings per share)

	Note	Company		Consolidated	
		2016	2015	2016	2015
Net revenue from sales and services rendered	21.a	<b>672,421</b>	813,240	<b>673,009</b>	815,023
Costs of sales	21.b	<b>(608,689)</b>	(730,176)	<b>(608,792)</b>	(731,356)
Cost of services rendered	21.b	<b>(10,369)</b>	(11,459)	<b>(10,369)</b>	(11,459)
		<b>(619,058)</b>	(741,635)	<b>(619,161)</b>	(742,815)
Gross profit from sales and services rendered		<b>53,363</b>	71,605	<b>53,848</b>	72,208
Selling expenses	21.b	<b>(5,463)</b>	(2,075)	<b>(5,463)</b>	(2,130)
General and administrative expenses	21.b	<b>(32,705)</b>	(26,270)	<b>(33,503)</b>	(31,293)
Tax expenses	21.b	<b>(2,371)</b>	(1,072)	<b>(2,408)</b>	(694)
Other operating income (expenses), net	21.b	<b>328</b>	212	<b>528</b>	476
Equity pickup	11.b/12	<b>(2,277)</b>	(6,882)	<b>(2,394)</b>	(454)
Income before finance income and costs		<b>10,875</b>	35,518	<b>10,608</b>	38,113
Finance income (costs), net	21.c	<b>889</b>	(16,673)	<b>1,140</b>	(18,488)
Income before income and social contribution taxes		<b>11,764</b>	18,845	<b>11,748</b>	19,625
Income and social contribution taxes	11.b	<b>(4,344)</b>	(6,304)	<b>(4,328)</b>	(7,084)
Net income for the year		<b>7,420</b>	12,541	<b>7,420</b>	12,541
Number of shares		<b>5,000,000</b>	5,000,000		
Basic and diluted earnings per share, net - in US\$		<b>1.49</b>	2.51		

See accompanying notes



### Cisa Trading S.A.

Statements of comprehensive income  
 Years ended December 31, 2016 and 2015  
 (In thousands of US Dollars)

Net income for the year  
 Other comprehensive income  
 Total comprehensive income for the year, net of taxes

Company		Consolidated	
2016	2015	2016	2015
7,420	12,541	7,420	12,541
-	-	-	-
<b>7,420</b>	<b>12,541</b>	<b>7,420</b>	<b>12,541</b>

See accompanying notes



### Cisa Trading S.A.

Statements of changes in equity  
 Years ended December 31, 2016 and 2015  
 (In thousands of US Dollars)

		Income reserves					Proposed additional dividends	Total
		Capital	Legal reserve	Statutory reserve	Reserves for contingencies	Retained earnings		
Balances at December 31, 2014		23,172	4,634	18,538	21,877	-	11,372	79,593
Additional dividends	20	-	-	-	-	-	(2,358)	(2,358)
Net income for the year	20	-	-	-	-	12,541	-	12,541
Allocation of profit								
Transfer to provision for contingencies	20	-	-	-	5,378	-	(5,378)	-
Mandatory and additional minimum dividends	20	-	-	-	-	(4,951)	-	(4,951)
Interest on equity	20	-	-	-	-	(1,552)	-	(1,552)
Proposed additional dividends	20	-	-	-	-	(6,038)	6,038	-
Translation adjustments		(7,409)	(1,482)	(5,928)	(6,995)	-	(3,636)	(25,450)
Balances at December 31, 2015		15,763	3,152	12,610	20,260	-	6,038	57,823
Additional dividends	20	-	-	-	-	-	(1,303)	(1,303)
Net income for the year		-	-	-	-	7,420	-	7,420
Allocation of profit								
Transfer to reserve for contingencies	20	-	-	(2,835)	8,767	-	(5,932)	-
Mandatory and additional minimum dividends	20	-	-	-	-	(3,710)	-	(3,710)
Proposed additional dividends	20	-	-	-	-	(3,710)	3,710	-
Translation adjustments		3,123	626	2,498	4,013	-	1,197	11,457
Balances at December 31, 2016		18,886	3,778	12,273	33,040	-	3,710	71,687

See accompanying notes.

### Cisa Trading S.A.

Statements of cash flows  
Years ended December 31, 2016 and 2015  
(In thousands of US Dollars)

	Note	Company		Consolidated	
		2016	2015	2016	2015
<b>Cash flow from operating activities</b>					
Income for the year before income and social contribution taxes		11,764	18,845	11,748	19,625
Adjustments of non-cash items to reconcile pre-tax income for the year with cash flow from operating activities:					
Depreciation and amortization		1,939	1,633	1,951	1,695
Write-off of property, plant and equipment and intangible assets, net		13	44	13	44
Equity pickup	12	2,277	6,882	2,394	454
(Reversal of) provision for impairment on trade accounts receivable	5 and 21.b	1,025	(11)	995	(11)
(Reversal of) provision for contingencies	19 and 21.b	2,327	(812)	2,051	(812)
Provision for impairment - taxes recoverable	7	-	-	(1)	451
Interest and monetary variation on installment payment	21.c	3,197	2,778	3,197	2,778
Derivative financial instruments		-	134	-	134
Interest and foreign exchange differences on loans and financing		-	17	-	17
Income from unredeemed marketable securities		(413)	(592)	(463)	(692)
Write-off of receivables from third parties	8 and 21.b	-	2,967	-	2,967
Provision for losses on other receivables	8 and 21.b	33	1,149	52	1,149
Foreign exchange difference on foreign affiliates		857	(2,510)	-	-
		<b>23,019</b>	<b>30,524</b>	<b>21,937</b>	<b>27,799</b>
<b>Changes in assets and liabilities</b>					
Trade accounts receivable		10,315	(28,898)	7,053	(28,286)
Related parties		622	692	-	-
Inventories		41,712	8,266	41,712	9,014
Other receivables		767	8,137	2,291	4,879
Judicial deposits		(2,327)	(406)	(2,051)	(406)
Taxes recoverable		2,931	(3,329)	3,206	(2,896)
Other assets		1,086	(1,515)	1,078	(1,515)
Trade accounts payable		(45,815)	(23,350)	(45,841)	(23,340)
Derivative financial instruments		(160)	728	(160)	728
Advances from customers		5,105	(6,705)	5,125	(6,705)
Tax liabilities		(1,185)	(974)	(1,216)	6
Dividends received		137	96	-	-
Other liabilities		(1,603)	713	(1,384)	552
Income and social contribution taxes paid		(7,455)	(4,390)	(7,455)	(4,419)
<b>Net cash provided by (used in) operating activities</b>		<b>27,149</b>	<b>(20,411)</b>	<b>24,295</b>	<b>(24,589)</b>
Acquisition of PPE and intangible assets		(1,300)	(7,065)	(1,604)	(7,404)
Acquisition of ownership interest/capital contribution in investee		(18,363)	(12,998)	(14,793)	(12,805)
Related parties		-	(6,857)	-	(6,857)
Redemption of marketable securities, net		(8,586)	39,905	3,948	17,898
<b>Net cash provided by (used in) investing activities</b>		<b>(28,249)</b>	<b>12,985</b>	<b>(12,449)</b>	<b>(9,168)</b>
Loans raised		290,434	280,865	290,434	280,865
Loans paid (principal and interest)		289,659	(251,841)	(289,659)	(251,841)
Dividends paid	20	(5,931)	(10,040)	(5,931)	(10,040)
<b>Net cash provided by (used in) financing activities</b>		<b>(5,156)</b>	<b>18,984</b>	<b>(5,156)</b>	<b>18,984</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(6,256)</b>	<b>11,558</b>	<b>6,690</b>	<b>(14,773)</b>
Translation adjustments		2,370	(188)	5,159	(19,180)
Cash and cash equivalents at beginning of year		11,959	589	26,033	59,986
Cash and cash equivalents at end of year		8,073	11,959	37,882	26,033
Increase (decrease) in cash and cash equivalents		<b>(6,256)</b>	<b>11,558</b>	<b>6,690</b>	<b>(14,773)</b>
See accompanying notes					

## Cisa Trading S.A.

Notes to financial statements  
December 31, 2016 and 2015  
(In thousands of US Dollars, unless otherwise stated)

### 1. Operations

#### Cisa Trading S.A.

Cisa Trading S.A. (“Company” or “Cisa”) operates as an importer of goods in general in the form of imports, on its own account, to order and on account of third parties, through contracts agreed upon with its customers.

Cisa holds the following investments:

Cisa Trading Argentina S.A. (“Cisa Argentina”), Cisa Overseas Limited (“Cisa Overseas”), Cisa Trading USA LLC (“Cisa USA”) and Cisa Trading S.A (“Cisa Portugal”).

The aforementioned subsidiaries were incorporated to support the Company’s activities abroad.

#### Cisa Comércio e Serviços S.A. (“Cisa Comércio”)

The Company was incorporated on August 20, 1998. On February 15, 2005, it changed its business activity, and is currently engaged in the distribution and wholesale of any goods or merchandise, national or imported, including commodity goods, semi-finished, manufactured and/or industrialized goods acting as, but not limited to a distribution center.

On July 29, 2016, by resolution of the Special General Meeting, the Company changed its name from Inspection Comércio e Serviços S.A. to Cisa Comércio e Serviços S.A.

In addition, Company partially amended its Articles of Incorporation in response to new business and perspectives of Company administration. The new Articles of Incorporation changed the business activity and included commercial operations in the local and international markets, on its own account or on account of third parties, import and export, sale and distribution of any semi-finished, manufactured and/or industrialized goods, among them specifically parts, pieces, accessories, inputs, components and material for use and consumption applied on manufacturing of motor vehicles, machinery and equipment.

#### Cisafac Corretagem de Seguros e Agenciamento de Cargas S.A. (“Cisafac”)

The Company was incorporated on August 1, 1998 and its is engaged in the performance of Factoring activities. On July 21, 2003, the Special General Meeting decided to change the company name from Cisafac Fomento Mercantil S.A. to “Cisafac Corretagem de Seguros e Agenciamento de Cargas S.A.” (“Cisafac”) and change its business activity from factoring activities to the activities described below:

- Management and brokerage of non-life insurance, such as: fire, transport (land, marine, waterway and air), hulls and aircraft, loss of profit, general civil liability insurance, vehicles, information technology equipment, cosmetics, capital goods and general cargo scheduling.



## Cisa Trading S.A.

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
(In thousands of US Dollars, unless otherwise stated)

### 1. Operations (Continued)

#### Cisarental Administração de Bens Ltda. (“Cisarental”)

The Company was incorporated on December 2, 2013 and is engaged in the purchase and sale of residential and commercial real estate units, land units and undivided land interest, rental and administration of own or third-party properties, rendering consulting services related to the real estate market and lease of own or third-party personal property, plant and equipment in general, national or imported.

#### Steel Warehouse Cisa Indústrias de Aço Ltda.

The Company acquired Gdansk Participações Ltda. from third parties on December 5, 2014, and, on that same date, changed its company name and business activity to rental of industrial machinery and equipment, especially laminated steel sheets and cold-rolled flat steel products used in the processing, leveling, precision cutting and other related technical services for R\$ 100.00 (one hundred reais). Gdansk Participações Ltda. was a dormant company whose total assets were represented by R\$100.00 (one hundred reais) of cash and cash equivalents.

On April 8, 2015, the Company changed its name when an American company became the new shareholder, whose interests were defined as 50% for each shareholder and shared control. The Company also changed its business activity, which currently is: The manufacturing of steel products, especially steel lamination and work hardening, with smooth cylinders and a cut-to-length line; operation of a steel service facility focused on laminated steel sheets and cold-rolled flat steel products, including processing, leveling, precision cutting and other services related to steel sheets and coil and the rendering of related technical services.

### 2. Accounting practices

The Company's financial statements for the year ended December 31, 2015 were prepared and are presented in accordance with accounting practices and principles as set out in this note for the special purpose mentioned in note 2.1.

The financial statements were prepared in the ordinary course of business. Management identified no significant uncertainty on the Company's ability to continue as a going concern in the next 12 months.

These financial statements were prepared using the historical cost as a value basis, except for the valuation of certain assets and liabilities as financial instruments, which are measured at fair value.



## Cisa Trading S.A.

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
(In thousands of US Dollars, unless otherwise stated)

### 2. Accounting practices (Continued)

The Company presented the statement of comprehensive income in its financial statements to comply with the provisions of the Brazilian Corporation Law (CPC 26 (R1)). The Company has no other comprehensive income in addition to P&L for the year.

Nonfinancial data included in these financial statements, such as economic forecasts, insurance and classification of operations as import operations on own account, to order and on account and order of third parties were not audited.

Cisa's individual and consolidated financial statements were approved by the Executive Board on June 23, 2017.

#### Estimates

These financial statements were prepared under various assessment bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, considering management's judgment for determining the adequate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property, plant and equipment in operations, measurement of financial assets at fair value and under the present value method, credit risk analysis in determining the allowance for doubtful accounts, as well as the analysis of other risks in determining other provisions, including provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainty inherent in the estimate process. The Company reviews its estimates and assumptions at least once a year.

#### 2.1. Functional currency

These financial statements in U.S. dollars have been prepared with the sole objective of facilitating readers of other countries to translate Brazilian reais into a well-known currency. Readers should always bear in mind that the official accounts of the Company are kept and reported in Brazilian reais, following the accounting practices adopted in Brazil, which comprise the pronouncements, interpretations and guidance issued by Brazil's Financial Accounting Standards Board - FASB (CPC).

The figures were translated from Brazilian reais into US dollars by applying year-end official exchange rates of R\$3,2591 per US\$1.00 at December 31, 2016 and R\$3,9048 per US\$1.00 at December 31, 2015.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
(In thousands of US Dollars, unless otherwise stated)

## 2. Accounting practices (Continued)

### 2.1. Functional currency (Continued)

#### a) Transactions and balances

Transactions in foreign currency are initially recorded at the functional currency prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into reais at the functional currency exchange rate prevailing at the balance sheet date. All currency translation differences are recognized in the income statement.

#### b) Group companies

Assets and liabilities of subsidiaries headquartered abroad are translated into Brazilian reais at the statement of financial position date and the corresponding statements of profit or loss are translated at the average rate.

### 2.2. Basis of consolidation

Pursuant to CPC 36 (R2) - Consolidated Financial Statements, the Company's consolidated financial statements are being presented, which include the Company's and its subsidiaries' financial statements at December 31, 2016, as follows:

Company name	Headquartered in	Interest	Control	Fully consolidated
Cisa Comércio e Serviços S.A.	Brazil	99.99%	Yes	Yes
Cisafac Corret. Seg. Agenc. de Cargas S.A.	Brazil	99.98%	Yes	Yes
Cisarental Administração de Bens Ltda.	Brazil	99.90%	Yes	Yes
Cisa Trading Argentina S.A.	Argentina	96.73%	Yes	Yes
Cisa Overseas Limited	Cayman Islands	100.00%	Yes	Yes
Cisa Trading USA LLC	USA	100.00%	Yes	Yes
Cisa Trading S.A - Portugal	Portugal	100.00%	Yes	Yes
<u>Boutique investment funds (Note 4):</u>				
Bradesco FI RF Credito privado Vitoria	Brazil	100.00%	Yes	Yes
OmegaRF41599 - Omega RF FI Credito Privado	Brazil	100.00%	Yes	Yes

The Company's control over subsidiaries is evidenced by equity holding and the prevalence in resolutions concerning the operating activities of these subsidiaries.

The financial reporting period of consolidated subsidiaries coincides with that of the Company, and accounting policies and practices were consistently applied.

## Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 2. Accounting practices (Continued)

#### 2.2. Basis of consolidation (Continued)

The main consolidation procedures are:

- Elimination of the balance of intercompany assets and liabilities;
- Elimination of equity interest, reserves and retained earnings of consolidated companies;
- Elimination of revenues, expenses and unrealized income from intercompany transactions; and
- Determination of taxes on unrealized profits, where applicable, presented as deferred taxes in the consolidated statement of financial position.

The Company has noncontrolling shareholders in subsidiaries Cisa Comércio e Serviços S.A., Cisafac Corret. Seg. Agenc. de Cargas S.A., Cisarental Administração de Bens Ltda., and Cisa Trading Argentina S.A., , as such, pursuant to Accounting Pronouncement CPC 26 (R1) - Consolidated Financial Statements, the Company performed full consolidation; however, it did not include in equity and P&L for the year the amount corresponding to noncontrolling shareholders in the consolidated financial statements as it was immaterial.

#### 2.3. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Revenue is measured at fair value of the consideration received, net of sales discounts, rebates, and related taxes or charges. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and, eventually, concluded that it has been operating as a principal in all its revenue agreements. Revenue is not recognized when there is significant uncertainty about realization thereof.

The following specific criteria must also be met before revenue recognition:

a) Sales of products

Sales revenue is recognized when significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs upon delivery.

b) Services rendered

Revenue from services stemming from import operations, to order and on account of third parties, are recognized by the Company upon transfer of ownership of the goods to the customer.

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**2. Accounting practices (Continued)****2.3. Revenue recognition (Continued)**c) Lease income

Lease income generated by lease transactions of containers and properties is recognized by the Company over the assets lease term at the end of each period.

d) Interest income

Interest income arising from short-term investments is calculated based on the effective interest rate, over the period elapsed, on the principal amount invested. Interest income is recognized under "Finance income", in the statement of profit or loss.

**2.4. Financial instruments - initial recognition and subsequent measurement**Financial assets*Initial recognition and measurement*

Financial assets are initially recognized at fair value, plus, in the case of investment that is not determined at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset.

The Company's main financial assets include cash and cash equivalents, marketable securities, derivative financial instruments, accounts receivable, transactions with related parties and judicial deposits.

*Subsequent measurement*

Subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

These are nonderivative financial assets with fixed or determinable payments which, however, are not quoted in an active market. After their initial recognition, they are measured at amortized cost using the effective interest rate method, less impairment.



## Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 2. Accounting practices (Continued)

#### 2.4. Financial instruments - initial recognition and subsequent measurement (Continued)

##### Financial assets (Continued)

##### *Financial assets measured at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading when acquired with the objective of sale in the short term. This category includes derivative financial instruments taken out by the Company that do not meet the hedge accounting criteria, defined by CPC 38. Financial assets at fair value through profit or loss are stated in the statement of financial position at fair value, with the related gains and losses recognized in P&L.

##### *Derecognition (write-off)*

A financial asset (or, whenever the case, a part of a financial asset, or a part of a group of similar financial assets) is derecognized when:

- i) The rights to receive cash flows from the assets expire;
- ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to fully pay any cash flows it has received, without significant delay to a third party under a pass-through arrangement, and (a) the Company transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over the asset.

##### *Impairment of financial assets*

A financial asset or group of financial assets is considered to be impaired only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and this loss event impacted the estimated future cash flow of the financial asset or group of financial assets that can be reliably measured. Evidence of impairment loss may include indication that the borrowing parties are going through significant financial hardship. The probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments may be indicated by a measurable decrease in the estimated future cash flow, such as changes in arrears or economic conditions that correlate with defaults.



## Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 2. Accounting practices (Continued)

#### 2.4. Financial instruments - initial recognition and subsequent measurement (Continued)

##### Financial assets (Continued)

###### *Cash and cash equivalents*

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes.

The Company considers cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, e.g. three months or less from the investment date. Breakdown of cash and cash equivalents and marketable securities by type is presented in Notes 3 and 4.

###### *Marketable securities*

Marketable securities are measured based on monetary restatements and recorded in P&L as incurred, not presenting significant differences in relation to their fair value. Therefore, there was no fair value adjustment under equity as at December 31, 2016.

###### *Derivative financial instruments*

The Company uses derivative financial instruments to hedge against the risk of changes in aluminum prices and exchange rate change risks. For further details, see Note 22.

Derivative financial instruments designated in *hedge* transactions are initially recognized at fair value on the date when the derivative contract is signed, and it is subsequently revalued at fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as financial liabilities when fair value is negative.

Any gains or losses from changes in fair value of derivatives over the year are directly posted to the statement of profit or loss, except for the effective cash flow hedge portion, which is recognized directly in equity, under Other comprehensive income.

###### *Classification into current and noncurrent*

Derivative instruments not classified as effective hedge instrument are classified as current or noncurrent or segregated into short and long term portions based on an evaluation of the contracted cash flows and when a reliable allocation can be made.

## Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 2. Accounting practices (Continued)

#### 2.4. Financial instruments - initial recognition and subsequent measurement (Continued)

##### Financial assets (Continued)

###### *Trade accounts receivable*

These are stated at realizable values. An allowance for doubtful accounts is set up in an amount considered sufficient by management to cover any losses on collection of receivables and individual valuation is performed per customer that has outstanding securities.

##### Financial liabilities

###### *Initial recognition and measurement*

The financial liabilities are initially recognized at fair value and, in the case of loans and financing, include directly related transaction costs.

Major financial liabilities recognized by the Company are: trade accounts payable, derivative financial instruments, loans and financing and dividends payable.

###### *Subsequent measurement*

Measurement of financial liabilities depends on their classification, which can be as follows:

##### Financial liabilities at fair value through profit or loss

These include financial liabilities held for trading and financial liabilities initially recognized at FVTPL.

The accounting practices related to these financial liabilities are those already mentioned for the accounting practices related to financial assets measured at fair value through profit or loss.

The Company uses derivative financial instruments such as futures contracts to hedge against changes in the aluminum price and in exchange rates.

These derivative financial instruments are initially recognized at fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as financial liabilities when fair value is negative.

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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(In thousands of US Dollars, unless otherwise stated)

**2. Accounting practices (Continued)****2.4. Financial instruments - initial recognition and subsequent measurement (Continued)**Financial liabilities (Continued)Subsequent measurement (Continued)Financial liabilities at fair value through profit or loss (Continued)

Any gains or losses arising from changes in fair value of derivatives for the year are recorded directly in the statement of profit or loss under gains or losses on financial instruments, under the groups of finance income and finance costs, respectively. The Company does not adopt any hedge accounting policy.

Loans and financing

After their initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, under the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when liabilities are derecognized, and through the amortization process by the effective interest rate method.

Trade accounts payable

These include short-term liabilities with suppliers of goods for resale, materials and services, and are kept at settlement amounts.

Fair value of financial instruments

The fair value of financial instruments actively traded in organized financial markets is determined based on purchase prices quoted in the market at close of business at statement of financial position date, without deduction of transaction costs.

**2.5. Inventories**

Inventories are stated at average acquisition cost, not exceeding market value.

Provisions for breakages, slow-moving or obsolete inventories are set up when considered necessary by management.

**2.6. Investments**

The Company's investments in its subsidiaries and jointly-controlled company are accounted for using the equity method. A subsidiary is an entity on which the Company exercises control. See Note 2.2.

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**2. Accounting practices (Continued)****2.7. Investment properties**

Investment properties are initially measured at cost, including transaction costs. Book value includes the cost for replacing part of an investment property existing at the time the cost is incurred if the recognition criteria are met; excluding costs of daily service of investment property. After initial recognition, investment properties can be recognized at historical cost, less the provision for depreciation and impairment loss or be stated at fair value, which reflects market value as of the statement of financial position date. Gains or losses arising from changes in fair value of investment properties are included in P&L for the year in which they are generated.

Investment properties are written off when sold or when they are no longer used permanently; and no future economic benefit is expected from their sale. The difference between net amount obtained from the sale and book value of the asset is recognized in P&L upon write-off.

Transfers are made to the investment property account, or from this account, only when there is a change in its use. If the property occupied by the owner becomes an investment property, the Company accounts for such property in accordance with the policy described in property and equipment up to the date of change in its use.

**2.8. Property, plant and equipment**

These are recorded at acquisition, buildup or construction cost. Depreciation is calculated by the straight-line method and takes into consideration the estimated economic and useful lives of the assets for defining depreciation rates.

A property, plant and equipment item is derecognized on disposal or when no future economic benefit is expected from its use or sale. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the carrying of the asset, and are included in the statement of profit or loss for the year in which the asset is derecognized.

The residual value and useful life of the assets as well as the depreciation methods used are reviewed at year-end, and adjusted prospectively, when applicable. At December 31, 2016, Management identified no changes in relation to the studies carried out in prior years.



### Cisa Trading S.A.

Notes to financial statements (Continued)  
 December 31, 2016 and 2015  
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## 2. Accounting practices (Continued)

### 2.9. Taxation

#### Taxes on sales and services

Revenues from services is subject to the following taxes and contributions, at the following statutory rates:

Taxes and contributions	Rate
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1.65%
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	7.60%

Sales revenues are subject to the contributions described above at the following statutory rates:

Taxes and contributions	Rate
State VAT (ICMS)	6% (i)

(i) Average rate due to the fact that the Company operates in different states.

Revenues are stated net of these charges in the statement of profit or loss. Operating and maintenance costs are stated net of tax credits under the noncumulative PIS and COFINS taxation regime in the statement of profit or loss.

#### Current income and social contribution taxes

Income taxes include both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a surtax of 10% on taxable profit exceeding US\$ 73.63 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis. As such, additions to book income, deriving from temporarily nondeductible expenses, or exclusions of temporarily non-taxable profit upon determination of current taxable profit, generate deferred tax assets or liabilities. The amounts of taxes payable are presented net of prepayments. Prepaid or recoverable taxes are stated under current or noncurrent assets according to their estimated realization.

#### Deferred taxes

Deferred tax is generated by temporary differences at statement of financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized on all temporary tax differences.



**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**2. Accounting practices (Continued)****2.9. Taxation (Continued)**Deferred taxes (Continued)

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that it is likely that taxable income will be available so that the deductible temporary differences may be realized, and unused tax credits and losses may be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets written off are reviewed at each statement of financial position date and recognized to the extent that future taxable profit will likely allow recovery of deferred tax assets. Deferred tax assets and liabilities are measured at the tax rate expected to be applied in the year in which the asset or liability will be realized or settled, based on the tax rates (and tax law) in force at the statement of financial position date.

Deferred tax assets and liabilities will be stated net if there is a legal or contractual right to offset the tax asset against a tax liability, and the deferred taxes are related to the same taxed entity, subject to the same tax authority.

**2.10. Present value adjustment of assets and liabilities**

Noncurrent monetary assets and liabilities are monetarily restated and, therefore, adjusted to their present value. The present value adjustment of current monetary assets and liabilities is calculated, and only recorded, if considered significant in relation to the overall financial statements. For reporting and materiality level determination purposes, present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the related assets and liabilities.

**2.11. Provision for Impairment of nonfinancial assets**

Management annually tests the net carrying amount of the assets to determine whether there are any events or changes in economic, operating, or technological circumstances that may indicate impairment loss. When such evidence is found, and the net carrying amount exceeds the recoverable amount, a provision for impairment is set up to adjust the net carrying amount to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit (CGU) is defined as the higher of value in use and fair value less costs to sell.

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**2. Accounting practices (Continued)****2.11. Provision for Impairment of nonfinancial assets (Continued)**

At December 31, 2016 and 2015, Company management concluded that there were no indications of impairment on its nonfinancial assets.

**2.12. Other assets and liabilities**

An asset is recognized in the statement of financial position whenever it is a resource controlled by the Company in connection with past events, from which future economic benefits are expected to arise.

A liability is recognized in the statement of financial position whenever the Company has a legal or constructive obligation in connection with a past event, the settlement of which is likely to require an economic resource.

**2.13. Other employee benefits**

Benefits granted to the Company's employees and managing officers include, in addition to fixed compensation (salaries, social security contributions (INSS), accrued vacation pay and 13<sup>th</sup> monthly salary), variable compensation such as profit sharing, bonuses, health care insurance plan and meal voucher. These benefits are recorded in P&L for the year when the Company has a liability accounted for on an accrual basis, as incurred.

**2.14. Provisions**General consideration

Provisions are recognized when the Company has a present obligation arising from past events, the settlement of which is likely to result in an outflow of economic benefits and for which a reliable estimate can be made. When the Company expects that the amount of a provision will be refunded, whether in full or in part, the refund is recognized as a separate asset, but only when the refund is virtually certain. Expenses related to any provision are charged to P&L, net of the corresponding refund, if any.

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**2. Accounting practices (Continued)****2.14. Provisions (Continued)**Provisions for contingencies

The Company is party to legal and administrative proceedings. Provisions are recognized for all contingencies in connection with legal proceedings for which it is likely that a cash outflow will be required to settle the contingency/obligation and a reasonable estimate can be made. Assessment of the likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of the Company's external legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as the applicable statute of limitations, outcomes of tax inspections, or additional exposures identified based on new matters or court decisions.

**2.15. Significant accounting judgments, estimates and assumptions**Judgments

The preparation of the financial statements requires that management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as at the financial statement reporting date. However, uncertainty associated with those estimates and assumptions could lead to results that would require significant adjustment to the book value of assets or liabilities affected in future periods.

Upon applying the Company's accounting practices, management made the following judgments that have most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

Significant assumptions regarding sources of uncertainty in future estimates and other major sources of uncertainty in estimates as at the statement of financial position date, involving a significant risk that a significant adjustment to the carrying amount of assets and liabilities may be required in the next financial year are discussed below:

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**2. Accounting practices (Continued)****2.15. Significant accounting judgment, estimates and assumptions (Continued)**Estimates and assumptions (Continued)*Fair value of financial instruments*

When the fair value of financial assets and liabilities stated in the statement of financial position cannot be obtained in active markets, it is determined using valuation techniques, including the discounted cash flow method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Professional judgment includes considerations on data used, such as liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

*Impairment of nonfinancial assets*

Impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use, as mentioned in Note 2.9.

*Taxes*

Significant judgment from management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profit, together with future tax planning strategies.

*Provisions for tax, civil and labor contingencies*

The Company recognizes a provision for civil and labor claims. Assessment of the likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of the Company's external legal advisors.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimation process.

**2.16. Statements of cash flows**

Statements of cash flows were prepared by the indirect method and are presented in accordance with Accounting Pronouncement CPC 03 (R2) - Cash Flow Statements.



### Cisa Trading S.A.

Notes to financial statements (Continued)  
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## 2. Accounting practices (Continued)

### 2.17. Earnings per share

Earnings per share were calculated in accordance with Law No. 6404/76, article 187, item VII, which requires them to be presented in the statement of profit or loss - net income or loss for the year and amount per share held in capital (P&L divided by the shares outstanding amount as of the financial statement reporting date).

### 2.18. New or revised pronouncements

The Company has decided not to early adopt any other standards, interpretations or amendments that have been issued, but are not yet effective. The nature and effective term of each of the new standards and amendments are described below:

Standard	Description	Effectiveness
IFRS 9 - Financial Instruments	This refers to the first phase of the replacement project of IAS 39 - Financial Instruments: Recognition and Measurement.	This standard is applicable to annual periods beginning on or after January 1, 2018.
IFRS 15 - Revenue from Contracts with Customers	IASB and FASB convergence - recognition of revenue in contracts with customers	This standard is applicable to annual periods beginning on or after January 1, 2018.
IFRS 16 - Leases	This refers to the definition of and guidance on leases set forth in IAS17.	This standard is applicable to annual periods beginning on or after January 1, 2019.

Company management awaits the abovementioned standards to be issued in Brazil by CPC to analyze possible impacts on its financial statements.

## 3. Cash and cash equivalents

	Company		Consolidated	
	2016	2015	2016	2015
Cash and cash equivalents	397	556	1,170	1,218
Bank Deposit Certificates - CDB (Note 4)	-	-	-	483
Repurchase agreements (*) (Note 4)	7,676	11,403	36,712	24,332
	<b>8,073</b>	<b>11,959</b>	<b>37,882</b>	<b>26,033</b>

In 2016, repurchase agreements are remunerated at rates ranging from 50% to 100% of the Interbank Deposit Certificate (CDI) (85% to 100% in 2015).

In 2015, marketable securities in Bank Deposit Certificates are remunerated at rates ranging from 100% to 104%.



### Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 3. Cash and cash equivalents (Continued)

(\*) Repurchase agreements are notes issued by banks, provided that the issuing bank repurchases such note and the customer sells it at predefined rates and periods, guaranteed by corporate bonds or government securities, depending on the bank's availability, and are registered with the Clearing House for the Custody and Financial Settlement of Securities (CETIP).

### 4. Marketable securities

	Company		Consolidated	
	2016	2015	2016	2015
Exclusive Investment funds	28,734	16,400	-	-
Marketable securities	-	-	3,272	5,955
	28,734	16,400	3,272	5,955

The Company concentrated most of its marketable securities in exclusive investment funds. At December 31, 2016 and 2015, the amounts recorded referring to exclusive funds are measured at fair value through profit or loss. Under CVM Ruling No. 408/04, marketable securities represented by investment funds in which the Company holds exclusive participation were included in the consolidated financial statements.

Marketable securities (Company and consolidated) are broken down as follows:

Financial institution	Type of investment	Company	2016	2015
<b>Company:</b>				
Banco Bradesco S/A	Exclusive fund - <i>Crédito privado Vitória</i>	Cisa Trading	-	3,860
Banco Itau S/A	Exclusive fund - <i>Ômega</i>	Cisa Trading	28,734	12,540
Banco Bradesco S/A	Repurchase agreements	Cisa Trading	3,991	5,838
Banco Itau S/A	Repurchase agreements	Cisa Trading	3,685	5,565
			36,410	27,803
			(-)Cash and cash equivalents (Note 3)	(7,676)
			28,734	16,400
<b>Subsidiaries:</b>				
Banco Itau S/A	Exclusive fund - <i>Ômega</i>	Cisa Comércio	3,022	2,804
Banco Itau S/A	Exclusive fund - <i>Ômega</i>	Cisafac	226	163
Banco Itau S/A	Exclusive fund - <i>Ômega</i>	Cisarental	276	-
Safra National Bank of New York	Fixed remuneration	Cisa Argentina	50	-
			-	-
			3,574	2,967
<b>Total consolidated</b>			<b>39,984</b>	<b>30,770</b>
			Cash and cash equivalents (Note 3)	(36,712)
			Marketable securities	(24,815)
			<b>3,272</b>	<b>5,955</b>

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 4. Marketable securities (Continued)

The consolidated cash and cash equivalents (Note 3) are broken down as follows:

	2016	2015
Cash and banks - domestic		
Cisa Trading S/A	33,838	11,959
Cisa Comércio	22	17
Cisafac	4	24
Cisarental	3	102
TMarketable securities	<u>3,272</u>	<u>13,412</u>
	<u>37,139</u>	<u>25,514</u>
Cash and banks - foreign		
Cisa Overseas Limited	626	435
Cisa Trading USA LLC	59	65
Cisa Trading Argentina	6	19
Cisa Trading Portugal	<u>52</u>	<u>-</u>
	<u>743</u>	<u>519</u>
	<u>37,882</u>	<u>26,033</u>

Marketable securities by type are as follows:

	2016	2015
National treasury notes	29,033	317
Debentures	7,675	11,403
Finance bill	3,225	3,587
Bonds/deposit certificate	51	-
Financial treasury bills (LFT)	-	14,807
Bank deposit certificates (CDB)	-	484
Forwards - shares	-	172
	<u>39,984</u>	<u>30,770</u>

The Company adopts financial investment policies determining that investments should be concentrated on low-risk marketable securities and investments in first-tier financial institutions. Marketable securities described above are substantially remunerated based on a percentage variation of the Interbank Deposit Certificate (CDI). Yield for the year ended December 31, 2016 ranged from 12.24% to 14.12% p.a. (13.1% to 13.6% in 2015).

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 5. Trade accounts receivable

	Company		Consolidated	
	2016	2015	2016	2015
Trade accounts receivable - local	<b>139,083</b>	124,694	<b>143,103</b>	125,327
Allowance for doubtful accounts (i) (Note 11.a)	<b>(1,308)</b>	(236)	<b>(1,308)</b>	(262)
	<b>137,775</b>	124,458	<b>141,795</b>	125,065

(i) The allowance for doubtful accounts was recorded based on an individual analysis of each customer having outstanding payables referring to sales transactions carried out and was considered sufficient by management to cover probable losses on receivables.

Changes in the allowance for doubtful accounts are as follows:

	Company	Consolidated
Balances at December 31, 2014	<b>(363)</b>	(400)
Reversal of allowance for the year, net	<b>11</b>	11
Translation adjustments	<b>116</b>	127
Balances at December 31, 2015	<b>(236)</b>	(262)
Allowance for the year, net	<b>(1,025)</b>	(995)
Translation adjustments	<b>(47)</b>	(51)
Balances at December 31, 2016	<b>(1,308)</b>	(1,308)

The Company constantly carries out customer credit analysis and may require security interest for its time sales. Management understands, however, that the risk related to trade accounts receivable is mitigated as sales are mostly made to top-tier customers.

#### 6. Inventories

	Company		Consolidated	
	2016	2015	2016	2015
Import in transit	<b>57,505</b>	83,264	<b>57,505</b>	83,264
Goods held by third parties	<b>6,576</b>	7,910	<b>6,576</b>	7,910
Goods in inventory	<b>4,737</b>	1,080	<b>4,737</b>	1,080
Ancillary materials	<b>16</b>	12	<b>16</b>	12
	<b>68,834</b>	92,266	<b>68,834</b>	92,266

Goods imported on the Company's own account and to order, hedged against currency risk, remain recorded as build-up inventories up to customs clearance, which does not necessarily coincide with the arrival of the goods in Brazil. However, these imported goods may remain in bonded warehouses for an unspecified period of time until they have been cleared from customs, which occurs in less than one year.

Since the Company has no loss history or expectations, no provisions for inventory losses, breakage, obsolescence or other provisions were recorded.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 7. Taxes recoverable

	Company		Consolidated	
	2016	2015	2016	2015
State VAT (ICMS)	3,149	3,460	4,434	4,535
Withholding Income Tax (IRRF)	1	1	89	85
Federal VAT (IPI)	1	1	1	20
Withholding social contribution	26	24	26	24
Withholding PIS and COFINS	120	89	120	100
Income Tax and Social Contribution on Profit	5,026	340	5,442	352
Other taxes	69	55	209	392
(-) Provision for impairment of assets (ICMS) (i)	-	-	(1,825)	(1,525)
	<b>8,392</b>	<b>3,970</b>	<b>8,496</b>	<b>3,983</b>
(-) Current	<b>(8,297)</b>	<b>(3,891)</b>	<b>(8,401)</b>	<b>(3,904)</b>
Noncurrent	<b>95</b>	<b>79</b>	<b>95</b>	<b>79</b>

(i) The Company recorded a provision for impairment losses at an amount deemed sufficient to cover losses, if any.

Taxes recoverable were generated by Company operations and by the acquisition of operational property, plant and equipment, and will be offset against future tax liabilities of the same nature and stated at realizable values.

#### 8. Other receivables

	Company		Consolidated	
	2016	2015	2016	2015
Current				
Tax credits to be awarded - BANDES (i)	5,625	4,044	5,625	4,044
Advances to customers (iii)	3,113	1,869	3,113	1,874
Advances to foreign suppliers	313	213	313	213
Advances to local customers	267	491	267	491
Other receivables	656	2,371	1,839	4,619
	<b>9,974</b>	<b>8,988</b>	<b>11,157</b>	<b>11,241</b>
Noncurrent				
Property for sale (iv)	2,340	1,930	2,340	1,930
Accounts receivable from disposal of ownership interest (ii)	1,702	1,420	1,702	1,420
Provision for impairment losses	(1,410)	(1,149)	(1,429)	(1,149)
	<b>2,632</b>	<b>2,201</b>	<b>2,613</b>	<b>2,201</b>
	<b>12,606</b>	<b>11,189</b>	<b>13,770</b>	<b>13,442</b>

i) These refer to financing obtained from Banco de Desenvolvimento do Espírito Santo S.A. - BANDES through the Fund for Port Development Activities (FUNDAP).

ii) These refer to the sale of shares stemming from temporary ownership interest, resulting from the allocation of CDBs to shares of companies having shares traded on the Stock Exchange and subsequent sale thereof. The corresponding amounts are stated at the amount of shares sold.

iii) These refer to taxes paid by the Company on goods import operations to order and on account of third parties.

iv) This refers to the property located in the neighborhood of Ponta da Fruta, Espírito Santo state, where the Company intended to build a general warehouse. However, management decided to continue operations using third-party warehouses and, thus, selling the referred to property.



### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 9. Marketable securities

	Company and consolidated	
	2016	2015
Marketable securities	682	640
	682	640

The Company has Bank Deposit Certificates (CDB) linked to Banco de Desenvolvimento do Espírito Santo S.A. - BANDES, stemming from financing operations carried out through the FUNDAP system, which are initially recognized at fair value through profit or loss.

The provisions for impairment losses are periodically reviewed and determined based on the expected realization of securities, according to the projected investments in Espírito Santo state. In 2014, upon enactment of Decrees No. 3174/R and No. 3174/R12, use of CDB for reimbursement of international freight expense in imports was allowed in that state. Based on this possibility, Company management expects no future losses.

#### 10. Related parties

Sale and purchase transactions involving related parties are carried out at prices agreed upon between the parties. Outstanding balances at year-end have no guarantees, are subject to interest and are settled through bank transfers. No guarantees were provided or received in relation to any accounts receivable or payable involving related parties. For the year ended December 31, 2016, the Company did not record any impairment losses for accounts receivable relating to amounts due by related parties. This assessment is made each year considering the financial position of the related party and the market in which that related party operates.

Transaction with related parties correspond to the purchase and sale of goods and services, loan agreements, advances, payment of dividends and interest on equity between related parties as follows:

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 10. Related parties (Continued)

	2016			2015		
	Assets	Revenues	Expenses	Assets	Revenues	Expenses
<b>Cisa Comércio</b>						
Sales	-	103	-	-	3,500	-
Costs of sales	-	-	(103)	-	-	(2,614)
Accounts receivable	1	-	-	517	-	-
<b>Cisafac</b>						
<b>Corret.Seg.Agenc.Cargas</b>						
Services rendered	-	120	-	-	-	-
Dividends receivable	56	-	-	57	-	-
Accounts receivable	4	-	-	-	-	-
<b>Cisarental</b>						
Services rendered	-	365	-	-	-	-
Accounts receivable	4	-	-	-	-	-
<b>Steel Warehouse Cisa</b>						
Accounts receivable	-	-	-	6,857	-	-
Advances (i)	-	-	-	-	-	-
	<b>65</b>	<b>588</b>	<b>(103)</b>	<b>7,431</b>	<b>3,500</b>	<b>(2,614)</b>

(i) Since this advance was made to a company under shared control, the amount was not eliminated in the consolidation process.

#### Key management personnel compensation

The Company considered members that hold positions in management and the Executive Board, whether these are statutory or not, as well as members of the Board of Directors to be “key management personnel”. In addition, the Company did not carry out transactions with controlling shareholders, except for interest on equity paid.

Further to the usual benefits ensured by labor legislation, the Company provides a health care plan, life insurance, profit sharing and bonuses to its employees. At December 31, 2016, key management personnel compensation and benefits amounted to US\$10,931 (US\$8,473 in 2015), recorded under “General and administrative expenses”.

#### 11. Income and social contribution taxes

##### a) Deferred income and social contribution taxes

At December 31, 2016 and 2015, the Company and its subsidiaries recorded tax loss carryforwards and temporary differences. The term estimated by Management for the offset of these tax credits is three years.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
 December 31, 2016 and 2015  
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#### 11. Income and social contribution taxes (Continued)

##### a) Deferred income and social contribution taxes (Continued)

Deferred income and social contribution taxes are recorded to reflect future tax effects, attributed to temporary differences between the tax base of assets and liabilities and their corresponding book value.

	Company		Consolidated	
	2016	2015	2016	2015
Deferred income and social contribution taxes				
On temporary differences	<b>6,037</b>	4,921	<b>6,125</b>	4,921
	<b>6,037</b>	4,921	<b>6,125</b>	4,921

##### *Breakdown of temporary differences*

	2016	2015
Provision for contingencies (Note 19)	<b>19,944</b>	14,704
Provision for impairment of assets		
Allowance for doubtful accounts (Note 5)	<b>1,308</b>	236
Reversal of provisions (collective bargaining agreement and cost with customers)	<b>(1,070)</b>	-
Provision for profit sharing	<b>573</b>	-
Finance lease	<b>(1,670)</b>	-
Other temporary differences	<b>(1,330)</b>	(467)
	<b>17,755</b>	14,473
Combined rate	<b>34%</b>	34%
Deferred income and social contribution taxes (Company)	<b>6,037</b>	4,921
Deferred income and social contribution taxes (subsidiaries)	<b>88</b>	-
	<b>6,125</b>	4,921

Based on expected generation of future taxable profits determined by a technical study approved by management, the Company and its subsidiaries recognized tax credits on tax losses and temporary differences, which may be carried indefinitely. Based on this analysis on the generation of future taxable profit, the Company estimates to recover these tax credits in the following years.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
 December 31, 2016 and 2015  
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#### 11. Income and social contribution taxes (Continued)

##### b) Reconciliation of income and social contribution tax expenses

Segregation between current and deferred income and social contribution taxes in the statement of profit or loss is as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Income and social contribution taxes:				
Current	(4,592)	(7,615)	(4,576)	(7,657)
Reversal of provision for contingencies referring to exchange difference on income abroad	603	1,017	603	1,017
Deferred	(355)	294	(355)	(444)
Total expenses	(4,344)	(6,304)	(4,328)	(7,084)

Reconciliation of the expense calculated by applying the combined tax rates and the income and social contribution tax expenses charged to P&L is as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Income before income and social contribution taxes	11,764	18,845	11,748	19,625
Equity pickup (Note 12)	2,277	6,882	2,394	454
Interest on equity (Note 20)	-	(1,553)	-	(1,553)
Adjusted income	14,041	24,174	14,142	18,526
Income and social contribution taxes - 34%	(4,774)	(8,219)	(4,808)	(6,299)
Reversal of provision for contingencies referring to exchange difference on income abroad	-	1,017	-	1,017
Foreign exchange variation on foreign investment	-	853	-	-
P&L before taxes, net - investees domiciled abroad (i)	-	-	-	(1,777)
Other	430	45	480	(25)
Income and social contribution taxes	(4,344)	(6,304)	(4,328)	(7,084)
Effective rate	31%	26%	31%	38%



### Cisa Trading S.A.

Notes to financial statements (Continued)

December 31, 2016 and 2015

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### 12. Investments

Significant information on interest held in subsidiaries and jointly-controlled subsidiary is as follows:

Investments	Number of shares	Interest held by the Company - %	2016				2015				
			Equity of investee	Net income (loss) for the year	Equity pickup recorded for the year	Book value of investments	Equity of investee	Net income (loss) for the year	Equity pickup recorded for the year	Book value of investments	
Cisa Comércio e Serviços S.A.	(1)	200,000	99.99%	3,146	(195)	(122)	3,219	2,789	(1,252)	(1,252)	2,789
Cisafac Corret. Seg. Agenc. de Cargas S.A.	(1)	10,000	99.98%	159	112	112	159	143	115	115	143
Cisarental Administradora de Bens Ltda.	(4)	60,000,000	99.90%	7,849	227	226	7,842	6,510	(63)	(63)	6,510
Cisa Trading Argentina S.A.	(6)	1,000,000	96.73%	-	2	(55)	-	-	(36)	(35)	-
Cisa Overseas Limited	(2)	5,005,000	100.00%	5,805	16	16	5,805	2,636	(5,193)	(5,193)	2,636
Cisa Trading S.A - Portugal	(2)	200,000	100.00%	158	(54)	(54)	158	-	-	-	-
Cisa Trading USA LLC	(6)	100	100.00%	58	(6)	(6)	58	65	-	-	65
<b>Subtotal</b>						117	17,241			(6,428)	12,143
Steel Warehouse Cisa Inds.de Aço Ltda.	(5)	192,000,000	50.00%	54,394	(4,788)	(2,394)	27,197	24,701	(908)	(454)	12,350
BANDES	(3)	10,827,451	-	-	-	-	30	-	-	-	26
<b>Subtotal</b>						(2,394)	27,227			(454)	12,376
<b>Total</b>						(2,277)	44,468	-	-	(6,882)	24,519

- (1) Investments in these subsidiaries are measured by the equity method. The financial statements for these subsidiaries were audited by the same independent auditors as used by the Company.
- (2) These investments are an extent of the Company's business abroad and were measured by the equity method. The financial statements of these subsidiaries were audited by the same independent auditor who audited the financial statements of the Company, to the extent required to support the opinion on the consolidated financial statements of the Company. The effects from foreign exchange difference on these investments are recorded under finance costs.
- (3) The Company holds PNB type stock from the Banco de Desenvolvimento do Espírito Santo S.A. (BANDES), acquired through the conversion of residual balances of CDBs - stemming from the Fund for Development of Port Activities (FUNDAP), which were not applied in the Company's own projects or in those of third parties in accordance with legislation in force and are valued by the cost method.
- (4) Increase in investment relates to the startup of the subsidiary. The Company acquired properties for lease purposes throughout 2014.
- (5) Investment in partnership with an American company, setting up a joint venture, and equity pickup being recognized without consolidation, since control is shared. In 2014, the Company made capital contributions totaling US\$37.27. In 2015, US\$6,857 of future capital contributions were capitalized and in 2016 capital contributions totaled US\$14,114.
- (6) The Company decided to discontinue the operations of subsidiaries Cisa Trading Argentina S.A. and Cisa Trading USA LLC, and the statement of financial position amounts were settled over 2017.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 13. Investment properties

	Consolidated		
	Land	Buildings	Total
Depreciation rate		4%	
Balances at December 31, 2015	5,291	744	6,035
Depreciation for the year	-	(254)	(254)
Translation adjustments	1,049	147	1,196
Balances at December 31, 2016	6,340	637	6,977

Investment properties are stated at historical cost less depreciation and impairment loss. At December 31, 2016, the Company carried out valuations performed by a specialized company to determine fair value of properties and the need to record impairment loss. Fair value of properties was determined in accordance with the standards of the Brazilian Association of Technical Standards (ABNT). The Company used the comparative method to evaluate land and the reproduction cost method to value buildings. The property valuation reached the conclusion that they are free of charges, lawsuits or expropriations.

At December 31, 2016, the market value of property was assessed at US\$10,003 (US\$7,342 in 2015). The subsidiary's management evaluated the economic scenario and the impacts on the amount of properties at December 31, 2016 and concluded that these amounts did not suffer significant changes.

At December 31, 2016, the market value of property is higher than historical cost, net of depreciation and provisions for losses. Therefore, no impairment loss was recorded.

### 14. Loans and financing

Type	Financial institution	Currency	Final maturity	Company and consolidated		Guarantees
				2016	2015	
	Citibank, Bradesco, Itaú, Santander, Banco do Brasil,					
Credit facilities (i)	Scotia Bank and Safra	US\$	Until 09/22/2017	100,041	80,944	No guarantee
Lease and Finance	Banestes and Bradesco	R\$	Sundry	6,511	6,374	No guarantee
Operational (ii)	BANDES	R\$	Sundry	1,670	2,359	No guarantee
				108,222	89,677	
(-) Current				(103,098)	(84,310)	
Noncurrent				5,124	5,367	

- (i) Since 2011 the Company has been operating with credit facilities denominated in foreign currency (FINIMP) with Citibank, Bradesco and Itaú, among other financial institutions, granted under defined terms. These operations aimed at allowing flexibility in Company cash flows in import operations for certain customers. The average term for FINIMP repayment does not exceed 240 days.
- (ii) Financing transactions through the Fund for Development of Port Activities (FUNDAP).

At December 31, 2016, the Company did not have loans and financing subject to covenants.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 15. Trade accounts payable

	Company		Consolidated	
	2016	2015	2016	2015
Trade accounts payable - foreign	61,855	90,067	61,854	90,067
Trade accounts payable - local	2,685	2,040	2,737	2,105
	<b>64,540</b>	<b>92,107</b>	<b>64,591</b>	<b>92,172</b>

#### 16. Advances from customers

Advances from customers correspond to amounts received from customers in contracting imports to the order and on account of third parties, which will be matched against accounts receivable upon close of the process for admitting the imported goods into the country ("nationalization") or for transferring ownership of these goods.

#### 17. Tax liabilities

	Company		Consolidated	
	2016	2015	2016	2015
State VAT (ICMS)	7,486	3,034	7,486	3,034
Federal VAT (IPI)	3,978	6,558	3,978	6,558
Income and social contribution taxes	-	77	27	93
Tax Installment Payment Program (REFIS)	4,994	3,850	4,997	3,880
COFINS	431	813	434	819
PIS	81	164	82	165
Other taxes and contributions	1,394	147	1,394	149
	<b>18,364</b>	<b>14,643</b>	<b>18,398</b>	<b>14,698</b>
Noncurrent liabilities				
Tax Installment Payment Program (REFIS)	34,128	30,158	34,128	30,158
	<b>52,492</b>	<b>44,801</b>	<b>52,526</b>	<b>44,856</b>

#### Tax installment programs

In July 2011, the Company consolidated its outstanding debts at the Brazilian Internal Revenue Services (IRS). According to the survey performed by the Company, tax installment payments are scheduled until 2026.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 18. Other liabilities

	Company		Consolidated	
	2016	2015	2016	2015
Accounts payable for third-party services and other	5,971	6,522	6,257	6,526
Employee profit sharing payable	793	1,149	793	1,254
Accrued vacation pay and related charges	1,929	1,412	1,965	1,423
Employee bonuses payable	281	458	281	458
Social charges	942	658	963	661
Notes payable	276	230	276	230
Other accounts payable	796	157	814	73
	<b>10,988</b>	<b>10,586</b>	<b>11,349</b>	<b>10,625</b>
(-) Current	(5,343)	(6,154)	(5,401)	(6,171)
Noncurrent	5,645	4,432	5,948	4,454

#### 19. Judicial deposits and provision for contingencies

	Company		Consolidated	
	2016	2015	2016	2015
Provision for contingencies (Note 11.a)	19,944	14,704	19,668	14,704
(-) Judicial deposits	(18,355)	(13,426)	(18,446)	(13,426)
	<b>1,589</b>	<b>1,278</b>	<b>1,222</b>	<b>1,278</b>

Provisions for contingencies were set up to cover probable losses in administrative and legal proceedings of tax, civil and labor nature, whose likelihood of loss is assessed as probable, at amounts deemed sufficient by Management, based on the opinion of the Company's lawyers and legal advisors. For some of these proceedings, the Company made judicial deposits which will be reversed only in the event of a favorable final decision.

	Company and consolidated		
	Civil	Tax	Total
Balances at December 31, 2014	339	23,966	24,305
Setup in the year	-	88	88
Monetary restatement	-	611	611
Reversal of provisions	-	(2,528)	(2,528)
Translation adjustments	(109)	(7,663)	(7,772)
Balances at December 31, 2015	230	14,474	14,704
Setup in the year	-	2,310	2,310
Monetary restatement	-	112	112
Reversal of provisions	-	(95)	(95)
Translation adjustments	46	2,867	2,913
Balances at December 31, 2016	<b>276</b>	<b>19,668</b>	<b>19,944</b>

At December 31, 2016, the Company was party to civil, tax and labor proceedings whose likelihood of loss was assessed as possible, amounting to US\$505 (US\$434 in 2015).



### Cisa Trading S.A.

Notes to financial statements (Continued)  
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## 20. Equity

### Capital

At December 31, 2016 and 2015, the Company's fully subscribed and paid-up capital amounts to US\$18,886 and US\$15,763, respectively, represented by 5,000,000 registered common shares with no par value.

### Legal reserve

The legal reserve is set at a 5% (five per cent) ratio of net income for the year, up to the limit of 20% (twenty per cent) of Company capital. At December 31, 2016, no reserve was recorded, since the Company had reached the 20% limit of capital.

### Dividends

The Company's Articles of Incorporation provides for a mandatory minimum dividend equivalent to 50% of net income for the year, adjusted by the recognition of the legal reserve.

Concerning 2016, at the Special General Meetings held in that year, the Board of Directors approved the payment of proposed additional dividends for 2015 in the amount of US\$1,303 (US\$2,358 paid in 2015, referring to 2014).

	<b>Company and consolidated</b>	
	<b>2016</b>	<b>2015</b>
Net income for the year - Company	7,420	12,541
Setup of legal reserve capped at 20% of capital	-	-
Net income after allocation to legal reserve	<b>7,420</b>	12,541
Mandatory minimum dividend - 50%	<b>3,710</b>	6,271
Method of payment of allocated income:		
(-) Interest on equity paid (Note 11.b)	-	1,553
Mandatory minimum dividends	<b>3,710</b>	4,718
Additional dividends	-	232
	<b>3,710</b>	6,503

### Reserve for contingencies

At the Annual and Special General Meeting held on August 22, 2016, Company management decided on the establishment of a reserve for contingencies in the amount of US\$8,767, US\$5,932 of which through allocation from payment of additional dividends and US\$2,835 through the transfer from statutory reserve (US\$5,378 in 2015 through allocation from payment of additional dividends), set up according to Law No. 6404 in its article 195. This reserve was established to cover future losses, if any, which may be incurred on account of the current economic scenario.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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### 20. Equity (Continued)

#### Reserve for contingencies (Continued)

This reserve was recorded upon reduction of additional dividends proposed by management in 2016, referring to net income for the year ended December 31, 2015.

#### Proposed additional dividends

As part of income allocation for the year ended December 31, 2016, the amount of US\$3,710 (US\$6,038 in 2015, approved at the Annual General Meeting held on August 22, 2016), was allocated to the proposed additional dividends, which will be discussed at the Annual General Meeting to be held in 2017.

### 21. P&L

#### a) Breakdown of net operating revenue

	Company		Consolidated	
	2016	2015	2016	2015
Sales revenues	865,931	1,033,901	866,056	1,036,132
Service revenues	22,756	22,232	22,884	22,232
Revenues from lease of equipment	3,966	2,459	4,345	2,459
Deductions	(220,232)	(245,352)	(220,276)	(245,800)
Net revenue from sales and services rendered	672,421	813,240	673,009	815,023

#### b) Costs and expenses by function and nature

	Company		Consolidated	
	2016	2015	2016	2015
By function:				
Costs of sales	(608,689)	(730,176)	(608,792)	(731,356)
Cost of services rendered	(10,369)	(11,459)	(10,369)	(11,459)
Selling expenses	(5,463)	(2,075)	(5,463)	(2,130)
General and administrative expenses	(32,705)	(26,270)	(33,503)	(31,293)
Tax expenses	(2,371)	(1,072)	(2,408)	(694)
Other operating income (expenses), net	328	212	528	476
	(659,269)	(770,840)	(660,007)	(776,456)

### Cisa Trading S.A.

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
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### 21. P&L (Continued)

#### b) Costs and expenses by function and nature (Continued)

	Company		Consolidated	
	2016	2015	2016	2015
By nature:				
Cost of products/goods	<b>(608,689)</b>	(730,176)	<b>(608,792)</b>	(731,356)
Cost of services rendered	<b>(10,369)</b>	(11,459)	<b>(10,369)</b>	(11,459)
Personnel expenses	<b>(25,710)</b>	(19,451)	<b>(25,878)</b>	(19,759)
Rendering of administrative services	<b>(1,576)</b>	(1,370)	<b>(1,712)</b>	(2,036)
Taxes and charges (i)	<b>(2,371)</b>	(1,072)	<b>(2,494)</b>	(2,286)
Occupancy expenses	<b>(1,109)</b>	(997)	<b>(1,120)</b>	(1,005)
Communication expenses	<b>(474)</b>	(433)	<b>(477)</b>	(438)
Travel expenses	<b>(461)</b>	(694)	<b>(461)</b>	(698)
Expenses with customs clearance, freight and other	<b>(5,463)</b>	(2,027)	<b>(5,463)</b>	(2,129)
(Provision) Reversal of impairment losses on accounts receivable (Note 5)	<b>(1,025)</b>	11	<b>(1,025)</b>	11
Provision for contingencies (Note 19)	<b>(2,327)</b>	(812)	<b>(2,051)</b>	(812)
Provision for impairment loss on credits with third parties (ii)	-	(3,486)	-	(3,486)
Provision for losses on other receivables (Note 8)	-	(1,149)	-	(1,149)
Other operating income (expenses), net	<b>305</b>	2,275	<b>(165)</b>	146
	<b>(659,269)</b>	(770,840)	<b>(660,007)</b>	(776,456)

(i) This refers mainly to PIS and COFINS on other revenues and expenses with Property Tax (IPTU).

(ii) This includes the amount of US\$621, related to reversal of restatement of receivables in 2015, whose matching entry was recorded under finance income.

#### c) Finance income (costs), net

	Company and consolidated	
	2016	2015
Finance costs		
Foreign exchange losses, net	-	(30,225)
Expenses with discounted notes	<b>(8,205)</b>	(4,148)
Interest payable on import financing	<b>(945)</b>	(1,248)
Discounts granted	<b>(15,728)</b>	(1,337)
Net interest on taxes challenged in court	<b>(81)</b>	-
Interest on REFIS	<b>(3,197)</b>	(2,778)
Loss on swap/hedging transactions	<b>(5,679)</b>	(836)
Provision for payment of interest to customers	-	(2,875)
Other	<b>(246)</b>	(562)
	<b>(34,081)</b>	(44,009)
Finance income		
Foreign exchange gains, net	<b>13,319</b>	-
Gains on marketable securities	<b>2,858</b>	3,383
Interest accrued on revenue	<b>9,109</b>	11,856
Interest income from customers	<b>7,860</b>	3,883
Financial discounts from financing	<b>14</b>	16
Discounts from suppliers	<b>254</b>	481
Gains on swap/hedging transactions	<b>1,555</b>	6,638
Interest on loans	<b>1</b>	509
Restatement of judicial deposits	-	337
Other	-	233
	<b>34,970</b>	27,336
Finance income (expenses), net - Company	<b>889</b>	(16,673)
Subsidiaries, net	<b>251</b>	(1,815)
Finance income (expenses), net - consolidated	<b>1,140</b>	(18,488)

## Cisa Trading S.A.

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
(In thousands of US Dollars, unless otherwise stated)

### 22. Financial instruments

#### 1) General considerations

The Company uses derivative financial instruments to eliminate exposure to market (currency) risks. These risks are managed through natural hedging policies and, thus, foreign exchange effects from Company transactions are passed on to its customers.

The financial instruments were marked to market at December 31, 2016 and appropriately recorded in asset and liability accounts. The mark-to-market method involves completely verifiable parameters provided by the Central Bank of Brazil (BACEN).

At December 31, 2016, Company major financial instruments were as follows:

- Cash and cash equivalents - correspond to petty cash and bank account balances, and short-term investments. Market value equals book value;
- Marketable securities - refer to marketable securities initially recorded at fair value through profit or loss. These are recorded at realizable value;
- Derivative financial instruments (assets and liabilities) - correspond to hedge against changes in aluminum prices and exchange rate;
- Accounts receivable - receivables referring to time sales classified at realizable value;
- Related parties - record accounts receivable from related parties. These are recorded at realizable value;
- Judicial deposits - amounts deposited referring to legal proceedings. These are recorded at realizable value;
- Loans and financing - Company operating loan and financing transactions. These financial liabilities were classified as measurable at fair value;
- Trade accounts payable - amounts payable for the purchase of goods for resale. These are recorded at settlement value.
- Dividends payable - amounts payable to shareholders, related to income achieved by the Company. They are recorded at estimated settlement value.



### Cisa Trading S.A.

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
(In thousands of US Dollars, unless otherwise stated)

### Financial instruments (Continued)

#### 1) General considerations (Continued)

##### *Summary of major financial instruments - assets and liabilities*

	Company		Consolidated	
	2016	2015	2016	2015
Cash and cash equivalents	8,073	11,959	37,882	26,033
Marketable securities	28,734	16,400	3,272	5,955
Derivative financial instruments, net	-	(134)	-	(134)
Trade accounts receivable	137,775	124,458	141,795	125,065
Related parties	65	7,431	-	6,857
Judicial deposits	18,355	13,426	18,446	13,426
Loans and financing	(108,222)	(89,677)	(108,222)	(89,677)
Trade accounts payable	(64,540)	(92,107)	(64,591)	(92,172)
Dividends payable	(3,710)	(4,951)	(3,710)	(4,951)

Market values are similar to book balances.

##### *Fair value hierarchy*

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments through valuation technique:

Level 1: prices (without adjustments) quoted in active markets for identical assets or liabilities;

Level 2: other techniques for which all data that has significant effect on the recorded fair value is observable, whether directly or indirectly; and

Level 3: techniques that use data having significant effect on the recorded fair value that are not based on observable market data.

Throughout the year ended December 31, 2016, there were no transfers between level 1 and level 2 fair value measurements, or transfers between level 3 and level 2 fair value measurements.

	Level	Company		Consolidated	
		Within 1 year	After 1 year	Within 1 year	After 1 year
<u>Financial assets</u>					
Cash and cash equivalents	2	8,073	-	37,882	-
Marketable securities	2	28,734	-	3,272	-
Trade accounts receivable	2	137,775	-	141,795	-
Related parties	2	65	-	-	-
Judicial deposits	2	-	18,355	-	18,446
<u>Financial liabilities</u>					
Loans and financing	2	(108,222)	-	(108,222)	-
Trade accounts payable	2	(64,540)	-	(64,591)	-
Dividends payable	2	(3,710)	-	(3,710)	-

### Cisa Trading S.A.

Notes to financial statements (Continued)  
 December 31, 2016 and 2015  
 (In thousands of US Dollars, unless otherwise stated)

## 22. Financial instruments (Continued)

### 2) Market risk

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices include three types of risk: interest rate risk, currency risk and price risk, which may refer to commodities and stocks, among others. Financial instruments impacted by market risk include loans receivable and payable, deposits, financial instruments available for sale and measured at fair value through profit or loss and derivative financial instruments.

#### 2.1) *Currency risk*

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to exchange rate variations. Company exposure to the risk of variation in exchange rates is subject to significant changes due to the volatility of the exchange rate on liabilities denominated in foreign currencies, primarily the US dollar. Due to the considerations included in item 1 (General considerations), currency risk is immaterial for any scenario in Company financial statements.

The derivative financial instruments balance related to currency risk at December 31, 2016 is calculated as follows:

Transaction	Date		Amount in foreign currency	Notional Historical value	Value of future contract	Derivative financial instruments
	Issue	Maturity				
NDF	Oct/2016	01/26/2017	198	196	(199)	3
NDF	Oct/2016	01/26/2017	476	467	(476)	9
NDF	Nov/2016	02/15/2017	479	515	(484)	(31)
NDF	Dec/2016	03/15/2017	586	629	(596)	(33)
						<b>(52)</b>

#### 2.2) *Commodity price risk*

The Company, in certain cases, acquires and resells by order of certain customers products with price referenced in international exchange (London Metal Exchange).

In order to reduce its exposure to changes in the price of the product in the international market, the Company enters into hedging transactions to reduce the mismatch between sale and purchase prices.

The calculation of the derivative financial instruments balance at December 31, 2016 is as follows:

### Cisa Trading S.A.

Notes to financial statements (Continued)  
 December 31, 2016 and 2015  
 (In thousands of US Dollars, unless otherwise stated)

### 22. Financial instruments (Continued)

#### 2) Market risk (Continued)

##### 2.2) *Commodity price risk* (Continued)

Goods	Date		Amount in foreign currency	Notional		Value of future contract	Derivative financial instruments
	Issue	Maturity		Historical value			
Aluminum	Aug/2016	01/04/2017	795	793	(859)	(66)	
Aluminum	Sept/2016	01/04/2017	832	830	(861)	(31)	
Aluminum	Sept/2016	01/04/2017	2,496	2,489	(2,582)	(93)	
Aluminum	Sept/2016	01/04/2017	832	830	(861)	(31)	
Aluminum	Oct/2016	01/04/2017	67	66	(69)	(3)	
Aluminum	Oct/2016	02/02/2017	1,735	1,730	(1,694)	36	
Aluminum	Oct/2016	01/12/2017	3,385	3,375	(3,392)	(17)	
Aluminum	Oct/2016	01/12/2017	2,603	2,596	(2,546)	50	
Aluminum	Oct/2016	02/02/2017	1,735	1,730	(1,694)	36	
Aluminum	Nov/2016	01/04/2017	35	34	(34)	-	
Aluminum	Nov/2016	01/03/2017	461	459	(461)	(2)	
Aluminum	Nov/2016	01/04/2017	461	459	(466)	(7)	
Aluminum	Nov/2016	01/04/2017	35	35	(34)	1	
Aluminum	Nov/2016	01/04/2017	104	104	(104)	-	
Aluminum	Nov/2016	01/04/2017	71	70	(69)	1	
Aluminum	Nov/2016	01/04/2017	1,100	1,097	(1,116)	(19)	
Aluminum	Nov/2016	01/04/2017	783	781	(781)	-	
Aluminum	Nov/2016	03/02/2017	1,731	1,723	(1,689)	34	
Aluminum	Nov/2016	02/24/2017	3,475	3,461	(3,382)	79	
Aluminum	Dec/2016	01/06/2017	329	328	(325)	3	
Aluminum	Dec/2016	01/06/2017	271	270	(267)	3	
Aluminum	Dec/2016	02/08/2017	309	307	(302)	5	
Aluminum	Dec/2016	01/11/2017	316	315	(313)	2	
Aluminum	Dec/2016	02/01/2017	232	231	(230)	1	
Aluminum	Dec/2016	02/08/2017	232	231	(230)	1	
Aluminum	Dec/2016	01/20/2017	81	81	(80)	1	
Aluminum	Dec/2016	02/03/2017	81	81	(79)	2	
Aluminum	Dec/2016	01/18/2017	235	234	(230)	4	
Aluminum	Dec/2016	02/01/2017	56	56	(54)	2	
Aluminum	Dec/2016	02/08/2017	56	56	(54)	2	
Aluminum	Dec/2016	03/03/2017	158	157	(153)	4	
Aluminum	Dec/2016	03/14/2017	158	157	(153)	4	
Aluminum	Dec/2016	02/08/2017	100	100	(98)	2	
Aluminum	Dec/2016	03/02/2017	1,725	1,718	(1,699)	19	
Aluminum	Dec/2016	01/11/2017	240	240	(238)	2	
Aluminum	Dec/2016	02/01/2017	42	41	(41)	-	
Aluminum	Dec/2016	02/08/2017	177	177	(174)	3	
Aluminum	Dec/2016	03/24/2017	1,696	1,688	(1,692)	(4)	
Aluminum	Dec/2016	03/03/2017	3,391	3,377	(3,385)	(8)	
						<b>16</b>	

**Cisa Trading S.A.**

Notes to financial statements (Continued)  
December 31, 2016 and 2015  
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**22. Financial instruments (Continued)**2) Market risk (Continued)2.3) *Interest rate risk*

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to variations in market interest rate.

Interest rate risk arises from taxes paid in installments restated by reference to Central Bank Benchmark Rate (SELIC) and marketable securities by reference to the CDI, which may impact finance income or costs should unfavorable conditions involving interest rates and inflation arise.

2.4) *Credit and accounts receivable risk*

Credit is a major instrument to increase the number of import transactions, which leverages the selling power of the Company. The credit policy is linked to the level of credit risk the Company is willing to accept.

The Company performs a detailed analysis in awarding credit to its customers. This work involves customer analyses of a quantitative and qualitative nature, which includes analysis of the sector in which the customer operates. This analysis takes into consideration any history the customer has with the Company, verification of its good standing, an assessment of its current economic and financial soundness as well as its prospects for the future. Accordingly, Company management concluded that the credit and accounts receivable risk is low.

2.5) *Liquidity risk*

The Company holds a safe level of cash and has access to immediate funds, either own funds or those of third parties, which allows it to fund transactions with certain customers.



**Cisa Trading S.A.**

Notes to financial statements (Continued)  
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**22. Financial instruments (Continued)**2) Market risk (Continued)2.6) *Guarantees*

Since 2008, the Company has been the guarantor of a letter of guarantee from the related party Companhia Energética Petrolina (CEP) with Banco do Itaú BBA in the amounts of US\$1,863 and US\$2,245, respectively, having as beneficiary the *Juízo de Direito de Seção Judiciária of Pernambuco* (Court of Common Pleas of the Judiciary Section of the state of Pernambuco), in the city of Petrolina, to ensure the payment of part of the sums challenged in a lawsuit filed by CEP against the Government and *Comercializadora Brasileira de Energia Emergencial - CBEE* (Chamber of Electrical Energy Commercialization).

In July 2015, the Company and its shareholders were jointly liable for loan agreements taken out from Banco Itaú-BBA International PLC-Portugal in the amount of €46,093, maturing on June 12, 2020, relating to the acquisition of ownership interest, by its shareholders, in a Portuguese company denominated BCR-SGPS (highway concession company operating in Portugal).

**23. Insurance coverage**

The Company takes out insurance coverage for operating and other risks on its property, plant and equipment and inventory items at an amount deemed sufficient to cover the risks posed to its operations. Insurance taken out covers risks to Company assets and loss of profits. At December 31, 2016, assets covered by insurance policies amount to US\$101,462 (US\$76,166 in 2015), with maximum damages limited to US\$75,129 (US\$65,099 in 2015).

The work scope of the auditors does not include expressing an opinion on the sufficiency of the insurance coverage, which was determined by Company management and considered sufficient to cover losses, if any.

### Cisa Trading S.A.

Notes to financial statements (Continued)  
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#### 24. Import operations on own account, to order and on account of third parties (Company)

The gross amount of operations on own account, to order and on account and to order is as follows:

	2016	2015
Total operations carried out	<b>2,005,015</b>	2,470,488
Import operations on own account and to order	<b>901,762</b>	1,070,448
Gross sales	<b>865,931</b>	1,033,901
Services rendered and lease of equipment	<b>26,722</b>	24,691
Financial charges on products sold and services rendered	<b>9,109</b>	11,856
Import operations to order and on account of third parties	<b>1,103,253</b>	1,400,040

