

FINANCIAL STATEMENTS

At December 31, 2015

SUMMARY

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INTRODUCTION

In compliance with Brazilian accounting practices (BR GAAP), Samarco Mineração S.A. is issuing its Financial Statement for the period ending 31 December 2015, duly audited by PricewaterhouseCoopers (PwC). As for data about our socioenvironmental and business performance and information about the actions which are underway in response to the impacts caused by the collapse of the Fundão dam, these will be published in the Annual Sustainability Report (RAS) in the second half of 2016.

Access www.samarco.com to learn more about the company.

Independent Auditor's Report



Independent auditor's report

To the Board of Directors and Shareholders
Samarco Mineração S.A.

We have audited the accompanying parent company financial statements of Samarco Mineração S.A. ("Parent Company" or "Company"), which comprise the balance sheet as at December 31, 2015 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Samarco Mineração S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2015 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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



Samarco Mineração S.A.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samarco Mineração S.A. and of Samarco Mineração S.A. and its subsidiaries as at December 31, 2015, and the Parent Company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil.

Emphasis of matters

We draw attention to Note 3 to the financial statements, which describes the impacts of the collapse of the Fundão tailings dam, comprising:

(a) the assumptions and bases used by management for recording the provision related to the collapse of Fundão dam, as well as the related estimated obligations. These assumptions and bases were determined with the support of external specialists contracted for this purpose. The amounts that will be effectively paid by the Company in relation to the collapse of Fundão dam are subject to significant uncertainty due to changes in the final assumptions and depend on many factors that are not exclusively under the Company's control. Therefore, the provisions are subject to significant uncertainty and the actual amounts may be significantly different from those recorded at December 31, 2015.

(b) the administrative and judicial proceedings filed against the Company to date, as well as the investigations that have been conducted both by the applicable Brazilian authorities and by an external consultant hired by the Company and its shareholders. Although the subjects under discussion are partially covered by the provisions and estimates above, due to the early stages of these proceedings and investigations and to the possible new claims, the amount of the losses or even a range of probable and possible losses cannot always be reliably estimated.

We also draw attention to Note 15 to the financial statements, which discloses that the Company is required to meet certain contractual terms under its borrowings arrangements (financial indices in covenants) at each fiscal year and quarter end. Management believes that, as of December 31, 2015, all contractual conditions had been duly met. However, due to the effects of the collapse of Fundão dam and of the suspension of Germano mine site activities on the Company's financial statements, management believes that the Company will not be in compliance with the financial indices as at the end of the first quarter of 2016; the Company is evaluating its debt facilities proactively with the objective to avoid any material adverse effect with respect to the debt facilities.



Samarco Mineração S.A.


The financial statements were prepared assuming that the Company will continue as a going concern, allowing the evaluation and presentation of assets and liabilities in accordance with the criteria applicable for the companies in normal course of operations, and not using a liquidation basis of accounting. As mentioned in Note 1 to the financial statements, as a result of the collapse of Fundão dam, mining activities at the Germano mine site were suspended. The uncertainties as to when the Company's operations will resume and those related to the amounts of the obligations arising from the collapse of Fundão dam, including those derived from the administrative and judicial proceedings filed against the Company and the non-compliance with contractual covenants, as mentioned above, cast significant doubt about the ability of the Company to continue as a going concern. No adjustments arising from these uncertainties are reflected in the financial statements at December 31, 2015.

Our opinion is not qualified in respect of these matters.

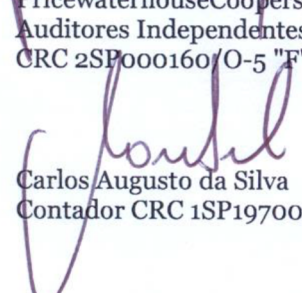
Other matter
Supplementary information - Statements of value added

We have also audited the Parent Company and consolidated statements of value added for the year ended December 31, 2015. These statements are the responsibility of the Company's management, and are presented as supplementary information. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Belo Horizonte, April 8, 2016



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



Carlos Augusto da Silva
Contador CRC 1SP197007/O-2 "S" MG

Financial Statements

December 31, 2015

BALANCE SHEET

at December 31
(In thousands of Reais - R\$)

Assets	Note	Parent Company		Consolidated	
		2015	2014	2015	2014
Current					
Cash and cash equivalents	4	1,799,138	2,090,026	1,822,801	2,117,649
Restricted short-term investments	5	82,785	-	82,811	20
Accounts receivable	6	362,384	644,192	190,657	637,264
Inventory	7	522,835	459,071	594,716	459,071
Recoverable taxes	8	249,602	232,424	249,664	232,473
Prepaid expenses		11,600	9,129	12,282	9,995
Other assets	9	132,904	61,727	133,071	59,262
Total current assets		3,161,248	3,496,569	3,086,002	3,515,734
Noncurrent					
Court deposits	19	1,402,178	706,287	1,402,178	706,287
Recoverable taxes	8	49,217	53,479	49,222	53,477
Deferred income tax	28	1,373,024	-	1,373,155	-
Other assets	9	35,380	36,786	35,475	36,952
		2,859,799	796,552	2,860,030	796,716
Capital expenditure	10	69,557	46,306	-	-
Property, plant and equipment	12	21,355,934	15,161,586	21,356,302	15,161,940
Intangible assets	13	121,126	82,717	121,126	82,717
Total noncurrent assets		24,406,416	16,087,161	24,337,458	16,041,373
Total assets		27,567,664	19,583,730	27,423,460	19,557,107

BALANCE SHEET

at December 31

(In thousands of Reals - R\$)

Liabilities	Note	Parent Company		Consolidated	
		2015	2014	2015	2014
Current					
Trade payables	14	118,706	348,779	116,197	347,763
Loans and financing	15	328,243	1,281,371	328,243	1,281,371
Financial charges payable	15	108,388	75,301	108,388	75,301
Payroll, provisions and social contributions	17	37,101	110,953	37,336	113,547
Taxes payable	18	66,747	62,293	66,866	62,380
Provision for income tax	28	6,571	-	6,657	68
Dividends	22	-	1,619,936	-	1,619,936
Other provisions	20	1,975,145	112,712	1,975,145	112,712
Other liabilities	21	64,701	188,581	21,343	160,254
Total current liabilities		2,705,602	3,799,926	2,660,175	3,773,332
Noncurrent					
Loans and financing	15	14,741,919	10,291,321	14,741,919	10,291,321
Financial charges payable	15	740	177	740	177
Dividends	22	2,805,548	-	2,805,548	-
Provisions for contingencies	19	139,565	126,678	139,565	126,678
Deferred income tax	28	-	512,771	-	512,742
Other provisions	20	8,551,899	367,043	8,551,899	367,043
Other liabilities	21	275,655	172,483	176,878	172,483
Total noncurrent liabilities		26,515,326	11,470,473	26,416,549	11,470,444
Equity	22				
Capital		297,025	297,025	297,025	297,025
Capital reserves		2,476	2,476	2,476	2,476
Revenue reserves		-	294,549	-	294,549
Carrying value adjustments		3,589,203	1,615,120	3,589,203	1,615,120
Additional dividends proposed		-	2,104,161	-	2,104,161
Accumulated losses		(5,541,968)	-	(5,541,968)	-
Total shareholders' equity		(1,653,264)	4,313,331	(1,653,264)	4,313,331
Total liabilities and shareholders' equity		27,567,664	19,583,730	27,423,460	19,557,107

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

Statement of Operations

Financial years ended December 31
(In thousands of Reais - R\$)

	Note	Parent Company		Consolidated	
		2015	2014	2015	2014
Revenue	23	6,481,508	7,536,864	6,481,508	7,536,864
Cost of goods sold and services rendered	24	(3,603,182)	(3,168,056)	(3,603,182)	(3,168,056)
Gross profit		2,878,326	4,368,808	2,878,326	4,368,808
Operating expenses					
Selling	25	(183,512)	(183,007)	(173,767)	(172,927)
General and administrative	25	(58,374)	(64,394)	(58,374)	(64,394)
Other operating expenses, net	26	(10,861,262)	(696,488)	(10,858,172)	(689,719)
Equity in results of investees	10	10,670	15,767	-	-
Operating income (loss) before finance result		(8,214,152)	3,440,686	(8,211,987)	3,441,768
Finance result					
Finance income	27	87,413	185,972	87,547	186,082
Finance expenses	27	(738,236)	(441,728)	(738,258)	(441,774)
Net foreign exchange variance	27	1,130,962	161,663	1,130,692	161,389
Income (loss) before taxation		(7,734,013)	3,346,593	(7,732,006)	3,347,465
Income tax	28	1,897,496	(541,045)	1,895,489	(541,917)
Net income (loss) for the year		(5,836,517)	2,805,548	(5,836,517)	2,805,548

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

Statement of Comprehensive Income (LOSS)

Financial years ended December 31

(In thousands of Reais - R\$)

	Parent Company and Consolidated	
	2015	2014
Net income (loss) for the year	(5,836,517)	2,805,548
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Translation adjustments in the year	1,975,684	500,980
Measurement of retirement benefit obligations	(1,601)	(1,312)
Other comprehensive income for the year	1,974,083	499,668
Total comprehensive income (loss)	(3,862,434)	3,305,216

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

Statement of Changes in Shareholders' Equity

Financial years ended December 31
(In thousands of Reais - R\$)

		Capital reserves			Revenue Reserves			Carrying value adjustments	Profit (Loss) losses	Dividends additional proposed	Total	
	Note	Capital	Special monetary restatement of PPE	Goodwill on share subscription	Tax incentive reserves	Depletion reserve incentivized	Legal reserve	Profit retention				
Balance at January 1, 2014		297,025	785	1,681	10	1,517	59,404	233,628	1,115,452	-	2,048,547	3,758,049
Net income for the year		-	-	-	-	-	-	-	-	2,805,548	-	2,805,548
Other comprehensive income												
Translation adjustment for the year, net of tax	22	-	-	-	-	-	-	-	500,980	-	-	500,980
Measurement of retirement benefit obligations	22	-	-	-	-	-	-	-	(1,312)	-	-	(1,312)
Total other comprehensive income		-	-	-	-	-	-	-	499,668	-	-	499,668
Transfer from reservers	22	-	-	-	-	-	-	(233,628)	-	233,628	-	-
Transfer to reserve	22	-	-	-	-	-	-	233,628	-	(233,628)	-	-
Net income allocation:												
Dividends (R\$390.70 per common share)	22	-	-	-	-	-	-	-	-	-	(2,048,547)	(2,048,547)
Transfer to additional proposed dividends		-	-	-	-	-	-	-	-	(701,387)	-	(701,387)
Minimum mandatory dividends	22	-	-	-	-	-	-	-	-	(2,104,161)	2,104,161	-
Balance as of December 31, 2014		297,025	785	1,681	10	1,517	59,404	233,628	1,615,120	-	2,104,161	4,313,331
Loss for the year		-	-	-	-	-	-	-	-	(5,836,517)	-	(5,836,517)
Other comprehensive income												
Translation adjustment for the year, net of tax	22	-	-	-	-	-	-	-	1,975,684	-	-	1,975,684
Measurement of retirement benefit obligations	22	-	-	-	-	-	-	-	(1,601)	-	-	(1,601)
Total other comprehensive income		-	-	-	-	-	-	-	1,974,083	-	-	1,974,083
Allocation of additional dividends to the minimum proposed in 2014	22	-	-	-	-	-	-	-	-	-	(2,104,161)	(2,104,161)
Offset of losses with reserves		-	-	-	-	(1,517)	(59,404)	(233,628)	-	294,549	-	-
Balance as of December 31, 2015		297,025	785	1,681	10	-	-	-	3,589,203	(5,541,968)	-	(1,653,264)

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

Statement of Cash Flows

Financial years ended December 31
(In thousands of Reals - R\$)

	Note	Parent Company		Consolidated	
		2015	2014	2015	2014
Cash flows from operating activities					
Net income (loss) before taxation		(7,734,013)	3,346,593	(7,732,006)	3,347,465
Adjustments to reconcile net income (loss) before tax to the cash provided by operations:					
Depreciation and amortization	12 e 13	437,416	352,409	437,554	352,615
Allowance for doubtful accounts	6	27,896	4,699	27,881	4,631
Constitution (reversal) of the provision for price revision	6	(244,072)	368,738	(244,072)	368,738
Provision for inventory obsolescence	7	(1,821)	2,288	(1,821)	2,288
Provision for realization of recoverable taxes	8	252,548	247,149	252,548	247,149
Provision for realization of other assets		(2,505)	2,509	(2,505)	2,509
Constitution (reversal) of the provision for contingencies	19	13,973	(19,992)	13,973	(19,992)
Provision for other liabilities	3	9,979,364	79,775	9,976,928	79,775
Provision for impairment of property, plant and equipment (Fundão dam)	12	216,817	-	216,817	-
Losses on property, plant and equipment	12	1,235	13,773	1,235	13,773
Equity in the results of subsidiaries	10	(10,670)	(15,767)	-	-
Interest on loans		508,199	319,850	508,199	319,850
Exchange variance - gains and losses		689,593	175,635	702,023	175,591
		4,133,960	4,877,659	4,156,754	4,894,392
(Increase) decrease in operating assets:					
Restricted short-term investments		(82,785)	117,808	(82,791)	117,922
Trade accounts receivable		497,984	(160,507)	662,798	(153,653)
Inventory		16,918	(105,634)	(54,963)	(105,634)
Recoverable taxes		(247,191)	(446,989)	(248,592)	(447,022)
Court deposits		(696,977)	(296,724)	(696,977)	(296,724)
Prepaid expenses		(2,474)	(4,715)	(2,287)	(5,058)
Other assets		(67,266)	(29,930)	(69,827)	(30,962)
Increase (decrease) in operating liabilities:					
Trade payables		(230,073)	58,338	(231,566)	57,249
Taxes payable		4,454	(154,361)	4,486	(154,436)

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

Statement of Cash Flows

Financial years ended December 31
(In thousands of Reais - R\$)

	Note	Parent Company		Consolidated	
		2015	2014	2015	2014
Increase (decrease) in operating liabilities:					
Payroll, provisions and social contributions		(5,928)	1,639	(5,851)	2,166
Income tax paid	28	-	(216,448)	(710)	(217,252)
Interest payment		(488,751)	(295,173)	(488,751)	(295,173)
Other liabilities		(22,305)	358,741	(136,116)	347,141
Net cash provided by operations		2,809,566	3,703,704	2,805,607	3,712,956
Cash flows from investing activities					
Acquisition of PPE and intangible assets	12 and 13	(424,057)	(1,474,847)	(424,057)	(1,474,847)
Receipt on sale of property, plant and equipment and intangible assets		123	409	123	409
Net cash used in investing activities		(423,934)	(1,474,438)	(423,934)	(1,474,438)
Cash flows from financing activities					
Financing obtained from third parties		1,563	2,164,385	1,563	2,164,385
Financing repayments		(1,760,511)	(911,489)	(1,760,511)	(911,489)
Dividend payments	22	(918,549)	(1,812,848)	(918,549)	(1,812,848)
Net cash used in financing activities		(2,677,497)	(559,952)	(2,677,497)	(559,952)
Exchange variance on cash and cash equivalents		977	2,225	976	2,225
Net increase (decrease) in balance of cash and cash equivalents		(290,888)	1,671,539	(294,848)	1,680,791
Cash and cash equivalents at the beginning of year		2,090,026	418,487	2,117,649	436,858
Cash and cash equivalents at the end of the year		1,799,138	2,090,026	1,822,801	2,117,649
		(290,888)	1,671,539	(294,848)	1,680,791

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

Statement of Value Added

Financial years ended December 31
(In thousands of Reals - R\$)

	Parent Company		Consolidated	
	2015	2014	2015	2014
Revenue				
Sales of goods, products and services	6,638,101	7,601,335	6,638,101	7,601,335
Other revenue	7,334	5,680	7,334	5,680
Revenue relating to construction of company assets	477,103	1,639,803	477,113	1,639,803
Allowance for doubtful accounts	(27,896)	(4,699)	(27,881)	(4,631)
	7,094,642	9,242,119	7,094,667	9,242,187
Consumables acquired from third parties				
Cost of goods sold and services rendered	(3,745,026)	(4,684,900)	(3,737,396)	(4,679,155)
Material, electricity, outsourced services and other	(10,624,920)	(229,469)	(10,612,158)	(209,483)
Loss of asset values	(132,149)	(1,674)	(132,149)	(1,674)
	(14,502,095)	(4,916,043)	(14,481,703)	(4,890,312)
Gross	(7,407,453)	4,326,076	(7,387,036)	4,351,875
Depreciation and amortization	(437,416)	(352,409)	(437,554)	(352,615)
Net value added produced by the Company	(7,844,869)	3,973,667	(7,824,590)	3,999,260
Transferred value added				
Equity in results of investees	10,670	15,767	-	-
Finance income	2,490,131	678,114	2,490,205	678,498
	2,500,801	693,881	2,490,205	678,498
Total value added to be distributed	(5,344,068)	4,667,548	(5,334,385)	4,677,758
Distribution of value added	(5,344,068)	4,667,548	(5,334,385)	4,677,758
Personnel				
Direct compensation	253,629	354,827	258,767	361,852
Benefits	93,217	87,627	95,371	89,305
Government Severance Indemnity Fund for Employees (FGTS)	19,760	18,363	19,760	18,363
Taxes				
Federal	(1,886,951)	650,941	(1,884,663)	652,054
State	(81,105)	(104,340)	(81,233)	(104,541)
Municipal	83,751	50,232	83,751	50,232
Interest expenses				
Interest on loans, financing and other debt items	2,010,148	804,350	2,010,379	804,945
Interest on shareholders' equity				
Loss for the period	(5,836,517)	-	(5,836,517)	-
Minimum mandatory dividends	-	701,387	-	701,387
Additional dividends proposed	-	2,104,161	-	2,104,161

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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2015

All amounts in thousands of reais - R\$, unless otherwise state

1. REPORTING ENTITY

Samarco Mineração S.A. ("Samarco", "Company" or "Parent Company"), a privately held corporation, is a joint venture between Vale S.A. ("Vale") and BHP Billiton Brasil Ltda. ("BHP Billiton" or "BHP") having its registered office in Belo Horizonte – Minas Gerais (MG). Samarco operates an integrated enterprise consisting of mining, beneficiation and concentration of low-grade iron ore in the municipality of Mariana, in the State of Minas Gerais, as well as the transportation of such concentrated ore through ore pipelines connecting the Company's two operating plants located in Minas Gerais and Espírito Santo (ES). The pelletizing - transformation of iron ore concentrate into pellets, our core product, takes place at the Ponta Ubu plant in Anchieta, ES, in addition to the outbound shipments of the product through the Company's own marine terminal (Anchieta, Espírito Santo). Production is chiefly sold on the international market.

Samarco's reserves are located in the municipalities of Mariana and Ouro Preto, MG and comprising geological resources of around 7.336 billion metric tons (not audited) of iron ore. The technical and economic context of the mineral resource and its specifics suggested recoverable or minerable reserves of around 2.867 billion metric tons (not audited) up to October, 2015.

Following the collapse of the Fundão tailings dam in November 2015 and the temporary suspension of operations in Germano/Alegria areas, the Company is reviewing the reserves. Under these circumstances, Samarco is currently not in a position to report or confirm previous reserves as of December 31, 2015. However, developments in the future may provide additional information for which a different conclusion might be reached.

The production of concentrated iron ore in 2015 was 25.366 million dry metric tons (2014 – 26.292 million dry metric tonnes).

a) Collapse of Fundão dam

As detailed in Note 3, in November 2015 operations in Germano/Alegria ("Mariana

complex") were temporarily suspended by order of government agencies - SEMAD (State Sustainable Development and Environment Office) and DNPM (National Mineral Production Department). The Company has been working to meet legal and social requirements laid down by the respective authorities relating to the social and environmental impacts caused by the collapse of the dam.

Management expect to resume operations at the Mariana and Ouro Preto complexes when authorized by the respective authorities. Although the Company's plants in both Germano (MG) and Ponta Ubu (ES) have not been prevented from operating, their integration with the Company's suspended operations have constrained the ability to do so.

Based on information currently available, the Company has assessed for the coming periods its capacity to honor its obligations towards its employees and suppliers and financial and tax obligations, including the expenditure necessary to repair and remediate the impacts caused by the dam collapse, pursuant to the Settlement Agreement ("Settlement Agreement" or "TTAC") reached on March 2, 2016 in public civil action 0069758-61.2015.4.01.3400 filed by the government et al before the 12th Federal Court of Belo Horizonte/MG.

Company management is evaluating its debt facilities in a proactive manner with the objective to avoid any material adverse effect with respect to the covenants in the first half of 2016, as a result of the operational stoppage, as detailed in Note 15. As mentioned in Note 3 (h), the uncertainty existing as a result of the dam's collapse means the Company is party to several judicial and administrative, civil, environmental and labor proceedings, for which we cannot reliably estimate the final outcomes and consequences. A reasonable outcome from this uncertainty, especially success of any negotiations with creditors, in addition to the resumption of operations, are essential for the Company to continue its business.

According to the TTAC, Samarco, Vale and BHP should establish a Foundation that will develop and implement environmental and socioeconomic programs for the purpose of remediation and /or compensation for the damage caused by the collapse of Fundão dam. Samarco will be responsible for providing resources to the Foundation, subject to the timing and other conditions set forth in such instrument. If Samarco does not fulfill its financial obligations to the Foundation, Vale and BHP will be responsible under the Agreement for providing such resources in proportion to their shareholdings, representing 50 % (fifty percent) each.

b) Company equity interests

- **Samarco Iron Ore Europe B.V. ("Samarco Europe") - direct interest of 100%** - headquartered in the Netherlands, this company was incorporated on October 13, 2000 with the core activity of providing services consisting of marketing and selling the iron ore produced by Samarco. It also provides support to clients through technical seminars and market studies.
- **Samarco Asia Ltd. ("Samarco Asia") - direct interest of 100%** - headquartered in Hong Kong, this company was acquired on July 10, 2001 by Samarco Europe to provide marketing and selling services through commercial representation in the Asia-Pacific region.
- **Samarco Finance Ltd. ("Samarco Finance") - direct interest of 100%** - headquartered in the Cayman Islands, this company was incorporated on February 21, 2000 with the core activity of optimizing Samarco's foreign-trade business, in order to support exports (resale) of iron ore acquired from the Company to designated clients and to borrow funds on the international market and subsequently pass them through to the Company.

The Executive Board approved the issuance of these financial statements on April 8, 2016.

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as described below. These policies were consistently applied in the previous year, unless stipulated otherwise.

2.1 Basis of preparation

(a) Parent Company and consolidated financial statements

The parent Company and consolidated financial statements have been prepared based on historic cost, except for financial instruments which have been measured at fair value through profit and loss.

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. The Company reviews the estimates and assumptions at least once a year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

The parent Company and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee ("CPC") and ratified by the regulatory agencies, and reflect all (and only) material information related to the financial statements, which corresponds to that used by management.

The statement of value added was prepared in accordance with accounting pronouncement CPC 09 – Statement of Value added, and as it is only required for listed companies is being presented as supplementary information to the financial statements, without prejudice to the financial statements as a whole.

(b) Changes in accounting policies and disclosures

There were no amendments or new pronouncements in force for the financial year commencing January 1, 2015 that had material impacts on the Group.

2.2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

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

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates are based on the best knowledge existing in each financial year. Changes in facts and circumstances could lead to a revision of estimates, meaning the actual future results could diverge from the estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provision for social, environmental and socioeconomic recovery

The provision for social, environmental and socioeconomic recovery is made for an area impacted or requiring the rectification of civil damages incurred, that generates an obligation for the Company. This process involves complex estimates for determining the future disbursement expected by management and its independent consultants, as reported in Note 3.

(ii) Tax

Current and deferred tax is calculated in accordance with the interpretations deriving from the existing legislation. This process normally involves complex estimates to determine the taxable income and the deductible or taxable and temporary differences. The measurement of the recoverability of deferred tax on temporary differences takes into account the estimated future taxable income and is based on future cash flows.

(iii) Impairment

Impairment losses are recorded for tangible and intangible assets when the book value of an asset or its cash generating unit exceeds its recoverable value. The Company annually evaluates its assets with a defined useful life for indications of impairment. If such indicators do exist, the recoverability of its tangible and intangible assets segregated by cash generating unit is tested. The discounted cash flow criteria is usually used, which depends on several estimates, influenced by the market conditions at the time the impairment test is conducted.

(iv) Mineral reserves and useful life of mines

The estimated proven and probable reserves are periodically evaluated and updated. These reserves are determined by using generally accepted geological estimate techniques. The estimated volume of the mineral reserves is the basis for determining the portion depletion of the respective mines and the estimated useful life is a prime factor for quantifying the provision for environmental recovery of the mines. Any change in the estimated volume of reserves of the mine and the useful life of the underlying assets could have a significant impact on the depreciation, depletion and amortization charges recognized in the financial statements. Changes in the estimated useful life of the mine could impact the estimated provision for environmental expenses, the recovery thereof and impairment analyses.

Following the collapse of the Fundão tailings dam in November 2015 and the temporary suspension of operations in Germano/Alegria areas, the Company is reviewing the operation's resources and reserves.

Asset retirement obligations

The Company recognizes an obligation for demobilization of assets in the period in which they occur. This provision is determined based on the present value of the cash flows necessary to demobilize the assets. The Company considers the accounting estimates related to the recovery of degraded areas and the cost of closing a mine as a critical accounting practice as it involves large provisions and estimates involving a range of assumptions, such as interest rates, inflation, useful life of the asset under analysis and the current stage of depletion as well as the projected depletion dates of each mine. These estimates are revised annually.

(v) Provision for contingencies

Contingencies are analyzed by management in conjunction with its legal advisers. The Company's analyses include factors like hierarchy of laws, case law available, recent decisions delivered by courts and their relevance in the legal order. These evaluations involve management judgements.

Provisions are recorded when the value of the loss can be reasonably estimated.

(vi) Provision for price reduction

The provision for price reduction is presented as a reduction to accounts receivable and reflects the volatility of the global iron ore sector. Based on the trend of falling iron ore prices, management conducted an individual assessment of each client's contract and made a provision in an amount sufficient to cover any losses.

2.3 Consolidation

The Company's consolidated financial statements, which include the financial statements of its subsidiaries, have been prepared in accordance with applicable consolidation practices and legal provisions. Balances of unrealized revenues, expenses and profits between companies are eliminated from the consolidated financial statements. Unrealized gains deriving from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Group's interest in the investee.

(a) Subsidiaries

Subsidiaries are all entities the Group exercises control over. The Group controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can influence its returns due to the power it exercises over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Joint ventures

A jointly controlled operation is an arrangement that involves the use of joint assets and other resources with each entrepreneur using its own resources in the joint operation. Joint operations are recorded in the financial statements to represent the Group's contractual rights and obligations. The assets, liabilities, revenue and expenses related to interests in joint operations are therefore recorded individually in the financial statements. The Company has an interest of 49% in the Guilman-Amorim hydroelectric power plant, where the remaining 51% of the joint-venture belongs to the partner Arcelor Mittal Brasil S.A.

2.4 Foreign currency translation**(a) Functional currency**

The items included in each of the Group's entities' financial statements were measured by using the currency of the main economy in which the company operates and generate and consumes cash ("functional currency"), which is the US dollar (USD).

(b) Presentation currency

In accordance with Brazilian legislation, these financial statements are being presented in reais, where the financial statements prepared in the Company's functional currency are translated to reais by using the following criteria:

- Assets and liabilities are converted at the closing rate at the respective reporting date.
- Accounts in the statements of operations, comprehensive income (loss), cash flows and value added are converted at the rates on the transaction dates.
- Shareholders' equity at historical formation value.

The exchange variance resulting from the translation is recognized in a specific account of the shareholders' equity titled "Carrying value adjustments".

(c) Transactions and balances

Transactions in currencies other than the Company's functional currency are translated into the functional currency at the exchange rates prevailing on the transaction dates or valuation dates, if the items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations.

Exchange gains and losses relating to operations in currencies other than the functional currency are presented in profit or loss under finance income. The parent Company and consolidated financial statements in the functional currency (USD) are as follows:

Statement of Financial Position - USD

	Parent Company		Consolidated	
	2015	2014	2015	2014
Current assets				
Cash and cash equivalents	460,803	787,008	466,865	797,410
Restricted short-term investments	21,205	-	21,211	7
Accounts receivable	92,812	242,573	48,829	239,965
Inventory	133,916	172,863	152,322	172,863
Recoverable taxes	63,932	87,522	63,948	87,537
Prepaid expenses	2,972	3,438	3,146	3,764
Other assets	34,035	23,238	34,075	22,305
Total current assets	809,675	1,316,642	790,396	1,323,851
Noncurrent assets				
Court deposits	359,114	265,961	359,114	265,961
Recoverable taxes	12,606	20,138	12,607	20,139
Deferred income tax	351,679	-	351,712	-
Other assets	9,060	13,852	9,089	13,917
	732,459	299,951	732,522	300,017
Capital expenditure	17,816	17,437	-	-
Property, plant and equipment	5,469,990	5,709,288	5,470,084	5,709,421
Intangible assets	31,025	31,149	31,025	31,149
Total noncurrent assets	6,251,290	6,057,825	6,233,631	6,040,587
Total assets	7,060,965	7,374,467	7,024,027	7,364,438

Statement of Financial Position - USD

	Parent Company		Consolidated	
	2015	2014	2015	2014
Current liabilities				
Trade payables	30,411	131,332	29,771	130,951
Loans and financing	84,074	482,516	84,074	482,516
Financial charges payable	27,762	28,356	27,762	28,356
Payroll, provisions and social contributions	9,517	41,795	9,577	42,772
Taxes payable	17,097	23,458	17,128	23,492
Provision for income tax	1,683	-	1,705	26
Dividends	-	610,007	-	610,007
Other provisions	505,903	42,443	505,903	42,443
Other liabilities	16,580	70,987	5,469	60,313
Total current liabilities	693,027	1,430,894	681,389	1,420,876
Noncurrent liabilities				
Loans and financing	3,775,913	3,875,328	3,775,913	3,875,328
Financial charges payable	189	66	189	66
Dividends	718,597	-	718,597	-
Provision for contingencies	35,753	47,705	35,753	47,705
Deferred income tax	-	193,091	-	193,080
Other provisions	2,190,435	138,215	2,190,435	138,215
Other liabilities	70,607	64,953	45,307	64,953
Total noncurrent liabilities	6,791,494	4,319,358	6,766,194	4,319,347
Equity				
Capital	409,774	409,774	409,774	409,774
Capital reserves	1,619	1,619	1,619	1,619
Revenue reserves	-	164,485	-	164,485
Carrying value adjustments	(920)	(494)	(920)	(494)
Additional dividends proposed	-	1,048,831	-	1,048,831
Accumulated losses	(834,029)	-	(834,029)	-
Total shareholders' equity	(423,556)	1,624,215	(423,556)	1,624,215
Total liabilities and shareholders' equity	7,060,965	7,374,467	7,024,027	7,364,438

Statement of operations - USD

	Parent Company		Consolidated	
	2015	2014	2015	2014
Revenue	2,017,480	3,215,180	2,017,480	3,215,180
Cost of goods sold and services rendered	(1,086,192)	(1,342,334)	(1,086,192)	(1,342,334)
Gross profit	931,288	1,872,846	931,288	1,872,846
Operating expenses				
Selling	(58,967)	(79,379)	(55,919)	(74,988)
General and administrative	(17,654)	(27,405)	(17,655)	(27,405)
Other operating expenses, net	(2,621,442)	(222,873)	(2,623,387)	(223,916)
Equity in income of associates	379	2,909	-	-
Operating income (loss) before finance result	(1,766,396)	1,546,098	(1,765,673)	1,546,537
Finance result				
Finance income	26,166	77,163	26,205	77,209
Finance expenses	(204,023)	(181,758)	(204,029)	(181,777)
Net foreign exchange variance	370,277	76,946	370,193	76,837
Income (loss) before taxation	(1,573,976)	1,518,449	(1,573,304)	1,518,806
Income tax	575,462	(205,501)	574,790	(205,858)
Net income (loss) for the year	(998,514)	1,312,948	(998,514)	1,312,948

Statement of comprehensive income (loss) - USD

	Parent Company and Consolidated	
	2015	2014
Net income (loss) for the year	(998,514)	1,312,948
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Measurement of retirement benefit obligations	(426)	(494)
Other comprehensive income for the year	(426)	(494)
Total comprehensive income (loss)	(998,940)	1,312,454

Statements of changes in shareholders' equity – USD

	Capital reserves			Revenue reserves			Carrying value adjustments	Accumulated losses	Additional dividends proposed	Total	
	Capital	Special monetary restatement of PPE	Goodwill on share subscription	Tax incentive reserves	Depletion reserve incentivized	Legal reserve	Profit retention				
Balance at January 1, 2014	409,774	-	1,616	3	935	38,538	57,552	-	-	1,096,165	1,604,583
Net income for the year	-	-	-	-	-	-	-	-	1,312,948	-	1,312,948
Other comprehensive income											
Measurement of retirement benefit obligations	-	-	-	-	-	-	-	(494)	-	-	(494)
Total other comprehensive income	-	-	-	-	-	-	-	(494)	-	-	(494)
Transfer from reserves	-	-	-	-	-	-	(57,552)	-	57,552	-	-
Transfer to reserve	-	-	-	-	-	-	125,012	-	(125,012)	-	-
Net income allocation:											
Dividends (USD 196.19 per common share)	-	-	-	-	-	-	-	-	-	(1,028,705)	(1,028,705)
Transfer to additional proposed dividends	-	-	-	-	-	-	-	-	(981,371)	981,371	-
Minimum mandatory dividends	-	-	-	-	-	-	-	-	(264,117)	-	(264,117)
Balance as of December 31, 2014	409,774	-	1,616	3	935	38,538	125,012	(494)	-	1,048,831	1,624,215
Loss for the year	-	-	-	-	-	-	-	-	(998,514)	-	(998,514)
Other comprehensive income											
Measurement of retirement benefit obligations	-	-	-	-	-	-	-	(426)	-	-	(426)
Total other comprehensive income	-	-	-	-	-	-	-	(426)	-	-	(426)
Allocation of additional dividends to the minimum proposed in 2014	-	-	-	-	-	-	-	-	-	(1,048,831)	(1,048,831)
Transfer to offset loss	-	-	-	-	(935)	(38,538)	(125,012)	-	164,485	-	-
Balance as of December 31, 2015	409,774	-	1,616	3	-	-	-	(920)	(834,029)	-	(423,556)

Statement of cash flows - USD

	Parent Company		Consolidated	
	2015	2014	2015	2014
Cash flows from operating activities				
Net income (loss) before taxation	(1,573,976)	1,518,449	(1,573,304)	1,518,806
Adjustments to reconcile net income (loss) before tax to the cash provided by operations:				
Depreciation and amortization	221,670	184,564	221,730	184,658
Allowance for doubtful accounts	6,517	1,743	6,509	1,713
Constitution (reversal) of the provision for price revision	(106,922)	138,853	(106,922)	138,853
Provision for inventory obsolescence	(1,579)	511	(1,579)	511
Provision for realization of recoverable taxes	(86,130)	42,383	(86,130)	42,383
Provision for realization of other assets	(1,098)	789	(1,098)	789
Reversal of the provision for contingencies	(11,672)	(14,954)	(11,672)	(14,954)
Provision for other liabilities	2,490,103	16,689	2,490,103	16,689
Provision for impairment of property, plant and equipment	95,677	-	95,677	-
Losses on property, plant and equipment and intangible assets	763	7,790	761	7,620
Equity in results of subsidiaries	(379)	(2,909)	-	-
Interest on loans	140,486	132,663	140,486	132,663
Exchange variance gains and losses	(361,924)	(72,174)	(361,946)	(72,170)
	811,536	1,954,397	812,615	1,957,561
(Increase) decrease in operating assets:				
Restricted short-term investments	(21,204)	50,302	(21,203)	50,352
Trade accounts receivable	249,962	(17,213)	291,345	(14,654)
Inventory	40,526	(29,259)	22,120	(29,259)
Recoverable taxes	(124,587)	(219,272)	(124,574)	(219,285)
Court deposits	(93,153)	(91,087)	(93,153)	(91,087)
Prepaid expenses	304	(1,532)	455	(1,635)
Other assets	(108,479)	(50,112)	(109,413)	(49,012)

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Statement of cash flows - USD

	Parent Company		Consolidated	
	2015	2014	2015	2014
Increase (decrease) in operating liabilities:				
Trade payables	(99,928)	7,759	(100,186)	7,342
Taxes payable	35,620	(48,870)	35,618	(48,904)
Payroll, provisions and social contributions	(1,645)	1,190	(2,561)	1,284
Income tax paid	-	(89,928)	(691)	(90,259)
Interest payment	(139,871)	(125,658)	(139,871)	(125,658)
Other liabilities	(21,901)	138,366	(47,641)	134,861
Net cash provided by operations	527,180	1,479,083	522,860	1,481,647
Cash flows from investing activities				
Acquisition of PPE and intangible assets	(78,719)	(599,471)	(78,740)	(599,477)
Receipt on sale of property, plant and equipment and intangible assets	32	169	32	169
Net cash used in investing activities	(78,687)	(599,302)	(78,708)	(599,308)
Cash flows from financing activities				
Financing obtained from third parties	531	911,050	531	911,050
Financing repayments	(477,919)	(378,374)	(477,919)	(378,374)
Dividend payments	(297,785)	(805,854)	(297,785)	(805,854)
Net cash used in financing activities	(775,173)	(273,178)	(775,173)	(273,178)
Exchange variance on cash and cash equivalents	475	1,727	476	1,727
Net increase (decrease) in balance of cash and cash equivalents	(326,205)	608,330	(330,545)	610,888
Cash and cash equivalents at the beginning of year	787,008	178,678	797,410	186,522
Cash and cash equivalents at the end of the year	460,803	787,008	466,865	797,410
	(326,205)	608,330	(330,545)	610,888

Statement of value added - USD

	Parent Company		Consolidated	
	2015	2014	2015	2014
Revenue				
Sales of goods, products and services	2,062,758	3,242,707	2,062,758	3,242,707
Other revenue	2,288	2,455	2,288	2,455
Revenue relating to construction of company assets	95,413	666,659	95,415	666,659
Allowance for doubtful accounts	(6,517)	(1,743)	(6,509)	(1,713)
	2,153,942	3,910,078	2,153,952	3,910,108
Consumables acquired from third parties				
Cost of goods sold and services rendered	(1,080,735)	(1,922,717)	(1,078,477)	(1,920,266)
Material, electricity, outsourced services and other	(2,603,127)	(68,782)	(2,602,139)	(64,207)
Loss/recovery of asset values	(66,978)	627	(66,978)	627
	(3,750,840)	(1,990,872)	(3,747,594)	(1,983,846)
Gross	(1,596,898)	1,919,206	(1,593,642)	1,926,262
Depreciation and amortization	(221,670)	(184,564)	(221,730)	(184,658)
Net value added produced by the Company	(1,818,568)	1,734,642	(1,815,372)	1,741,604
Transferred value added				
Equity in results of associates	379	2,909	-	-
Finance income	781,565	288,244	781,589	288,241
	781,944	291,153	781,589	288,241
Total value added to be distributed	(1,036,624)	2,025,795	(1,033,783)	2,029,845
Distribution of value added	(1,036,624)	2,025,795	(1,033,783)	2,029,845
Personnel				
Direct compensation	73,487	147,325	74,881	150,188
Benefits	28,231	37,545	28,880	38,268
Government Severance Indemnity Fund for Employees (FGTS)	5,908	7,766	5,908	7,766
Taxes				
Federal	(572,604)	254,196	(571,847)	254,656
State	(186,142)	(89,437)	(186,176)	(89,513)
Municipal	23,819	21,608	23,819	21,609
Interest expenses				
Interest on loans, financing and other debt items	589,191	333,844	589,266	333,923
Interest on shareholders' equity				
Loss for the year	(998,514)	-	(998,514)	-
Minimum mandatory dividends	-	264,117	-	264,117
Additional dividends proposed	-	1,048,831	-	1,048,831

2.5 Cash and cash equivalents

These include the balances of cash, bank deposits and investments in marketable securities with immediate liquidity whose maturities as of the effective date of the investment are equal to or less than 90 days and involve insignificant risks of change in fair value. This category does not include cash frozen by court order.

2.6 Financial instruments

Financial instruments include cash and cash equivalents, restricted short-term investments, trade accounts receivable, other assets, trade payables, loans and financings and other liabilities.

(a) Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of operations. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

As of December 31, 2015 and 2014 the Company did not have any financial instruments classified as available-for-sale and held-to-maturity.

(b) Offsetting of financial instruments

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

(c) Provision for financial asset impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets has impairment losses only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and that

event(s) had an impact on the estimated future cash flows of that financial asset that can be estimated reliably.

An impairment loss is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations.

2.7 Accounts receivable

Trade receivables consist of amounts owed by customers for goods or services acquired, and are recognized initially at present value and subsequently measured at amortized cost using the effective interest method, less an allowance for doubtful accounts.

Allowance for doubtful accounts: when applicable, this provision is made in an amount considered sufficient by management to cover any losses on amounts receivable, based on individual appraisals of the credits and the financial situation of each customer, including the past history of their relationship with the Company.

The provision for sales price reduction reflects the volatility of the global iron ore sector. Based on the trend of falling iron ore prices, management conducts an individual evaluation of each client's contract and makes a provision in an amount sufficient to cover any losses.

2.8 Inventories

Inventories are valued at average acquisition or production cost not in excess of the market or realization value.

Samarco uses the absorption costing system. Direct costs are appropriated objectively and indirect costs are appropriated based on normal production capacity and include expenses incurred on the acquisition of inventory, production and transformation costs and other costs incurred to bring the inventories to their current condition and location.

2.9 Investments

In the parent Company financial statements subsidiaries are recorded by the equity method based on the investees' financial statements. The financial statements for overseas investments

were prepared in accordance with accounting practices compatible with those adopted by the Company. The subsidiaries have the same functional currency as the parent company, i.e. the US Dollar.

2.10 Property, plant and equipment

Property, plant and equipment are recorded at the cost of acquisition, formation or construction including capitalized financial charges.

Elements that comprise the cost of an item of property, plant and equipment are:

- Acquisition price, plus import taxes and unrecoverable purchase taxes, after deducting any commercial discounts and rebates.
- Any direct costs attributable to bringing the asset to its location and condition necessary so it can be operated as intended by management.
- The initial estimate of the cost of disassembling and removing the item and recovering the area where it is located. These costs comprise the obligation incurred by the Company upon acquiring the item or as a result of having used the item for a certain period.

Depreciation and amortization commence from the date the assets are installed and ready for use. For the items directly related to the respective productive areas the depreciation is calculated by the units produced method. For the remainder the depreciation is calculated based on the straight-line depreciation and amortization method taking into account the periods described in Note 12.

The gains and losses deriving from the sale of property, plant and equipment are determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment, and are recorded in "Other operating expenses, net" in profit or loss.

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

2.11 Intangible assets

Intangible assets acquired separately consisting of easements, mining rights and software are measured upon initial recognition at their acquisition cost and,

subsequently, less the accumulated amortization and impairment losses, when applicable.

Intangible assets with a defined useful life are amortized according to their estimated economic lives, as per Note 13, and when indications of impairment are identified, they are submitted to impairment testing.

Removal of sterile to access the mine deposits

The cost of sterile (costs associated with removing sterile and other waste products) incurred during the development of the mine, before production, is capitalized as part of the depreciable cost of the asset under development. These costs are amortized over the mine's useful life, based on the proven and probable reserves.

The cost of sterile removal incurred during production is added to the value of the inventory, except when a specific extraction campaign is conducted to access deposits located deeper in the reserve. In this case, the costs are capitalized and recorded in noncurrent assets as extraction takes place, and will be amortized over the reserve's useful life.

2.12 Impairment of nonfinancial assets

The book values of the Company's nonfinancial assets with a defined useful life are reviewed at each reporting date for signs of impairment. If any such indication exists, then the asset's recoverable amount is determined. Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. In the case of intangible assets in development not yet available for use, the recoverable value is estimated every year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. When appraising the value in-use, the estimated future cash flows are discounted to their present values at a before-tax discount rate that reflects the current market terms regarding the capital recoverability period and the asset's specific risks.

For impairment testing purposes, assets that cannot be tested individually are grouped in the smallest group of assets that generate cash from continuous use and which are mainly independent from the cash flows from other assets or groups of assets ("CGUs").

Impairment losses are recognized when the book value of an asset or its cash generating unit exceeds its estimated recoverable value. Impairment losses are recognized in profit or loss. Given the suspension of activities at the Germano mining complex in November and the increase in the expected costs to be incurred on social and environmental recuperation, for the financial year ended December 31, 2015 management conducted an impairment test on nonfinancial assets, as reported in Note 12. In 2014 the Company did not identify any evidence of impairment of its nonfinancial assets.

2.13 Trade payables

Trade payables are obligations payable to suppliers for goods and services acquired in the normal course of business, and are classified as current liabilities if the payment is due within a year. If not, they are presented as noncurrent liabilities.

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

2.14 Loans and financing

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

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

The costs of loans and financing attributed directly to the acquisition, construction or production a qualifying asset that requires a substantial period of time to be concluded for the purpose of use or sale are capitalized as part of the corresponding asset's cost when it is probable that future economic benefits will be generated in favor of the Company and the cost or value can be reliably measured. Other loans and financing costs are recorded as an expense in the period they are incurred.

2.15 Provision for contingencies

A provision is made for legal obligations when losses and resulting outflows are assessed as

probable and the amounts can be measured reliably.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.16 Provision for asset retirement and environmental and socioeconomic remediation

(a) Asset retirement obligations

An asset retirement obligation is recognized when there is an approved detailed asset retirement plan. The expenses incurred on closing mines after mining operations have terminated are recorded as asset retirement obligations. The obligations primarily consist of shutting-down costs. The asset retirement cost related to the obligation is capitalized as part of the property, plant and equipment, and is depreciated over the asset's useful life.

(b) Environmental and socioeconomic remediation

The provision for environmental and socioeconomic remediation is made in accordance with the determinations of the respective authorities and under the settlement reached on March 2, 2016 (Notes 1 and 3). The provision for environmental remediation is recorded when an area of degradation is identified thus generating an obligation for the Company. A liability for compensating social damages is recognized when the obligation of future payments has been identified deriving from past events related to civil damages.

2.17 Adjustment of assets and liabilities to present value

Monetary assets and liabilities are adjusted to their present value when the transaction is originally recorded, taking into account the contractual cash flows, the explicit and in certain cases implicit interest rate of the respective assets and liabilities and the rates prevalent in the market for similar transactions. This interest

is subsequently reallocated to financial expenses and revenue in the statement of operations by the effective interest rate method for contractual cash flows.

2.18 Taxation

The Company calculates taxes based on the existing legislation, considering the legally established additions and exclusions. Deferred tax credits are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is measured at the rates expected to apply to the temporary differences when they are reversed, based on the laws that have been enacted or substantially decreed by the reporting date. Deferred tax assets and liabilities are offset and presented net in the balance sheet if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

The Company has a tax benefit for exports that entails a reduction of income tax based on its operating income from plentiful mineral resources.

The Company has a final and unappealable decision in its favor which ruled that the social contribution on net income ("CSLL") is unconstitutional. It is not therefore paying this contribution, as stated in Note 19.

2.19 Employee benefits

(a) Retirement obligation

The Company's defined-contribution plan is a retirement benefits plan under it pays fixed contributions to a separate entity (ValiaPrev) and incurs no legal or constructive obligations to pay additional amounts. Contributions are recognized as an employee benefit expense when due.

For the defined-benefit portion of the plan (ValiaPrev), which denotes the constructive obligation, the Company obtains the actuarial calculation. When the benefits of a plan are increased, the portion of the increase in the benefit related to past service of employees is recognized immediately in profit or loss.

The defined-benefit obligation is the present value of the gross defined-benefit obligation less the fair value of the plan's assets at the reporting date. It is calculated annually by independent actuaries using the projected unit of credit method. The present value of the defined benefit obligation is determined by discounting future estimated cash disbursements using interest rates in line with market yields, which are denominated in the currency in which benefits are paid and have maturity terms close to those of the respective pension plan obligation. However, no asset is recognized as there is no such provision in the bylaws for reimbursing the Company or reducing future contributions.

The actuarial gains or losses arising from the adjustment for experience and changes in actuarial assumptions are recorded directly in shareholders' equity as other comprehensive income, when incurred.

(b) Share-based payments

Samarco operates a theoretical share-based payment plan, settled in cash. The fair value payable to employees relating to the long-term incentive plan is recognized as an expense with a corresponding increase in the liabilities. The amount is remeasured at least once a year, at the end of each year and on the settlement date. Any changes in the liability's fair value are recognized as personnel expenses in the statement of operations.

(c) Medical assistance

The Company provides life insurance and healthcare insurance benefits for its employees and their dependents, which are recorded on the accrual basis and are discontinued in the event the employee leaves the Company.

(d) Profit sharing

Based on its variable compensation policy, the Company grants Profit Shares ("PLR") to its employees, subject to the performance of targets, the evaluation of results and the achievement of specific goals, which are established and agreed at the beginning of each year. A provision is recognized when the Company has a contractual obligation or a past event that has created a constructive obligation.

2.20 Capital

Each common share entitles the holder thereof to one vote on General Meeting resolutions.

2.21 Payment of dividends

Minimum mandatory dividends paid to the Company's shareholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to its bylaws. The amounts referring to the portion exceeding the minimum obligation required by law or the bylaws is held in a specific account in the shareholders' equity, and is only transferred to liabilities when the permanent resolution is taken by the shareholders' General Meeting.

2.22 Result of operations

Income and expenses are recognized on the accrual basis, and include costs, expenses and revenue, in addition to the earnings, charges and monetary or exchange variance at official indexes or rates applied to current and noncurrent assets and liabilities. The attributable income-tax amounts are charged/credited to the statement of operations.

(a) Recognition of revenue from product sales

Ore sales revenue is recognized when the risks and rewards of ownership are transferred to the buyer. As most of the sales are made on a FOB (Free-on-Board) basis, the revenue is recognized when the product is delivered to the transporter.

Revenue is recognized at the dispatch date based on an estimated fair value of the payment receivable. When the realization of an amount already recorded under revenue is uncertain, a provision for the uncollectible amount or amount unlikely to be realized is recognized as a price adjustment or loss directly classified as an expense.

(b) Recognition of revenue from services

The Company sells logistics services at its own port. Service revenue is recognized when the economic rewards associated with the transaction will probably materialize. When the realization of an amount already recorded under revenue is uncertain, the uncollectible amount or amount unlikely to be realized is recognized as an expense.

(c) Finance income and costs

Finance income comprises interest income on funds invested and changes in the fair value of

financial assets measured at fair value through profit and loss.

Finance costs on comprise interest expenses on loans and financing, and changes in the fair value of financial assets measured through profit and loss.

Interest income and expenses are recognized as they accrue in profit or loss, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

2.23 Leasing

The Company has leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made for operating leases (net of any incentives received from the lessor) are recognized in profit or loss on the straight-line method during the lease period.

2.24 New standards that are not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB) but are not in force for FY 2015. Whilst encouraged by the IASB, the early adoption of standards in Brazil is not permitted by the Accounting Pronouncements Committee (CPC).

. IFRS 15 - "Revenue from Contracts with Customers" specifies how and when an IFRS reporter will recognize and measure revenue. It comes into effective on January 1, 2018 and replaced IAS 11 - Construction Contracts and IAS 18 Revenue. Management in evaluating the impacts of its adoption.

. IFRS 9 - "Financial Instruments" - addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014 and is effective from January 1, 2018. It has replaced the guidelines of IAS 39, which outlines the requirements for the recognition and measurement of financial instruments. IFRS 9 retains but simplifies the combined measurement model and establishes three categories of main measurements for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also includes a new single, forward-looking 'expected loss' impairment model, replacing the current incurred losses model. IFRS 9 reduces the hedge effectiveness requirements and requires an economic relationship between the hedged item and the hedging instrument, and

that the hedge ratio used for accounting should be the same as that used for risk management purposes. Management in evaluating the total impact of its adoption.

IFRS 16 – “Leases” – under this new standard, lessees must now recognize the liabilities for future payments and the right to use the leased asset for practically all lease agreements, including operating leases. Certain short-term or minor contracts can be excluded from the scope of this new standard. The criteria for the recognition and measurement of leases in lessor financial statements remain substantially unchanged. IFRS 16 is effective for financial years commencing January 1, 2019 and replaces IAS 17 “Leases” and corresponding interpretations. Management in evaluating the total impact of its adoption.

The Revision of Technical Pronouncements 8 issued by the Accounting Pronouncements Committee (CPC) was approved on August 7, 2015 and disclosed on November 5, 2015. The revision establishes amendments to several technical pronouncements, amongst others, to (i) the accounting for acquisitions of interests in joint operations; (ii) clarifications about depreciation and amortization methods; (iii) accounting for the sale or contribution of assets amongst investors and associated companies or joint ventures; (iv) the application of exceptions when consolidating investment entities and (v) the practical application of the concept of materiality.

In general, these amendments made improvements to the texts with a view to a better application of the pronouncements in line with international accounting practices. These amendments are effective for annual reporting periods beginning on or after January 1, 2016. Management in evaluating the impact of these amendments.

There are no other International Financial Reporting Standards (IFRS) or International Financial Reporting Interpretations Committee (IFRIC) pronouncements that have not yet become effective and that could have a significant impact on the Company.

3. SIGNIFICANT EVENT – COLLAPSE OF THE FUNDÃO DAM

Due to the collapse of the Fundão dam on November 5, 2015, as described in the Management Report, Samarco has incurred

material accounting impacts especially related to expenses on measures to prevent, remediate, contain and offset material, environmental, social and socioeconomic damages caused by the collapse, in addition to writing off Company assets.

Samarco has incurred expenses and made provisions for future disbursements that have been recorded and reported in accordance with CPC 25 – Provisions, contingent liabilities and contingent assets.

The material accounting impacts deriving from the significant event on the Company's Statement of Financial Position, Statement of Operations and Statement of Cash Flows in the financial year ended December 31, 2015 are described below:

Statement of Financial Position

Assets	2015	
Current		
Restricted short-term investments	(a)	82,785
Other assets (Advance to suppliers)	(b)	7,848
Total current assets		90,633
Noncurrent		
Judicial Deposits	(c)	302,858
Deferred income tax	(d)	2,555,405
Property, plant and equipment	(e)	(216,817)
Total noncurrent assets		2,641,446
Liabilities		
Current		
Trade payables	(f)	(51,392)
Other provisions	(g)	(1,949,964)
Total current liabilities		(2,001,356)
Noncurrent		
Provisions for contingencies		-
Other provisions	(g)	(8,054,838)
Total noncurrent liabilities		(8,054,838)
Net		(7,324,115)

Statement of Operations

		2015
Cost of goods sold and services rendered	(i)	(197,515)
Gross profit		(197,515)
Operating expenses		
Provision for social, environmental and socioeconomic recuperation	(j)	(9,833,189)
Expenses on social, environmental and socioeconomic recuperation	(j)	(144,350)
Provision for loss in PPE	(j)	(216,817)
Operating loss before finance result		(10,391,871)
Finance income		-
Loss before taxation		(10,391,871)
Income tax	(d)	2,555,405
Loss for the year		(7,836,466)

Statement of Cash Flows

		2015
Cash flows from operating activities		
Loss before tax		(10,391,871)
Adjustments to reconcile the loss to the cash provided by operations:		
Provision for other liabilities	(g)	10,004,802
Provision for asset impairment	(e)	216,817
(Increase) decrease in operating assets:		
Restricted short-term investments	(a)	(82,785)
Court deposits	(c)	(302,858)
Other assets	(b)	(7,848)
Increase (decrease) in operating liabilities:		
Trade payables	(f)	51,392
Net cash used in operating activities		(512,351)
Net cash used in investing activities		-
Net cash used in financing activities		-
Total net decrease in cash and cash equivalents		(512.351)

Preliminary Commitment (TCP) - Creation of Emergency Guarantee

On November 16, 2015 Samarco signed a Preliminary Commitment ("TCP") with the Prosecutor's Department of Minas Gerais state and the Federal Public Prosecutors' Office whereby

Samarco created a "social and environmental guarantee fund" amounting to R\$1,000,000, to be used exclusively to pay for measures to prevent, remediate, contain and offset material social and environmental or socioeconomic damages caused by the Fundão dam collapse.

Pursuant to this TCP, Samarco created a fund in a specific remunerated account in the amount of R\$500,000 and submitted guarantees amounting to R\$500,000.

The fund's money shall remain under Samarco management, be overseen by the Prosecutor's Office and audited by an external auditor. However, the amount of R\$500,000 allocated to this fund and deposited in a specific account was transferred to a court deposit account related to a tax contingency, which addresses the CFEM calculation base and bears no relation to the collapse of the Fundão dam. This transfer resulted from a court decision delivered on December 11, 2015 in the case records of the tax enforcement in progress before the 26th federal court of MG. Samarco management is working with its legal advisers to release these funds so they can be used in the social and environmental remediation pursuant to the signed TCP.

The tax proceeding related to CFEM is detailed in Note 19(b).

(a) Restricted short-term investments

On December 4, 2015 Samarco signed a Settlement Agreement ("Termo de Ajustamento de Conduta - TAC") with the Ministry of Labor Prosecutor's Department to prevent the collective dismissal of its employees until March 1, 2016 constituting a financial investment of R\$77,816, an amount sufficient to guarantee payment of the salaries, benefits and auxiliary obligations owed to its employees in this period. In the circumstances, to date, the Company is evaluating workforce alternatives especially given the current suspension of its activities and the expected resumption of operations.

The amount of R\$77,816 was also frozen by a court decision regarding the tax enforcement of the CFEM contingency mentioned in the above topic regarding the Preliminary Commitment. As this amount is not immediately available for use as at December 31, 2015, it has been classified as "restricted short-term investments" in the financial statements.

The other amounts registered as "restricted short-term investments" represent other funds blocked by court order in proceedings directly related to the collapse of the Fundão dam.

(b) Other assets

Rever to advance to supplier of R\$7,848 regarding the contract for maintaining and

strengthening of Germano and Santarém dams, which were partially affected by the collapse of the Fundão dam.

(c) Court deposits

By court order Samarco's blocked accounts in the amount of R\$302,858 were subsequently transferred to a judicial deposit account related to the proceeding brought by the Prosecutor's Department of Minas Gerais state in connection with the collapse of Fundão dam.

(d) Deferred income tax

The accounting impacts deriving from the dam's collapse were considered temporary differences for tax purposes. The Company therefore recorded a deferred income tax asset deriving from these amounts, as shown below:

	Calculation basis	Income Tax
Provision for write-off of PPE	216,817	54,204
Other provisions	10,004,802	2,501,201
		2,555,405

(e) Property, plant and equipment

Write-off of property, plant and equipment

Samarco recorded a provision for loss in the amount of R\$216,817 referring to the residual value of the property, plant and equipment related to Fundão dam, as follows:

	Cost	Depreciation	Net Value
Industrial facilities (buildings, machinery and equipment) - Fundão dam	166,260	(28,678)	137,582
Assets under construction - Expenses on preparation of the Project and preparation for elevating the Fundão dam	79,235	-	79,235
	245,495	(28,678)	216,817

Impairment

The Company has identified assets that may have been recorded at amounts above their recoverable value and conducted an impairment test, as described in Note 12.

(f) Trade payables

This refers to amounts payable of R\$51,392 related to expenses incurred due to the collapse of the Fundão dam.

(g) Other provisions

On March 2, 2016, Samarco, together with its shareholders BHP Billiton Brasil Ltda. and Vale S.A., signed a Terms of Transaction and Adjustment of Conduct, in the public civil action brought by the Union and others, No. 0069758-61.2015.4.01.3400, in progress before the 12th Federal Court in Belo Horizonte, State of Minas Gerais, to determine measures and actions to remedy and compensate environmental and socioeconomic damages deriving from the collapse of the Fundão dam.

In addition to Samarco and shareholders, the following are parties to the Settlement Agreement: (i) the Brazilian Environmental and Renewable Natural Resources Institute ("IBAMA"), Instituto Chico Mendes de Conservação da Biodiversidade ("ICMBio"), the National Mineral Production Department ("DNPM"), Fundação Nacional do Índio ("FUNAI"); (ii) in Minas Gerais, the State of Minas Gerais, the State Institute for Forestry ("IEF"), the Minas Gerais State Institute for Water Management ("IGAM"), the State Foundation for the Environment ("FEAM"); and (iii) in Espírito Santo, the State of Espírito Santo, the State Institute for the Environment and Water Resources ("IEMA"), the Espírito Santo State Institute for Agricultural and Forestry Protection ("IDAF") and the Espírito Santo State Water Resource Agency ("AGERH").

The comprehensive scope of the Settlement Agreement (TTAC) comprises a total of 41 (forty-one) programs, of which: (i) 23 (twenty-three) are socioeconomic; and (ii) 18 (eighteen) are environmental. These programs include both remedial and compensatory measures required to be implemented.

The Settlement Agreement has been structured such that government authorities will assess, decide on the design of, and coordinate,

all programs through an Inter-federative Committee. Experts and advisory panels have also been appointed to settle technical disputes in a scientific, substantiated and expedited manner.

The TTAC established the creation of a private foundation to implement the measures the management, of which will be independently audited.

The period of the agreement is 15 years renewable every year until all the obligations of TTAC are complied with.

Samarco will provide funds for the Foundation as follows (calendar year):

- R\$2,000,000 in 2016, less the amounts already spent or applied to the actions of remediation and compensation;
- R\$1,200,000 in 2017;
- R\$1,200,000 in 2018.

From 2019 until 2021, annual contributions to the Foundation should be enough to comply with remediation and compensation programs and annual reference amounts should be between R\$800,000 to R\$1,600,000. From the signature of TTAC, the Foundation will allocate every year an amount of R\$240,000 for a period of 15 years to compensation programs. These annual amounts are already included in the figures for the next six years (2016 – 2021). Additionally, a R\$500,000 contribution will be allocated to sewage treatment and disposal of solid waste in certain areas. From 2022 onwards, the amounts to be contributed will be based on the project schedule approved by the Foundation at the time. The Settlement Agreement does not specify a minimum or maximum limit on contributions for the period from 2022 onwards.

Based on the information above, management, with the advice of external consultants and experts has been preparing action plans and studies for the future remediation of the environmental and socioeconomic damage caused by the dam collapse, in addition to the implementation of compensation programs established in the Settlement Agreement. At December 31, 2015 Samarco has recognized provisions based on currently available information, including the technology available and current prices, for future disbursements related to the present

obligation generated by the dam's collapse. The magnitude, scope and timing of costs of the future remediation programs are subject to significant uncertainty as they depend on the conclusion of expert studies, the preparation of action plans and the outcome of court cases.

The provision made was discounted to present value at the risk-free rate of 7.185% per annum based on the 10-year Brazil bond in the international market at the reference date of December 31, 2015 obtained from Bloomberg (GTUSDBR10Y) and considering disbursement flow for the next 15 years until December 31, 2030.

Provision for:		Total
Emergency and mitigation actions	(g.1)	304,831
Remediation programs	(g.2)	5,920,148
Compensation programs	(g.3)	3,296,438
Other actions not included in the settlement	(g.4)	483,385
		10,004,802
Current liabilities		1,949,964
Noncurrent liabilities		8,054,838

As the assessment of damage progresses, changes to key assumptions could result in material change to the amount of the provision in future reporting periods, including:

- Removal method of the remaining tailings in rivers: the removal of the remaining tailings in flood plains, river banks from Santarém until the beginning of the "UHE de Candonga" dam (Risoleta Neves) will be mechanical, using typical earthmoving equipment, without the use of dredging. This method considers removal cost by metric cubic and shipping cost removal by kilometers.
- Expected waste volume removal in the Rio Doce basin reaches 50% of the waste.
- Removal method of the remaining tailings in "UHE de Candonga" dam: the removal of the remaining tailings in the dam will be carried

out by dredging being implemented in two phases:

- Phase 1: Removal of 0.8 million m³ deposited in "Candonga" allowing UHE to resume operation, and
- Phase 2: removal of 6.4 million m³ of additional dredging also considering 50% of material removal in the basis calculation presented.
- "UHE de Candonga" repair costs due to the decrease in its assets useful life or costs to resume operation.

(g.1) Emergency response and mitigation actions: the costs of the action Samarco has taken to date since the dam collapse to mitigate the damages caused to affected families and municipalities, which are set out in the TTAC. This includes provisional accommodation for people in hotels and inns; transfer of families to homes rented and furnished by Samarco until the permanent homes are ready; remediation or rebuilding of water supply facilities; supplying drinkable and mineral water to impacted communities where the supply systems have been compromised; acquisition of safety equipment and support materials for the fire department, civil defense, the army and civil and military police; environmental consultancy; emergency monitoring and assessment of the water quality in the Doce River; and installation of plume containment barriers on the coast of Espírito Santo state, etc.

(g.2) Remediation programs: remediation measures and actions to mitigate, remedy and/or repair the social, environmental and economic damages resulting from the dam collapse, as set out in the TTAC, whose main programs are: survey and registration of those impacted; protecting and enhancing the living standards of indigenous peoples; preservation of historical, cultural and artistic heritage; social communication, engagement and participation; reconstruction of Bento Rodrigues, Paracatu de Baixo and Gesteira; rehabilitation of other affected communities and infrastructure between Fundão and Candonga; aiding animals; preservation of historical, cultural and artistic heritage; emergency financial aid; reforestation and environmental recovery; conservation of aquatic biodiversity; management of resulting tailings, including in situ stabilization,

excavation, dredging, haulage, treatment and disposal; improvement of water supply systems.

(g.3) Compensation programs: measures and initiatives to compensate damages not mitigated or remediated from the dam collapse by improving environmental and economic conditions in affected areas, in accordance with the program set out in the TTAC, whose main aspects are: supporting the research for the development and use of social and economic technologies applied to impact remediation; regional economic recuperation and diversification with incentives for industry; encouraging local contracting; rehabilitation of permanent protected areas (APP); recovery of springs; strengthening of screening structures and reintroduction of wildlife; collection and treatment of sewage and solid waste; environmental education and preparation for environmental emergencies. The total to be dispersed under the programs and initiatives of this nature is R\$4,100,000, consisting of R\$240,000 per annum, in real terms, for a period of 15 (fifteen) years from 2016. A R\$500,000 will be provided to the program for the collection and treatment of sewage and solid waste.

(g.4) Other actions not covered by the agreement: other expenditure required for initiatives arising from the Fundão dam collapse but not covered by the TTAC programs.

(h) Contingencies

The Company is party to legal and administrative proceedings involving civil, labor and environmental matters arising from the Fundão dam collapse. These proceedings filed by individuals, private companies, NGOs and public and government entities are seeking remediation and compensation for environmental and socioeconomic impacts and material damage and loss of lives in addition to a range of compensation for affected municipalities.

As defined in the TTAC, the claims of several proceedings filed against Samarco are encompassed in this agreement. Any claims involving any matter established in the TTAC should seek to be dismissed by resolution of substance or grouping together filed claims. As mentioned in item (g) above, the estimated losses in the claims covered by the TTAC have been included as part of the various provisions for the remediation and compensation of impact caused by the dam collapse.

The Company was assessed by the environmental agencies IBAMA (Brazilian Environmental and Renewable Natural Resources Institute) due to the environmental damage caused by the discharge of solid and liquid waste (mining tailings) into the waters of the Doce river and SEMAD (state sustainable development and environment office) and SUCFIS (Integrated Environmental Inspection and Control Department) for causing pollution and environmental degradation resulting in damage to water resources. Samarco has submitted its defense against these charges and is waiting for a reply from the agency. The assessment notices amounts to R\$432,356. Losses and resulting outflows are rated as possible.

In relation to the Public Civil Action N°. 0043356-50.2015.8.13.0400 filed by the Public Prosecutor of Minas Gerais, despite not having been covered in the TTAC, its object will be fully accomplished within the fulfillment of the obligations assumed in the agreement.

Management has also considered other claims classified as possible and/or probable which are at the initial stage and which pose significant uncertainties due to the fact the claims overlap with the TTAC, the definition of amounts involved, compensation time-lapse, new claims, and other judicial and extrajudicial settlements.

There are other claims and proceedings to which the Company is not yet party which could result in future disbursements.

Until further facts are developed and uncertainties already mentioned resolved, it is not possible to provide a range of outcomes or a reliable estimate of Samarco's obligations arising from such matters. As such, a provision has not been recognized or contingent liability quantified for these claims. Only in the fullness of time and natural development of disputes and maturity of the proceedings, with new settlements reached and/or legal decisions, will it be possible to understand the actual magnitude of the impacts and the Company's exposure. These items could lead to significant impacts on the provisions and result in new adjustments to existing provisions and/or initial recognition of new provisions for disbursements that cannot currently be projected and/or measured.

(i) Cost of goods sold and services rendered

The Company incurred costs to maintain and repair facilities affected by the collapse of the tailings dam. R\$25,902 had been spent by December 31, 2015 on outsourced services, construction materials and fuel, amongst other items. The total amount was registered as idle capacity in the months of November and December 2015.

Samarco has also made a provision of R\$171,613 to repair the Company's facilities that were affected following the collapse of the Fundão dam.

(j) Other operating expensesLoss on property, plant and equipment

On December 31, 2015 Samarco recognized a provision for loss on property, plant and equipment related to the Fundão dam in the net amount of R\$216,817.

Expenses for social and environmental reparation

The breakdown of expenses related to the measures to prevent, remediate, contain and offset material, environmental and social damage caused by the dam collapse, incurred and provisioned for in 2015, are shown below:

	2015	
	Incurred	Provisioned for
Emergency and mitigation actions	90,184	304,831
Remedial programs	34,483	5,920,148
Compensation programs	-	3,296,438
Actions not included in the settlement	19,683	311,772
	144,350	9,833,189

The descriptions of the nature of each of the expenses included in the table above are detailed in Note 3(g).

(k) Investigations

In conjunction with its shareholders the Company has engaged an external investigation to identify the causes of the dam collapse; the federal and civil police departments have also started enquiries. All these investigations are still being conducted. Although the matters being disputed are partly covered by the above provisions and estimates, the value of the losses or even an estimated range of probable and possible losses cannot be estimated at this time.

(l) Insurance

Following the collapse of the Fundão dam the Company is negotiating with its insurance companies to receive compensation under its operational risk, general civil liability and engineering risk policies. Any payment of compensation will depend on the definition of the coverage for the dam collapse and evaluation of the loss amount. Given that the adjustment process for all policies is at an early stage and coverage is yet

to be agreed, an insurance receivable has not been recognised for any recoveries under these policies at December 31, 2015.

(m) Commitments

Following the collapse of the Fundão dam on November 5, 2015, the Company has invoked a *force majeure* clause in long-term contracts with suppliers and service providers to suspend contractual obligations, except for the electricity contract.

4. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is comprised as follows:

	Parent Company		Consolidated	
	2015	2014	2015	2014
Cash and bank deposits				
Domestic	734	-	734	-
Foreign	(a) -	1,417,868	1,410	1,425,829
Call deposits				
Overseas (Time Deposit / MMDA / MMF / SWEEP)	(b) 1,798,321	664,776	1,820,574	684,438
Domestic	(c) 83	7,382	83	7,382
	1,799,138	2,090,026	1,822,801	2,117,649

(a) Current accounts denominated in USD at financial institutions overseas.

(b) *Time Deposit, MMDA (Money Market Deposit Account), MMF (Money Market Fund), Sweep Account and Overnight* are short-term investments denominated in US dollars at overseas financial institutions, yielding the US Treasuries bond rate and "overnight" rate ("Fed Fund rate").

(c) Short-term investments with immediate liquidity at domestic financial institutions. Amount linked to current account yielding between 10% and 100% of the Selic base interest rate according to the investment period. These short-term investments are recorded at market value, in accordance with periodical reporting by the financial institutions.

5. RESTRICTED SHORT-TERM INVESTMENTS

The Company's restricted short-term investments are as follows:

Call deposits	Parent Company		Consolidated	
	2015	2014	2015	2014
Restricted cash	82,785	-	82,811	20
	82,785	-	82,811	20

The balance has been frozen by court order, due to the collapse of the Fundão dam (Note 3(a)).

6. ACCOUNTS RECEIVABLE

The accounts receivables are comprised as follows:

		Parent Company		Consolidated	
		2015	2014	2015	2014
Domestic receivables		6,519	3,332	6,519	3,332
Foreign receivables	(a)	513,641	1,014,812	341,934	1,007,919
Allowance for doubtful accounts	(b)	(33,110)	(5,214)	(33,130)	(5,249)
Provision for price reduction	(c)	(124,666)	(368,738)	(124,666)	(368,738)
		362,384	644,192	190,657	637,264

(a) R\$78,025 of the consolidated foreign trade receivables of R\$341,934 in 2015 (R\$1,007,919 in 2014) is secured by letters of credit or surety (R\$414,817 in 2014). The remaining balance was released by analyzing each client's credit, in order to mitigate the risk of default.

(b) The estimated allowance for doubtful accounts of R\$33,110 in 2015 for the parent Company and R\$33,130 consolidated statements respectively (R\$5,214 and R\$5,249 in 2014 respectively) is made based on an individual analysis of each customer for invoices more than 60 days overdue.

(c) As described in Note 2.23 (a), revenue is recognized at the dispatch date (FOB sales) based on an estimated fair value of the payment receivable. A provision for iron ore price reductions was necessary due to falling international prices.

The Company's accounts receivable classified by aging are as follows:

	Parent Company		Consolidated	
	2015	2014	2015	2014
Not yet due	450,239	994,906	278,512	995,226
Up to 30 days overdue	36,057	15,528	36,057	8,306
31 to 60 days overdue	754	2,343	754	2,470
61 to 90 days overdue	24,721	22	24,742	22
Past due more than 90 days	8,389	5,345	8,388	5,227
	520,160	1,018,144	348,453	1,011,251

As of December 31, 2015 accounts receivable of R\$36,811 in the parent Company and consolidated statements (R\$18,024 and R\$10,776 in 2014) was overdue but not impaired. These accounts relate to a number of independent clients with no recent history of default.

7. INVENTORY

The inventory and changes in the balance thereof are as follows:

(a) Break down	Parent Company		Consolidated	
	2015	2014	2015	2014
Finished goods	13,689	25,427	85,570	25,427
Work in process	25,541	69,182	25,541	69,182
Consumables	136,936	92,889	136,936	92,889
Consumption and maintenance materials	354,085	268,403	354,085	268,403
Provision for loss on materials	(7,416)	(9,237)	(7,416)	(9,237)
Advances to suppliers	-	12,407	-	12,407
	522,835	459,071	594,716	459,071

(b) Changes	Parent Company		Consolidated	
	2015	2014	2015	2014
Change in finished goods				
Balance on December 31	25,427	25,136	25,427	25,136
Additions	2,757,261	2,899,939	3,511,741	3,156,078
Write-offs due to sale	(2,758,608)	(2,903,987)	(3,459,734)	(3,160,126)
Addition (write-off) of inventory adjustment	(8,913)	4,160	(8,913)	4,160
Advance to supplier	-	-	7,068	-
Translation adjustment	(1,478)	179	9,981	179
Balance on December 31	13,689	25,427	85,570	25,427

The Company appraised its inventory as of December 31, 2015 and concluded it was not exceeding its realization value.

In 2015 management reviewed the inventory obsolescence criteria and identified the consumption of certain warehouse items considered obsolete. The provision for material losses accordingly diminished by R\$1,821.

8. RECOVERABLE TAXES

The balance of recoverable taxes is comprised as follows:

		Parent Company		Consolidated	
		2015	2014	2015	2014
ICMS – Minas Gerais (MG)	(a)	76,202	85,358	76,202	85,358
ICMS – Espírito Santo (ES)	(b)	1,504,880	1,252,332	1,504,880	1,252,332
Provision for ICMS losses - ES	(b)	(1,504,880)	(1,252,332)	(1,504,880)	(1,252,332)
PIS and COFINS	(c)	114,484	129,018	114,484	129,018
Income tax recoverable	(d)	97,464	68,957	97,464	68,957
IRRF on short-term investment yields		8,912	102	8,912	102
Other		1,757	2,468	1,824	2,515
Total		298,819	285,903	298,886	285,950
Current assets		249,602	232,424	249,664	232,473
Noncurrent assets		49,217	53,479	49,222	53,477

(a) Derives primarily from credits on the acquisition of property, plant and equipment.

(b) This relates to credits on the acquisition of property, plant and equipment, consumables, materials and other. In view of the history of nonrealization of ICMS tax credits held against Espírito Santo state, the Company set up a provision to cover 100% of the credits.

(c) The PIS and COFINS credits chiefly relate to the acquisition of material, consumables, energy, and property, plant and equipment, appropriation of which is taking place over 48 months at the rate of 1/12 per month. These credits are realized monthly through offsetting against other federal taxes, especially Corporate Income Tax (IRPJ) payable.

(d) Recoverable income tax on overpaid monthly estimates.

9. OTHER ASSETS

		Parent Company		Consolidated	
		2015	2014	2015	2014
Recoverable insurance		44	5,510	44	5,510
Amount receivable for electricity	(a)	70,377	45,958	70,377	42,737
Consórcio UHE Guilman Amorim		2,947	2,704	2,947	2,704
Advances to employees		6,972	7,422	7,065	7,446
Advances to suppliers	(b)	51,933	-	51,933	-
Other		631	133	705	865
Current		132,904	61,727	133,071	59,262
COHESA	(c)	16,856	16,601	16,856	16,601
(-) Adjustment to present value COHESA	(c)	(1,288)	(572)	(1,288)	(572)
Insurance amounts recoverable		13,725	13,726	13,725	13,726
Advances to employees		4,719	5,662	4,814	5,828
Other		1,368	1,369	1,368	1,369
Noncurrent		35,380	36,786	35,475	36,952

(a) Refer to the sale of surplus electricity acquired for production, but not used.

(b) Advances to suppliers:

(b.1) Prepayment to supplier of R\$7,848 related to the geotechnical/structural reinforcement services, to meet the minimum level required by law for stability of the Germano and Santarém dams, not leading to an increase in capacity or useful life.

(b.2) Prepayment of R\$44,085 to Vale for partial leasing of mining rights of "Conta História Norte" and "Alegria" (mineral exploration areas). Vale is responsible for maintaining all of the rights until the lease has been registered by the respective authority.

(c) The Company passes through funds to COHESA (the Samarco Employees Housing Cooperative) on the basis of an arrangement to implement a housing plan signed March 1, 1994, aimed at financing property for employees, with terms varying from 8 to 25 years. The passed through amounts will be received in full upon termination of the Samarco Housing Plan - PHS, i.e. upon full repayment of the financing by the employees. The COHESA balance receivable is adjusted to present value. The interest charged by COHESA is restated according to the collective pay rise awarded by the Company.

10. INVESTMENTS

The Company recorded equity income of its subsidiaries of R\$10,670 in 2015 (R\$15,797 in 2014).

The Company did not receive dividends deriving from investments in subsidiaries. None of the investees have shares traded on stock exchanges.

2015	Interest	Number of shares or units	Current assets	Noncurrent assets	Total assets	Current liabilities	Equity	Total liabilities	Revenue	Costs and expenses	Net income for the year
Samarco Finance Ltd.	100%	50,000	208,292	-	208,292	187,328	20,964	208,292	1,090,793	(1,087,679)	3,114
Samarco Iron Ore Europe B.V	100%	180	48,253	4,302	52,555	3,962	48,593	52,555	27,448	(19,892)	7,556
		Total	256,545	4,302	260,847	191,290	69,557	260,847	1,118,241	(1,107,571)	10,670

2014	Interest	Number of shares or units	Current assets	Noncurrent assets	Total assets	Current liabilities	Equity	Total liabilities	Revenue	Costs and expenses	Net income for the year
Samarco Finance Ltd,	100%	50,000	190,472	-	190,472	170,536	19,936	190,472	2,287,956	(2,278,188)	9,768
Samarco Iron Ore Europe B,V	100%	180	31,151	2,761	33,912	7,542	26,370	33,912	28,568	(22,569)	5,999
		Total	221,623	2,761	224,384	178,078	46,306	224,384	2,316,524	(2,300,757)	15,767

11. RELATED PARTIES

The main balances of related-party transactions are detailed below:

		Shareholders		Subsidiary		Parent Company		Consolidated	
		BHP Billiton	Vale	Samarco Finance	Samarco Europe	2015	2014	2015	2014
Current assets									
Accounts receivable	(a)	-	91	187,125	-	187,216	170,704	91	153
Inventory	(b)	-	41	-	-	41	65,938	41	65,938
Other assets (Note 9 (b.2))		-	44,085	-	615	44,700	2,365	44,085	-
Current liabilities									
Trade payables (Note 14)		-	-	-	2,560	2,560	34,798	-	34,798
Other liabilities (commission payable)		-	-	-	44,099	44,099	28,993	-	-
Dividends (Note 22)		-	-	-	-	-	1,619,936	-	1,619,936
Mining rights (Note 20)		-	-	-	-	-	70,208	-	70,208
Noncurrent liabilities									
Dividends (Note 22)		1,402,774	1,402,774	-	-	2,805,548	-	2,805,548	-
Mining rights (Note 20)	(c)	-	112,222	-	-	112,222	-	112,222	-
Statement of operations									
Revenue	(a)	-	-	1,090,793	-	1,090,793	2,287,956	-	-
Cost of goods sold and services rendered	(b)	-	(209,478)	-	-	(209,478)	(370,267)	(209,478)	(370,267)
General and administrative expenses		-	(78,756)	-	-	(78,756)	(115,408)	(78,756)	(115,408)
Selling expenses		-	-	-	(27,462)	(27,462)	(28,566)	-	-
Finance expenses		-	-	-	-	-	(22,096)	-	(11,286)

(a) The balance of accounts receivable and revenue of the subsidiary Samarco Finance entails the sale of iron ore acquired from the Parent Company and sold on the international market to other companies.

(b) R\$212,748 (R\$375,346 in 2014) related to the acquisition of iron ore fines direct from the shareholder Vale, for use in production. The amount of R\$3,270 (R\$5,079 in 2014) in favor of Samarco refers to the amount Samarco charged Vale for the disposal of tailings in the Fundão dam. The amount stated under "Inventory" denotes the iron ore purchased but not yet consumed in the production process.

(c) In November 1989 the Company and Vale signed a mining rights transfer agreement for iron ore deposits, whereby Vale assigned and transferred to Samarco prospecting rights for its ore reserves.

The value of the contract considered the payment of the following amounts for mining rights: (i) Lump sum of R\$19,972, and (ii) Variable payments equal to 4% of the dividends paid by Samarco to its shareholders through depletion of the reserves.

The price agreed to in the agreement is not fixed, and was established as a percentage of the gross dividends paid out. For the year ended December 31, 2015 the payments totaled R\$36,742 (R\$72,513 in 2014).

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social - ValiaPrev, which provides participants and their dependents supplementary benefit or benefits similar to those offered by the official basic pension scheme. Details of this plan can be seen in Note 16.

The compensation of key management personnel is as follows:

	2015	2014
Compensation (i)	26,671	23,515
Medical assistance plan	112	105
Private pension	1,459	1,333
Life insurance	153	146
	28,395	25,099

(i) Includes wages, salaries, profit shares, bonuses and indemnities.

Key management personnel are considered to be directors and general managers.

12. PROPERTY, PLANT AND EQUIPMENT

The Company made a number of investments throughout 2015 to raise its production capacity and the productivity of its industrial plants, ensure operational continuity and improvements, replacing equipment of the industrial plants and achieving sustainable

development in accordance with the standards, policies and legislation regarding the environment and health and safety.

The Company's property, plant and equipment is comprised as follows:

	Consolidated									Parent Company
	Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated system	Decommissioning of plant	Data processing equipment and furniture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Construction assets	Total	Total
Cost										
Balance as of December 31, 2014	38,713	10,743,247	6,016,433	67,088	140,278	218,425	147,131	1,656,508	19,027,823	19,026,694
Additions	(a) -	-	-	-	-	-	-	406,277	406,277	406,277
Provision for write-off (Fundão dam)	(b) -	(166,260)	-	-	-	-	-	(79,235)	(245,495)	(245,495)
Transfers - in	(c) 1,438	570,512	164,434	202,322	7,915	151,451	9,966	-	1,108,038	1,108,003
Transfers - out	(c) -	-	-	-	-	-	-	(1,108,038)	(1,108,038)	(1,108,003)
Sales	-	(2,114)	(170)	-	(766)	(147)	(479)	-	(3,676)	(3,676)
Effect of exchange rate variance	(d) 20,189	5,522,475	2,947,064	68,797	70,209	179,119	75,768	(72,945)	8,810,676	8,810,035
Balance as of December 31, 2015	60,340	16,667,860	9,127,761	338,207	217,636	548,848	232,386	802,567	27,995,605	27,993,835
Accumulated depreciation										
Balance as of December 31, 2014	-	(2,649,059)	(1,018,807)	(7,749)	(65,881)	(93,413)	(30,974)	-	(3,865,883)	(3,865,108)
Depreciation	-	(254,681)	(129,945)	(6,006)	(13,378)	(17,620)	(5,566)	-	(427,196)	(427,058)
Provision for write-off (Fundão dam)	(b) -	28,678	-	-	-	-	-	-	28,678	28,678
Sales	-	1,427	94	-	590	32	175	-	2,318	2,318
Effect of exchange rate variance	(d) -	(1,598,982)	(641,928)	(5,293)	(45,840)	(63,968)	(21,209)	-	(2,377,220)	(2,376,731)
Balance as of December 31, 2015	-	(4,472,617)	(1,790,586)	(19,048)	(124,509)	(174,969)	(57,574)	-	(6,639,303)	(6,637,901)
Balance										
December 31, 2014	38,713	8,094,188	4,997,626	59,339	74,397	125,012	116,157	1,656,508	15,161,940	15,161,586
December 31, 2015	60,340	12,195,243	7,337,175	319,159	93,127	373,879	174,812	802,567	21,356,302	21,355,934

(a) In terms of additions, we highlight below the main projects:

	Start date	End date	2015	2014
Elevation of the Germano and Fundão dams to EL. 940m - stage 2	2015	2016	51,263	-
New area for unloading processing consumables	2014	2016	36,600	1,610
Fourth Pelletizing Plant Project	2011	2016	31,437	664,003
Expansion of the Filtering 1 capacity	2015	2015	20,896	-
Replacement of fleet	2014	2016	10,932	149,364
Spare parts of Germano/Ubu	2014	2016	11,476	49,249
Refurbishment and expansion of the Germano restaurant	2013	2016	11,930	4,448
Industrial effluent and water at Ubu 2793	2014	2016	12,281	868
Automating the storage and shipment operations	2014	2016	12,192	4,052
Germano basic grid	2010	2015	9,114	22,347
Land	2014	2016	5,865	22,305
Mobile equipment repair shop of mine	2011	2015	108	18,037
Metal frames for aligning the rotary-control	2014	2015	183	11,701
Waterproofing of slurry pond	2013	2015	75	10,246
Raising of embankment	2013	2014	-	6,899
Wind Fence in the pellets yards	2011	2014	-	655
IT 2013 management systems - acquisition of software and licenses	2013	2015	740	3,220
Other			191,185	408,042
Total			406,277	1,377,046

(b) Provisions for loss on property, plant and equipment due to the Fundão dam collapse, as described in Note 3 (e).

(c) The investments in property, plant and equipment and intangible assets are initially recorded in construction in progress. Once these investments are concluded and have come into operation, the assets are transferred to the respective accounts of property, plant and equipment and intangible assets, depending on the accounting nature of each item.

(d) The effect of the exchange rate variance resulted from translating the financial statements from the functional currency (US dollars) to the reporting currency (Real).

12.1 Impairment analysis

Following the suspension of the Company's operations in Mariana, as a result of the collapse of the Fundão dam, Samarco found evidence of impairment of certain items of property, plant and equipment and conducted an impairment test in the year.

The assets' recoverable values were assessed based on projected cash flows, considering the Company to be the only cash generating unit (CGU). Cash flow projections were made based on: (i) estimated useful life of Samarco's mines; (ii) assumptions and budgets approved by Company management for the period corresponding to the estimated useful life; (iii) discount rate deriving from the methodology used to calculate the weighted average cost of capital – WACC; (iv) market projections for exchange rates (Real/US Dollar); (v) market projections for price quotes of iron ore pellets (BF and DR).

The main assumptions used in the cash flow projections to determine the value in use of the CGU were: WACC of 11.3%; average inflation rate of 6.5% in 2016, amounting to 4.2% in the long term; average exchange rate for 2016 of R\$4.08, rising to R\$5.04 in the long term; average price of BF and DR pellets, as per the Platts index projected by market analysts and international marine freight references.

When testing its noncurrent nonfinancial assets for impairment based on projected cash flows as of December 31, 2015, the Company did not identify the need to make a provision for asset impairment.

12.2 Residual value

It is Company policy to extend the useful life of its assets as much as possible by carrying out preventive and corrective maintenance. This policy enables the Company to maintain its assets in an appropriate state of repair and operation for lengthy periods of time until they become obsolete or are scrapped. It is not expected to recover a significant part of the value of property, plant and equipment, when sold i.e. the residual value thereof is close to zero.

12.3 Pledged assets

At December 31, 2015 the Company had assets pledged as collateral in judicial proceedings. These assets are recorded under Property, Plant and Equipment as machinery and equipment, vessels and related systems, amounting to R\$438,178 (R\$64,954 in 2014). The guarantee related to the BNDES loan was increased in 2015.

Samarco has also submitted a guarantee to the Prosecutor's Department of Minas Gerais state consisting of assets worth R\$500,000, under the TPC entered into on November 16, 2015 (Note 3).

12.4 Useful life

In accordance with technical pronouncement CPC 27 - Property, Plant and Equipment, in 2015 the Company concluded its review of the useful lives of its property, plant and equipment. There were no changes to the expected use of the asset, which is assessed based on physical production or capacity expected of it. There were therefore no changes to the standard uses of Samarco's property, plant and equipment in 2015, i.e. the useful lives are compatible with the expected benefit of the industrial complex.

Below is a summary descriptions of the property, plant and equipment accounts and the useful life by accounting item used to calculate depreciation, based on the units produced method for the items directly related to the respective productive areas and based on the straight-line depreciation method for the rest.

Item	Account description	2015		2014	
		Average weighted useful life in years	Years of depreciation	Average weighted useful life in years	Years of depreciation
Buildings	Buildings, warehouses, security cabins, road surfacing and civil works improvements.	34	10 to 50	34	10 to 50
Machinery and equipment	Furnace, pelletizing disks, ship loader, loaders, precipitators, ball mills, grate cars and other such items.	20	10 to 50	20	10 to 50
Ore pipeline and correlated system	Pipelines to transport iron ore and industrial fixtures, such as conveyor belts, cabling and others	18	20 to 43	18	20 to 43
Plant decommissioning	Environmental obligations to discontinue the slurry pipeline and industrial facilities of Germano and Ubu.	43	43	43	43
Data processing equipment	Personal computers, printers, monitors, notebooks, servers, optical interfaces, collectors, switches, hubs, patch panels, racks, etc.	4	5	4	5
Furniture and fixtures	Chairs, tables, cupboards and other such furniture	8	10	8	10
Vessels	Boats, ferries, speed boats and dredgers.	16	9 to 24	16	9 to 24
Vehicles	Automobiles, trucks, stackers, cranes, tractors, loaders.	10	4 to 25	10	4 to 25
Tools	Impact keys, multimeter, torque wrenches, microscopes, and other small devices.	12	10 to 25	12	10 to 25
Rotating assets	Parts of machinery and equipment and industrial facilities.	20	10 to 27	20	10 to 27
Mass assets	Circuit breakers, capacitors, hydraulic pumps and other small items.	20	5 to 24	20	5 to 24

13. INTANGIBLE ASSETS

The intangible assets are comprised as follows:

	Parent Company and Consolidated							Total
	Right of way	Mining rights	Other rights	Tailings removal	Applications and software	Construction assets		
Cost								
Balance as of December 31, 2014		16,261	33,593	1,531	16,094	104,874	14,690	187,043
Additions	(a)	-	-	-	-	-	17,780	17,780
Transfers - in		4,738	-	-	1,079	8,523	-	14,340
Transfers - out		-	-	-	-	-	(14,340)	(14,340)
Effect of exchange rate variance	(b)	11,988	15,794	718	8,273	54,426	(1,846)	89,353
Balance as of December 31, 2015		32,987	49,387	2,249	25,446	167,823	16,284	294,176
Accumulated amortization								
Balance as of December 31, 2014		(3,722)	(22,339)	(1,531)	(521)	(76,213)	-	(104,326)
Amortization in the period	(c)	(232)	(164)	-	(2,426)	(7,536)	-	(10,358)
Effect of exchange rate variance	(b)	(2,025)	(10,770)	(718)	(1,846)	(43,007)	-	(58,366)
Balance as of December 31, 2015		(5,979)	(33,273)	(2,249)	(4,793)	(126,756)	-	(173,050)
Balance as of December 31, 2014		12,539	11,254	-	15,573	28,661	14,690	82,717
Balance as of December 31, 2015		27,008	16,114	-	20,653	41,067	16,284	121,126

(a) The investments and expenditure to be recorded in intangible assets are initially recorded in construction in progress in property, plant and equipment. Once these investments are concluded and have come into operation, the assets are transferred to the respective accounts of intangible assets, depending on the accounting nature of each item.

(b) The effect of the exchange rate variance resulted from translating the financial statements from the functional currency (US dollars) to the reporting currency (Real).

(c) Amortization of the intangible assets is calculated according to the expected useful life of the iron ore mines owned by the Company, for the easements and mining rights. The straight-line method is applied for the others.

13.1 Useful life

Below is a summary descriptions of the intangible asset accounts and the useful life by accounting item.

Item	Account description	2015		2014	
		Average weighted useful life in years	Years of depreciation	Average weighted useful life in years	Years of depreciation
Easements	Rights acquired to use the easement on the ground to lay the slurry pipeline.	43	43	43	43
Mining rights	Mining rights for exploration of iron ore deposits.	43	43	43	43
Other rights	Oil pipeline usage right.	14	15	14	15
Tailings removal	Cost of removing tailings, incurred in surface mine during production.	14	14	14	14
Applications and software	Software and licenses.	5	5	5	5

13.2 Research and development

The Company incurred research and development expenses of R\$107,156 (R\$104,570 in 2014), which were recognized as net operating expenses.

14. TRADE PAYABLES

	Parent Company		Consolidated	
	2015	2014	2015	2014
Domestic customers	110,609	302,704	110,623	302,719
Overseas customers	5,537	11,277	5,574	10,246
Related-party transactions (Note 11)	2,560	34,798	-	34,798
	118,706	348,779	116,197	347,763

15. LOANS AND FINANCING

Loans and financing are instruments used by the Company to finance its long-term projects and ventures. Loans and financing

generally have a term in excess of 1 (one) years and are mainly denominated in US dollars:

	Parent Company			Consolidated		
	Current	Noncurrent	Total 2015	Total 2014	Total 2015	Total 2014
Overseas loans and financing	304,528	14,602,851	14,907,379	11,402,579	14,907,379	11,402,579
Local loans and financing	23,715	139,068	162,783	170,113	162,783	170,113
Total	328,243	14,741,919	15,070,162	11,572,692	15,070,162	11,572,692
Current	328,243	-	328,243	1,281,371	328,243	1,281,371
Noncurrent	-	14,741,919	14,741,919	10,291,321	14,741,919	10,291,321

No major new loans were secured in FY 2015.

important to highlight that Company is evaluating the continuity of this contract.

The financing contract entered into with the BNDES in October 2014 amounting to R\$201,000 has not yet been disbursed (grace period of up to 2 years). The contract is subject to fixed interest paid quarterly during the grace period and monthly thereafter. It is

As of December 31, 2015 the provision for interest on foreign currency loans and financing, which accounted for 98.9% of interest on total loans (98.5% in 2014) was as follows:

	2015		2014	
	Principal value	Provision for interest	Principal value	Provision for interest
0% to 2 %	4,138,452	20,023	4,549,043	13,883
2% to 3%	2,244,915	2,882	1,062,240	1,859
3% to 4%	-	-	-	-
Over 4%	8,524,012	83,485	5,791,296	56,785
	14,907,379	106,390	11,402,579	72,527

As of December 31, 2015 the provision for interest on local currency loans and financing, which accounted for 1.1% (1.5% in 2014) of interest on total loans and financing was as follows:

	2015		2014	
	Principal value	Provision for interest	Principal value	Provision for interest
3% to 4%	150,933	199	159,226	1,010
Over 4%	11,850	2,539	10,887	1,941
	162,783	2,738	170,113	2,951

The average cost of the total debt, including foreign currency loans and financing is 3.5% p.a (3.2% p.a. in 2014).

As of December 31, 2015 the loans and financing payments were subject to the following maturities:

Parent Company and Consolidated										
	Total	2016	2017	2018	2019	2020	2021	2022	2023	2024
Loans and financing	15,070,162	328,243	324,315	4,259,519	511,487	511,487	187,439	4,091,639	2,912,086	1,943,947

The fair value of financial liabilities related to the loans and financing, whose balances are measured at amortized cost, is calculated as follows:

(i) the fair value of the bonds is obtained from the security's price in the secondary market (the value used is the closing value informed by Bloomberg).

(ii) the 2022 Bonds quotes in the secondary market and the 6-month Libor rate,

in force as of December 31, 2015, are used as a reference for EPP - Export Pre-Payment, Finame loans and loans which are not published in the secondary debt market or for which the secondary market does not have enough liquidity.

Below are the estimated fair values of the loans and financing:

	2015		2014	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Bonds	8,607,497	2,884,835	5,848,081	5,402,821
EPPs (export pre payments)	6,406,272	4,041,601	5,627,025	4,181,817
Other	165,521	89,024	173,064	146,607
	15,179,290	7,015,460	11,648,170	9,731,245

Guarantees and obligations - loans and financing

The Company's noncurrent loans and financing is guaranteed by promissory notes and is primarily linked to previously defined export receivables.

Certain loans and financing are subject to a number of financial covenants. Some of financial covenants concern the debt ratios Net Debt/ EBITDA limited to 4:1. The Company uses an adjusted EBITDA to calculate compliance with the covenants, in accordance with the various contracts with creditors. According to this criteria we exclude extraordinary noncash losses and gains, such as provisions, in order to reflect

in the EBITDA the expected cash generation, thereby evaluating the Company's solidity and liquidity and its capacity to pay the entire debt in a certain period of time. The determination of the adjustments made in the financial indexes reflects management's better interpretation of contractual clauses. Failure to comply with financial covenants in the period (or quarterly bases for certain loans and financing), could trigger early maturity of creditor obligations. Management believes that it will not meet the covenants' financial indexes in the first quarter of 2016 and is evaluating its debts facilities proactively with the objective to avoid any material adverse effect with respect to the debit facilities.

As of December 31, 2015 this ratio was 3.0, as shown below:

EBITDA (in thousands of USD)

	Net Debt / EBITDA	
	2015	2014
Operating income (loss) before financial income/loss	(1,765,673)	1,546,537
Other operating expenses, net	72,112	8,199
Allowance for doubtful accounts	6,509	1,713
Other noncash operating expenses (revenue)	2,576,250	32,772
Depreciation and amortization	221,730	184,658
(a) EBITDA	1,110,928	1,773,879
(b) Net Indebtedness	3,393,122	3,560,434
Net Debt / EBITDA (b / a)	3.05	2.01

According to the facts and circumstances management is aware of, including: (i) the specialized foreign advisory report and (ii) the current stage of the investigation into the collapse of the Fundão dam, on November 05, 2015, it believes, all the covenants established by loans and financing agreements and other agreements are being duly complied with on December 31, 2015, there being no other facts or events which could be classified as default.

16. EMPLOYEE BENEFITS

16.1 Retirement benefits

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social (ValiaPrev), a multi-sponsor, multi-plan entity managing benefit plans with segregated assets and providing participants and their dependents with benefits supplementary, or similar, to Official Basic Social Security benefits. The plan is a defined-contribution plan and offers the following benefits:

- » Normal retirement income
- » Early retirement income
- » Supplementary disability retirement.
- » Supplementary pension for death
- » Pension income for death
- » Deferred benefit income for severance
- » Supplementary annual bonus.
- » Annual income bonus.
- » Redemption.

(a) Defined-contribution plan

The plan is supported by regular contributions precisely matching participant contributions and limited to 9% of the amount by which contribution salaries exceed 10 reference plan units, as well as by contributions to support risk benefits (disability and death at work and annual bonus) and plan administration expenses.

In FY 2015 the Company made contributions to the defined contribution plan of R\$12,497 (R\$10,715 in 2014).

(b) Defined-benefit plan portion.

The Company records the cost and obligations related to the pension benefits offered to its employees when they retire, based on a specific actuarial appraisal report.

The actuarial appraisal report calculated the retirement benefits considering the definitions contained in the regulations that concern eligibilities, benefit formulas and means of readjustment.

The actuarial report appraised the defined-benefit portion in the plan, which denotes the constructive obligation referring to supplementary retirements, pension for death and annual bonus, denominated Risk Plan and retirement income.

1 – Change in present value of the obligations

	2015	2014
Present value of the actuarial liability at the beginning of the year	24,729	19,611
Current service cost	1,369	1,467
Interest on actuarial obligation	2,723	2,309
Actuarial (gains)/losses - experience	4,138	3,357
Actuarial (gains)/losses - demographic assumptions	(2,557)	(3,622)
Actuarial (gains)/losses - financial hypothesis	(3,954)	2,803
Benefits paid by the plan	(1,694)	(1,196)
Present value of the actuarial liability at the end of the year	24,754	24,729

2 – Change in fair value of the assets

	2015	2014
Fair value of assets at start of year	47,870	34,558
Real return on investments	6,376	11,896
Contributions paid by the Company	2,809	2,612
Benefits paid by the plan	(1,694)	(1,196)
Fair value of assets at end of year	55,361	47,870

3 – Change in unrecoverable surplus

	2015	2014
Unrecoverable surplus at end of previous year	23,141	14,947
Interest on unrecoverable surplus	2,607	1,800
Change in unrecoverable surplus during period	4,859	6,394
Unrecoverable surplus at end of current year	30,607	23,141

4 – Costs of defined benefit

4.1 - In results for the year	2015	2014
Current service cost of the company	1,369	1,467
Net interest of net liabilities/(assets)	(162)	(167)
Cost of defined benefit in results	1,207	1,300

4.2 - Other comprehensive income (ORA)	2015	2014
Actuarial gains(losses) of change in liabilities	4,138	3,357
Actuarial gains(losses) of changes in hypothesis	(6,511)	(820)
Actuarial gains(losses) arising in the period	(2,373)	2,537
Yields on plan assets (greater)/smaller than discount rate	(885)	(7,619)
Change in unrecoverable surplus	4,859	6,394
Re-measurement of effects on Other comprehensive income	1,601	1,312

4.3 – Cost of defined benefit	2015	2014
Current service cost	1,369	1,467
Net interest on net value of liabilities/(asset)	(162)	(167)
Remuneration of effects recognized in ORA	1,602	1,312
Cost of defined benefit	2,809	2,612

5 – Change in net liability/assets

5.1 – Net liability/assets	2015	2014
Present value of obligation (VPO)	(24,754)	(24,729)
Fair value of the assets	55,361	47,870
Net total (liability)/assets to be recognized	30,607	23,141

5.2 – Reconciliation in net total (liability)/assets	2015	2014
Net total (liability)/asset at beginning of year		
Service Cost	(1,369)	(1,467)
Net interest on net value of liabilities/(asset)	162	167
Remuneration of effects recognized in ORA	(1,602)	(1,312)
Contributions paid by the Company	2,809	2,612
Net total (liability)/asset at end of year	-	-

6 – Estimated cost of defined benefit for 2016

Current service cost	558
Net interest of net liabilities (assets)	(185)
Cost to be recognized in profit or loss	373

7 – Expected cash flows for 2016

Company Contributions	3,012
Benefits paid by the plan	1,828

8 – Actuarial assumptions

	2015	2014
Economic		
Discount rate	6.94% per year	5.77% per year
Salary growth rate	7.10% per year	7.30% per year
Inflation	5.00% per year	5.20% per year
Benefits growth	5.00% per year	5.20% per year
Return on noncurrent assets	12.29% per year	11.27% per year
Demographic		
Mortality table	AT-2000 (H)	AT-1983 (H)
Mortality table of disabled people	AT-2000 (H)	AT-1983 (H)
Disability rate table	RGPS 1992-2002 0,55	Zimmerman 0.45
Turnover rate	3% up to 55 years	Nil
Retirement age	First age entitled to one of the benefits	First age entitled to one of the benefits
% of active participants married at retirement	95%	95%
Age difference between participant and spouse	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands

9 - Summary of participants' data

	2015	2014
Active and self-sponsored employees		
Number	3,001	2,959
Average age	37.55	37.22
Average length of service (years)	9.29	9.04
Annual average payroll	67,361	65,219
Participants with assisted benefits		
Number	78	67
Annual average payroll	25,732	16,364

10 – The plan's assets are administered as follows:

Assets by category	2015	2014
Fixed income	384,351	306,812
Variable income	69,798	61,611
Loans	50,306	54,952
	504,455	423,375

16.2 Other employee benefits

The Company additionally offers employee benefits such as a health care plan (self-managed and contributed to by employees for coparticipation in expenses incurred) entitled Assistência Médica Supletiva (AMS), which is also extended to dependents. The plan covers

outpatient, inpatient and dental care as well as medication for beneficiaries and is ensured by a Collective Labor Agreement. Plan management fees are fully borne by the Company. Expenses on other benefits were recognized in the statement of operations as follows:

	Parent Company		Consolidated	
	2015	2014	2015	2014
Compensation and charges	(347,472)	(337,529)	(355,391)	(344,462)
Social security charges	(67,397)	(67,062)	(67,397)	(67,062)
Retirement plan benefits	(13,522)	(12,568)	(13,739)	(12,779)
Meal vouchers	(25,017)	(23,041)	(25,017)	(23,041)
Health insurance	(20,700)	(17,244)	(20,750)	(17,299)
Other	(15,893)	(22,305)	(17,840)	(23,689)
	(490,001)	(479,749)	(500,134)	(488,332)

16.3 Share-based payments

The long-term incentive plan (ILP) was introduced in 2011, with the aim of attracting, retaining and sharing Samarco's growth with its executives.

The phantom stocks awarded to participants were calculated by a formula that takes into account a multiple of each participant's annual salary, calculated in accordance with the plan's regulations. The phantom stocks can be exercised on the third anniversary of the concession date. At any time the Company may amend the respective regulations or suspend or close the plan.

Theoretical shares are cancelled when the participant leaves the Company voluntarily or otherwise. If a participant is dismissed for cause, retires, dies or becomes permanently incapacitated, in certain conditions their theoretical options can be exercised in proportion to the period between the date they

were awarded and the date their employment contract was terminated. At its sole discretion the Compensation Committee also determines the rights of executives and key personnel in relation to their theoretical shares in the event of dismissal for reasons not stipulated in the long-term share plan regulations. At any time and at its sole discretion the Compensation Committee may also change the regulations or suspend or terminate the long-term share plan.

The fair value at the concession date of the phantom stocks was calculated, based on a Monte Carlo sampling. The predicted volatility is estimated by considering the volatility of the average historic price of our shareholder Vale's shares in the market, for a term of three years.

The data used to calculate the plan's fair values based on the equity interest are as follows:

	Parent Company and Consolidated	
	2015	2014
Value of the shares	0	94.61
Strike value	-	-
Projected volatility (average weighted volatility)	0%	8.4%
Dividends forecast	0%	0%
Risk-free interest rate (based on government bonds)	5.000%	5.000%

As a result of calculating share values, as mentioned above, the amount of R\$13,193 was

reversed in 2015. Operating expenses incurred on employee benefits amounted to R\$12,438 in 2014.

17. PAYROLL, PROVISIONS AND SOCIAL CONTRIBUTIONS

The balance of payroll, provisions and contributions is shown below:

	Parent Company		Consolidated	
	2015	2014	2015	2014
Provision for profit sharing	-	61,252	-	63,793
Provision for vacations	27,491	33,267	27,608	33,314
Employees INSS	5,806	5,829	5,806	5,829
FGTS payable	2,332	2,306	2,332	2,306
Provision for share-based remuneration plan	-	6,672	-	6,672
Other	1,472	1,627	1,590	1,633
	37,101	110,953	37,336	113,547

18. TAXES PAYABLE

The balance of taxes payable is shown below:

	Parent Company		Consolidated	
	2015	2014	2015	2014
ICMS payable	7,498	20,927	7,498	20,927
REFIS – Tax recovery – financed taxes	14,798	13,311	14,798	13,311
IRRF on interest	13,260	-	13,260	-
ISS withheld	4,003	4,713	4,003	4,713
INSS retained from third parties payable	3,264	4,585	3,264	4,585
IRRF payable	4,957	6,120	5,081	6,207
INSS DIFAL payable	954	2,432	954	2,432
CFEM payable	14,152	5,412	14,152	5,412
COFINS withheld	2,377	1,493	2,377	1,493
TFRM payable	-	2,166	-	2,166
Other	1,484	1,134	1,479	1,134
	66,747	62,293	66,866	62,380

19. PROVISION FOR CONTINGENCIES

The Company is party to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, basically involving tax, civil, labor and environmental issues. Based on the information and opinions of its internal and external legal advisors, management has made a provision for contingencies in an amount considered sufficient to cover cases assessed as involving probable losses. The additional

provisions and deposits relating to the collapse of Fundão dam have been described in Note 3.

In 2015 the provisions for present obligations are presented net of the corresponding judicial deposits amounting to R\$69,878 (R\$65,382 in 2014). The balance of unprovisioned judicial deposits is recorded in assets at R\$1,402,178 (R\$706,287 in 2014) and its breakdown is detailed below:

		Parent Company and Consolidated	
		2015	2014
Judicial tax deposits	(a.1)	1,087,117	692,001
Civil judicial deposits	(a.1)	312,111	9,583
Judicial Deposits - Labor Claims		2,928	4,682
Judicial environmental deposits		22	21
		1,402,178	706,287

(a.1) On December 11, 2015 Samarco made a compulsory court deposit of R\$501,978 related to the CFEM tax proceeding. Pursuant to the civil preliminary injunction filed by the Prosecutor's Department of Minas Gerais state, due to the collapse of the dam, the Company made another court deposit of R\$302,858 (Note 3).

The changes in the Company's provision for legal obligations losses are as follows:

	Parent Company and Consolidated				
	2014	Additions	Reversals	Charges	2015
Tax proceedings	91,071	1,156	(5,190)	118	87,155
(-) Judicial tax deposits	(60,831)	-	-	(3,410)	(64,241)
Civil claims	77,572	1,043	(363)	12,916	91,168
Labor claims	23,326	8,924	(3,638)	2,353	30,965
(-) Judicial Deposits - Labor Claims	(4,551)	(1,413)	327	-	(5,637)
Environmental proceedings	91	45	(1)	20	155
	126,678	9,755	(8,865)	11,997	139,565

The provisions break down as follows:

		2015			2014		
		Provision	Court deposits	Net	Provision	Court deposits	Net
ECE - ES	(a.1)	35,009	(35,009)	-	33,147	(33,147)	-
ECE - MG	(a.1)	29,232	(29,232)	-	27,684	(27,684)	-
ICMS – Fine – Muniz Freire - ES	(a.2)	9,062	-	9,062	13,691	-	13,691
Attorneys' fees	(a.3)	10,943	-	10,943	13,757	-	13,757
Other		2,909	-	2,909	2,792	-	2,792
Tax Proceedings		87,155	(64,241)	22,914	91,071	(60,831)	30,240
Civil claims	(a.4)	91,168	-	91,168	77,572	-	77,572
Labor claims		30,965	(5,637)	25,328	23,326	(4,551)	18,775
Environmental proceedings		155	-	155	91	-	91
		209,443	(69,878)	139,565	192,060	(65,382)	126,678

(a) Legal obligations by the Company:

Note	Description	Status	2015	2014
(a.1)	Court proceeding filed to have declared the unconstitutionality and illegality of the requirement to pay charges and acquisition of emergency energy, due to technical defects when these requirements were introduced.	The case for Espírito Santo is pending a decision of the appeal Court (2nd judicial instance) and the case relating to Minas Gerais is pending decision of another appeals court (3rd judicial instance).	64,241	60,831
(a.2)	Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which Samarco owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.	Case ruled in favor of Samarco. Admissibility of the Finance Department's appeal is pending.	9,062	13,691
(a.3)	Provision is made for lawyers' fees referring to proceedings classified as having a remote chance of defeat.	-	10,943	13,757
Other	Proceedings related to the former Guilman-Amorim hydroelectric power plant, closed down as a result of a spin-off and subsequent merger, for the offsetting of tax losses, PIS and COFINS.	Proceedings pending decisions under administrative appeals and 1st and 2nd instance judicial decisions.	2,909	2,792
(a.4)	Provision made to cover potential losses on civil proceedings related to third-party compensation and proceedings entailing the intermediation of transferred ICMS credits.	Proceedings at the judicial courts at several stages.	91,168	77,572
Labor	Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Proceedings at the judicial and administrative courts at several stages.	30,965	23,326
Environmental	Assessment Notice 1284/10 issued by DNPM, for the alleged breach of article 54 (V) of the mining code's regulations.	Pending analysis of the administrative defense submitted.	155	91
			209,443	192,060

(b) Possible contingencies:

The Company is party to other cases for which management, based on the information and opinions of its internal and external legal advisors,

has not set up a provision for contingencies, since the chance of loss has been rated as possible. The main such cases are described below:

Description	Status	2015	2014
Assessment Notices for the alleged non-payment of CSLL in 2008, 2009 and 2010.	A favorable decision of the administrative appeals court has been obtained for the proceeding for the period 2008. Appeal proposed by the Ministry of Finance. Case relating to the period 2009 and 2010 administrative appeal proposed by Samarco analyzed but decision is pending formalization.	2,472,611	2,250,376
Assessment notices for 2000 to 2003 and 2007, 2008, 2009 and 2010, for allegedly incorrectly calculating the IRPJ as a result of using the rate of 18% over profit deriving from mineral exports instead of the general rate of 15% plus the 10% surcharge.	A favorable decision from the administrative appeals court has been obtained for the proceeding for the period of 2007 and 2008. Appeal proposed by the Ministry of Finance analyzed but decision is pending formalization. Case relating to the period 2000 to 2003, terminated at the administrative level and pending notification of the decision. Appeal proposed by Samarco for years 2009 and 2010 analyzed but decision is pending formalization.	1,859,773	1,844,826
Assessment Notice issued by the National Mining Production Department (DNPM) for alleged underpayment of the Financial Compensation for Exploration of Mineral Resources (CFEM). The city government of Mariana filed suit against the Company, based on the same legal grounds as those invoked by the DNPM in its assessments.	1 case closed with a favorable sentence for Samarco, 3 cases pending appeal at the lower court and 1 case pending decision of an administrative appeal.	945,809	886,766
Tax enforcements regarding the timeliness and respective amounts of PIS paid on a semi-annual basis in the periods September 1989 to August 1994.	1 proceeding awaiting the decision of the 1st judicial court and 1 proceeding awaiting the decision of the 2nd judicial court.	21,182	20,548
Assessment Notice demanding social security contributions on payments made to insured employees as profit shares and "Field of Ideas" Premium, amongst other matters such as (i) social contributions allegedly due to the National Development Fund (FND) on said payments; (ii) fine for failure to pay social contributions; and (iii) fine for submitting incomplete information in declaration forms known as GFIPs.	Pending decision of the administrative appeal. The proceedings up to 2008 not covered by the statute of limitations have been included in the REFIS program.	23,418	12,923

CONTINUE »

CONTINUATION »

Description	Status	2015	2014
Disallowance of the offset of IRPJ and CSLL losses of the former Guilman-Amorim hydroelectric power plant (subject to the legally established 30% limit).	Pending administrative decision. Process included in REFIS	7,681	7,124
Disallowance of offset PIS and COFINS credits in the period April 2006 to December 2007 and 2008 to 2010 against monthly estimated IRPJ debits calculated in the same period, submitting the individual PER/DCOMPs by quarter and origin of credits (PIS and COFINS credits).	Proceedings pending decision of the administrative appeal.	145,930	133,394
This is addressing the constitutionality and legality of the fee introduced by the Minas Gerais government to inspect the survey, mining, exploration and use of mineral resource activities (TFRM). This proceeding involves the entering into the Special Arrangement REGIME ESPECIAL/ E-PTA N°:45.000005700-79, which among other obligations stipulated the payment of the TFRM, with the consequent withdrawal of the proceeding and release of part of the judicial deposit to the government income.	Case closed. Part of the judicial deposit was released and the remaining balance returned to Samarco in 2014.	-	-
Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which Samarco owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.	3 legal proceedings with appeals by Samarco upheld. Admissibility of the Finance Department's appeals is pending. 1 legal proceeding closed with a favorable outcome for Samarco.	50,082	64,356
Assessment Notice issued by Minas Gerais state for ICMS on acquisitions of consumables, on the grounds that the permission awarded by the federal tax authorities for the drawback customs basis only applies to SAMARCO's establishment in the same state (Espírito Santo), so that imports made by the establishment in Minas Gerais state are not embraced by the ICMS suspension.	These proceedings were paid with the reductions established in the legislation of Minas Gerais state. Pending submission of case records for filing.	-	-
Tax enforcement and assessment notice issued by the municipal government of Anchieta in respect of the area where Samarco's industrial plant is located in Ubu, which is subject to the tax, also demanding tax for the area for which the ITR is paid.	1 case is pending decision of the court of appeal and 1 is pending an administrative decision.	77,790	66,371
Judicially dispute regarding the legality of the levying of ICMS on the right to use electric power transmission lines.	Case closed. The balance of the court deposit has been returned to Samarco.	-	170,302

CONTINUE »

CONTINUATION »

Description	Status	2015	2014
Civil proceedings primarily related to third-party compensation. According to the opinion of the Company's legal advisers, the probability of losing these cases is possible.	Proceedings at the judicial courts at several stages.	64,064	56,638
Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Proceedings at the judicial courts at several stages.	56,344	40,335
Proceedings involving environmental risks in the states of Minas Gerais and Espírito Santo, consisting of assessments from the inspection authorities.	Proceedings at the judicial courts at several stages.	62,893	55,453
Other	-	100,106	92,807
		5,887,683	5,702,219

The contingencies relating to the collapse of Fundão dam are described in Note 3(h).

20. OTHER PROVISIONS

		Parent Company and Consolidated	
		2015	2014
Provision for electricity	(a)	25,181	42,091
Provision for mining rights	(b)	-	70,208
Provision for purchase of iron ore		-	413
Provision for social, environmental and socioeconomic recuperation	(c)	1,949,964	-
Total current		1,975,145	112,712

		Parent Company and Consolidated	
		2015	2014
Provision for asset retirement obligation	(d)	384,839	350,718
Provision for mining rights	(b)	112,222	-
Provision for social, environmental and socioeconomic recuperation	(c)	8,054,838	-
Provision for share-based remuneration plan		-	12,063
Other			4,262
Total noncurrent		8,551,899	367,043

(a) Acquisition of energy for use in production, not invoiced by the concession operators in the period.

(b) The Company pays its shareholder Vale for the assignment of mining rights to iron ore geological resources. These amounts are calculated at the rate of 4% of dividends paid (Note 11).

(c) Provision for the collapse of the Fundão dam, as described in Note 3.

(d) The changes in the provision for asset retirement obligations were as follows:

	Parent Company and Consolidated	
	2015	2014
Provision at beginning of year	350,718	135,669
Provision increase	36,651	202,322
Estimated revisions in cash flows	(2,530)	12,727
Provision at end of year	384,839	350,718

In 2014 the Company revised its conceptual plan to close down operating units in order to diagnose the environmental situation of the mining exploration areas, acquire data to support the assessment of the environmental impacts and risks at closing, establish measures to mitigate any risks posed by potential sources of contamination in order to stabilize any potential environmental liabilities and estimate the closing costs according to the phase of the plan. The Company's policy is to revise this plan every three years; however, due to the Fundão dam

collapse, management revised its plan for closing operating plants in December 2015, in accordance with advice from external consultants.

The provision for asset retirement was based on current information, including the technology available and current prices. The provision made was discounted to present value at the discount rate of 11.4% per annum, based on the parameters adopted by the Company for economic and financial valuations.

21. OTHER LIABILITIES

Other liabilities are comprised as follows:

		Parent Company		Consolidated	
		2015	2014	2015	2014
Current					
Advance of overseas receivables		-	97,344	-	97,344
Commission payable overseas to related parties	(a)	44,099	28,993	-	-
Demurrage payable	(b)	9,813	17,144	10,012	17,144
Amounts payable (material/services)	(c)	1,108	31,849	1,108	31,849
Consórcio UHE Guilman Amorim (Note 2)		2,947	2,704	2,947	2,704
Other		6,734	10,547	7,276	11,213
Total current		64,701	188,581	21,343	160,254
Noncurrent					
REFIS – Tax recovery – financed taxes	(d)	176,345	171,932	176,345	171,932
Unrealized profit on inventory	(e)	98,777	-	-	-
Other		533	551	533	551
Total noncurrent		275,655	172,483	176,878	172,483

(a) Agency commission paid to the subsidiary Samarco Europe for intermediating in iron ore sales.

(b) Amount owed by Samarco for the extra time used on unloading or loading the product at the port.

(c) Amounts referring to materials and goods acquired which were not recorded, as the respective note had not been issued by the supplier. The goods and services have been recorded under inventory and cost.

(d) On December 20, 2013 Samarco entered the REFIS IV Financing Program introduced by Law 12865/13. The first instalment was paid at the time of enrolment. The total amount financed was R\$180,789, to be paid over 180 installments. The amount of R\$176,345 refers to 143 long-term installments, restated by Selic. The current portions are presented in taxes payable, as shown in Note 18.

(e) The amount refers to unrealized profits on the inventory of Samarco Finance relating to iron ore pellets acquired from Samarco.

22. SHAREHOLDERS' EQUITY

22.1 Capital

The fully subscribed and paid-in share capital amounts to R\$297,025, consisting of shares as follows:

	Number of shares	% of total capital
BHP Billiton Brasil Ltda.	2,621,653	50
Vale S.A.	2,621,653	50
	5,243,306	100

22.2 Dividends

Dividends are as follows:

	Parent Company and Consolidated	
	2015	2014
Net income (loss) for the year (available for distribution)	(5,836,517)	2,805,548
Minimum mandatory dividends - 25%	-	701,387
Additional dividends proposed	-	2,104,161
Total dividends proposed	-	2,805,548
Percentage over calculation base	-	100%

The Annual General Meeting held April 28, 2015 approved the distribution of additional dividends for FY 2014 of R\$2,104,161 and mandatory dividends of R\$701,387.

As a result of the collapse of the Fundão dam (Note 3), on December 18, 2015 a court decision was delivered, which amongst other determinations prevented the Company from paying out pending dividends from November 5,

2015. The Extraordinary General Meeting held December 31, 2015 accordingly resolved that the dividends declared at the above Meeting, but not yet paid, be reclassified to noncurrent.

The Company's Bylaws state the mandatory dividends are equal to 25% of net income in due accordance with Law 6404/76.

The changes in dividends were as follows:

	Parent Company and Consolidated	
	2015	2014
Dividends payable at start of year	1,619,936	682,850
Additional dividends proposed	2,104,161	2,048,547
Minimum mandatory dividends - 25%	-	701,387
Dividends paid	(918,549)	(1,812,848)
Dividends payable at end of year	2,805,548	1,619,936

22.3 Reserves

Pursuant to article 189 of Law 6404/76, revenue reserves were transferred to accumulated losses in order to offset part of the loss generated in FY 2015.

22.4 Carrying value adjustments

		Parent Company and Consolidated	
		2015	2014
Inventory		146,613	67,752
Property, plant and equipment		10,307,803	3,874,492
Intangible assets		48,383	17,403
Cost		631,142	225,087
Idle capacity		-	633
Exchange variance		(7,703,814)	(2,562,641)
Other		161,989	(6,294)
Accumulated translation adjustments	(a)	3,592,116	1,616,432
Remeasurement of retirement benefit		(2,913)	(1,312)
Remeasurement of retirement benefit	(b)	(2,913)	(1,312)
		3,589,203	1,615,120

(a) These adjustments are made for exchange variance resulting from translating the balance sheet and statement of operations for the year from the functional currency (USD) to the reporting currency, the Real.

(b) Refers to the actuarial gains and losses, increase in liabilities, change in assumptions, earnings on the plan's asset and change in the irrecoverable surplus (Note 16).

23. REVENUE

The Company operates in the mining sector, deriving its revenue from the sale of two types of iron ore pellets: PDR – Pellets for direct reduction and PBF – Pellets for the blast furnace. The surplus production of iron ore concentrate is sold as fines (pellet feed).

In 2015 the Company made overseas sales only, selling its products and subproducts in countries

of the Americas, Asia, Africa and Europe. In addition to product and byproduct revenue, in 2015 the Company obtained revenue from electricity surpluses and logistics services at the Port owned by it, such as renting boats, tug boats and land, in addition to selling unagglomerated iron ore, which were recorded under "other products and services".

		Parent Company and Consolidated	
		2015	2014
Pellets - Brazil		-	-
Pellets - Overseas		6,294,881	6,960,308
Fines - Overseas		134,398	199,970
Electricity		168,781	405,205
Other goods and services		40,041	35,852
Total gross revenue		6,638,101	7,601,335
Sales taxes		(20,687)	(42,062)
Freight on sales		(135,906)	(22,409)
Net revenue		6,481,508	7,536,864

24. COST OF GOODS SOLD

The costs of goods sold is comprised as follows:

	Parent Company and Consolidated	
	2015	2014
Consumables	(986,975)	(1,137,790)
Electricity	(345,712)	(309,891)
Materials	(266,281)	(285,473)
Outsourced services	(331,455)	(422,648)
Personnel expenses	(287,315)	(327,008)
Depreciation and amortization	(387,303)	(331,125)
Currency translation	(406,055)	(118,765)
Electricity sales	(71,003)	(58,745)
CFEM	(75,597)	(47,557)
TFRM	(23,332)	(22,483)
Idle capacity	(a) (169,104)	-
Provision for reinforcing dam facilities	(b) (171,613)	-
Other	(81,437)	(106,571)
Cost of goods sold	(3,603,182)	(3,168,056)

(a) Operations in the Mariana were suspended following the Fundão dam collapse, as described in Note 1. Operations of the Ubu plant in ES were also affected as a result. The fixed costs of both Samarco sites incurred until December 31, 2015 were therefore directly allocated to Cost of Idle Capacity.

Part of the balance recorded under Idle Capacity of R\$25,902 refer to outsourced services to maintain and repair the Samarco facilities affected by the dam's collapse.

(b) Provisions for the Fundão dam collapse, as described in Note 3 (i).

**25. SELLING, GENERAL AND
ADMINISTRATIVE EXPENSES**

	Parent Company		Consolidated	
	2015	2014	2015	2014
Selling expenses				
Outsourced services	(36,930)	(44,463)	(36,930)	(44,463)
Personnel expenses	(27,093)	(24,832)	(27,093)	(24,832)
Depreciation and amortization	(23,301)	(20,198)	(23,439)	(20,404)
Auxiliary supplies	(11,875)	(12,635)	(11,875)	(12,635)
Sales commission	(27,462)	(28,566)	-	-
Shipment expenses	(12,314)	(35,143)	(12,314)	(35,143)
Allowance for doubtful accounts	(27,896)	(4,699)	(27,881)	(4,631)
Sales expenses of subsidiaries	-	-	(17,594)	(18,348)
General expenses	(16,641)	(12,471)	(16,641)	(12,471)
Total	(183,512)	(183,007)	(173,767)	(172,927)
General and administrative expenses				
Outsourced services	(13,590)	(13,629)	(13,590)	(13,629)
Personnel expenses	(39,776)	(43,439)	(39,776)	(43,439)
Depreciation and amortization	(1,134)	(1,086)	(1,134)	(1,086)
Auxiliary supplies	(72)	(140)	(72)	(140)
General expenses	(3,802)	(6,100)	(3,802)	(6,100)
Total	(58,374)	(64,394)	(58,374)	(64,394)

26. OTHER NET OPERATING EXPENSES

Details of other net operating expenses are shown below:

		Parent Company		Consolidated	
		2015	2014	2015	2014
Tax		(22,347)	(23,793)	(22,347)	(23,793)
Provision for ICMS losses - ES		(252,548)	(247,148)	(252,548)	(247,148)
Provisions for contingencies (Note 19)		(11,935)	33,201	(11,935)	33,201
Investments and social projects		(29,837)	(22,894)	(29,837)	(22,894)
Employee profit sharing	(a)	(22,969)	(95,846)	(22,595)	(98,667)
Provision for share-based payments (Note 16)		13,193	(12,438)	13,193	(12,438)
Research expenses (Note 13)		(107,156)	(104,570)	(107,156)	(104,570)
Mining rights (Note 11)		(78,756)	(115,408)	(78,756)	(115,408)
Lawyers and expert fees		(4,209)	(6,629)	(4,209)	(6,629)
Inventory adjustment (warehouse)		(6,126)	(6,814)	(6,126)	(6,814)
Sale of property, plant and equipment		(1,358)	(14,182)	(1,358)	(14,182)
Provision PPE write-off	(b)	(216,817)	-	(216,817)	-
Provision for social, environmental and socioeconomic recuperation	(b)	(9,833,189)	-	(9,833,189)	-
Expenses on social, environmental and socioeconomic recuperation	(b)	(144,350)	-	(144,350)	-
Other, net		(142,858)	(79,967)	(140,142)	(70,377)
Total		(10,861,262)	(696,488)	(10,858,172)	(689,719)

(a) Based on the variable remuneration policy approved by its Board of Directors, the Company grants Profit Sharing to its employees, subject to the performance of goals, the evaluation of results and the achievement of specific targets, which are established and agreed at the beginning of each year.

(b) Loss on property, plant and equipment, provisions and expenses related to the collapse of Fundão dam, as described in Note 3.

27. FINANCE RESULT

The Company's financial result (consolidated and parent company) is comprised as follows:

Financial revenue		2015	2014
Yields on judicial deposits	(a)	71,030	148,043
Yields on government securities received		-	24,430
Earnings on investments		12,218	3,635
Discounts obtained		13	105
Other financial revenue		4,286	9,869
Consolidated financial information		87,547	186,082
Revenue of subsidiaries		(134)	(110)
Finance income - parent company		87,413	185,972

Finance expenses		2015	2014
Arrears and tax fines	(b)	(35,831)	(62,575)
Charges on loans and financing		(589,949)	(289,076)
Interest on contingencies	(a)	(7,053)	(45,288)
Financial expenses on exchange contract		-	-
Commission and bank interest		(26,297)	(27,763)
PIS and COFINS on financial revenue	(c)	(36,454)	-
Other financial expenses		(42,674)	(17,072)
Financial expenses - consolidated		(738,258)	(441,774)
Expenses of subsidiaries		22	46
Financial expenses - parent company		(738,236)	(441,728)

(a) Refers to the restatement of judicial deposits and provisions for contingencies in respect of tax, civil, labor and environmental proceedings.

(b) Refers to arrears and tax interest on ICMS - Minas Gerais, REFIS, TFRM and other.

(c) Refers to PIS and COFINS taxes on financial revenue as per normative amendments introduced by Decree 8451.

The balance of exchange variance is comprised as follows:

Exchange variance	2015	2014
Cash	(964)	8,029
Trade receivables	(5,434)	69
Recoverable taxes	(907,395)	(239,709)
Court deposits	(338,877)	(99,142)
Trade payables	44,350	8,627
Payroll, provisions and social contributions	17,157	7,664
Taxes payable	9,522	(843)
Dividends	2,040,739	388,851
Contingency	13,651	4,144
Deferred income tax	135,947	30,511
Others	121,996	53,188
Net exchange variance - consolidated	1,130,692	161,389
Net exchange variance of subsidiaries	270	274
Net exchange variance - parent company	1,130,962	161,663

28. INCOME TAX

The Company is subject to income tax at the rate of 18% on income derived from subsidized exportations and 25% on the unsubsidized portion.

28.1 Income tax payable

The changes in income tax payable are as follows:

	Parent Company		Consolidated	
	2015	2014	2015	2014
Balance at beginning of year	-	-	68	-
Provisions in the period	-	439,537	(728)	440,409
Payments	-	(216,448)	(710)	(217,252)
Offsetting with PIS and COFINS credits	-	(193,908)	-	(193,908)
Offsetting of recoverable tax (prepayment)	-	27,880	-	27,880
Offsetting of the negative balance from prior years	-	(45,373)	-	(45,373)
Income tax payable from prior years	6,571	-	6,571	-
Prior year IRPJ adjustment	-	(11,688)	-	(11,688)
Balance at end of year	6,571	-	6,657	68

28.2 Deferred income tax

The Company has deferred income tax recorded under noncurrent assets on temporarily non-deductible provisions, at the rates of 18% and 25%, according to the nature of each provision as adjustment of the net income from subsidized exports or adjustment of taxable income, respectively.

28.3 Deferred income tax on nonmonetary items

The financial statements have been translated from the functional currency (USD) to the presentation currency (R\$). The base for calculating income tax and assets and liabilities is denominated in Brazilian reais (R\$). The change in the exchange rate could therefore have a significant effect on the income tax expenses, especially on nonmonetary assets.

Net deferred income tax:

	Note	2015			2014		
Amounts recorded at the rate of:		25%	18%	Total	25%	18%	Total
Provision for ICMS losses - ES and MG	8	376,220	-	376,220	313,083	-	313,083
Provision for price rectifications	6	31,166	-	31,166	92,185	-	92,185
Provision for depreciation, write-off and other - Property, plant and equipment	12	54,204	-	54,204	277	-	277
Provision for profit sharing	17	-	-	-	15,313	-	15,313
Provision for civil claims	19	22,534	-	22,534	19,393	-	19,393
Tax proceedings	19	18,518	956	19,474	21,468	936	22,404
Provision for mining rights	20	28,055	-	28,055	17,552	-	17,552
Provision for social, environmental and socioeconomic recuperation	20	2,501,201	-	2,501,201	-	-	-
Provision for asset retirement obligation	20	27,984	-	27,984	19,454	-	19,454
Provision for unrealized profits	21	24,694	-	24,694	-	-	-
Tax loss		572,511	-	572,511	-	-	-
Others		31,244	31	31,275	25,796	30	25,826
Total consolidated assets		3,688,331	987	3,689,318	524,521	966	525,487
Conversion from the functional currency		-	(1,891,139)	(1,891,139)	-	(714,276)	(714,276)
Depreciation for tax purposes		-	(385,441)	(385,441)	-	(287,765)	(287,765)
Financial revenue on judicial deposits		(39,291)	-	(39,291)	(35,947)	-	(35,947)
Remeasurement of retirement benefit obligation		-	(292)	(292)	-	(241)	(241)
Total consolidated liabilities		(39,291)	(2,276,872)	(2,316,163)	(35,947)	(1,002,282)	(1,038,229)
Consolidated net total		3,649,040	(2,275,885)	1,373,155	488,574	(1,001,316)	(512,742)
Provisions of subsidiaries		(131)	-	(131)	(29)	-	(29)
Parent company net total		3,648,909	(2,275,885)	1,373,024	488,545	(1,001,316)	(512,771)

The expected realization of deferred income tax is shown below:

	Up to 1 year	1 to 3 years	3 to 5 years	5 to 8 years	8 to 10 years	Over 10 years	Total 2015
Provision for ICMS losses ES and MG	-	-	-	-	-	376,220	376,220
Provision for price rectification	31,166	-	-	-	-	-	31,166
Prov. depreciation, write-off and other - Property, plant and equipment	54,204	-	-	-	-	-	54,204
Civil proceedings	-	22,534	-	-	-	-	22,534
Tax proceedings	-	-	-	19,443	-	31	19,474
Labor claims	613	6,027	940	117	-	-	7,697
Environmental proceedings	-	39	-	-	-	-	39
Mining Rights - Vale	28,055	-	-	-	-	-	28,055
Provision for social, environmental and socioeconomic recuperation	487,491	862,306	570,055	407,052	112,649	61,648	2,501,201
Provision for asset retirement obligation	-	-	-	-	-	27,984	27,984
Provision for unrealized profits	24,694	-	-	-	-	-	24,694
Tax loss	-	-	572,511	-	-	-	572,511
Conversion from the functional currency	-	-	-	-	-	(1,891,139)	(1,891,139)
Depreciation for tax purposes	-	-	-	(385,441)	-	-	(385,441)
Others	(16,044)	-	-	-	-	-	(16,044)
Total consolidated	610,179	890,906	1,143,506	41,171	112,649	(1,425,256)	1,373,155
Provisions of subsidiaries	(131)	-	-	-	-	-	(131)
Total parent company	610,048	890,906	1,143,506	41,171	112,649	(1,425,256)	1,373,024

28.4 Income tax in the income statement

	Parent Company		Consolidated	
	2015	2014	2015	2014
Net income (loss) before taxation	(7,734,013)	3,346,593	(7,732,006)	3,347,465
Permanent differences:				
Equity in the results of subsidiaries	(10,670)	(15,767)	-	-
Overseas profits	12,362	8,611	12,362	8,611
Nondeductible tax fines	605	8,973	605	8,973
Nondeductible donations	13,816	10,729	13,816	10,729
Rate differences 18% to 25%	373,994	-	373,994	-
Other additions (exclusions)	68,900	33,293	56,224	17,526
Functional currency effects - art. 62 of Law 12973/2014	(4,600,531)	(1,167,176)	(4,600,531)	(1,167,176)
Remeasurement of retirement benefit obligation	-	(1,312)	-	(1,312)
Profit deriving from subsidized exports	-	(2,116,300)	-	(2,116,300)
Calculation basis	(11,875,537)	107,644	(11,875,536)	108,516
Statutory rate	25%	25%	25%	25%
Income tax calculated	(2,968,884)	26,911	(2,968,884)	27,129
Income tax on subsidized exports 18%	-	380,934	-	380,934
Tax incentive (PAT)	-	(9,557)	-	(9,557)
Deferred income tax on tax depreciation	(93,534)	(114,170)	(93,534)	(114,170)
Tax paid by companies overseas	-	-	2,007	872
Other adjustments	(11,701)	11,687	(11,701)	11,469
Deferred income tax adjustment	(240)	-	(240)	-
Deferred income tax on translation	1,176,863	245,240	1,176,863	245,240
Income tax in the statement of operations	(1,897,496)	541,045	(1,895,489)	541,917

See below the breakdown of the income tax revenue (expense) segregated between current and deferred:

	Parent Company		Consolidated	
	2015	2014	2015	2014
Current income tax	11,701	(439,537)	10,973	(440,409)
Tax loss	572,511	-	572,511	-
Deferred income tax on temporary differences	2,490,147	143,732	2,488,868	143,732
Deferred income tax on nonmonetary items	(1,176,863)	(245,240)	(1,176,863)	(245,240)
Current and deferred income tax expenses	1,897,496	(541,045)	1,895,489	(541,917)

28.5 Law 12973/14

The Company adopted early the effects of Law 12973/14 for 2014. Subaccounts were opened in 2015 to record the positive and negative differences between the assets measured according to corporate legislation and the amounts measured according to the accounting criteria in force as of December 31, 2007 (RTT), so that the tax effect of these adjustments arises as these assets are realized.

29. COMMITMENTS

The Company is party to long-term contracts for the supply of raw materials and services and the acquisition of real estate, as shown below:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total 2015
Capital expenditure for expansion and overhaul of property, plant and equipment	148,779	-	-	-	-	148,779
Services and other	466,523	260,995	117,684	26,158	936	872,296
Iron ore acquisition	131,456	271,446	271,282	575,274	609,650	1,859,108
Supply of power and raw materials	600,006	628,973	399,759	332,521	804,146	2,765,405
Freight and logistics costs	21,525	-	-	-	-	21,525
	1,368,289	1,161,414	788,725	933,953	1,414,732	5,667,113

The above shows the commitments undertaken by Samarco consisting of long-term contractual obligations to suppliers to renew and expand fixed assets, in addition to the provision of various services to maintain the manufacturing and administrative facilities, to acquire iron ore from third parties, to supply energy, consumables and costs on cargo chartering.

Due to the collapse of Fundão dam, the Company implemented a number of initiatives in relation to its commitments, as described in note 3.

30. FINANCIAL INSTRUMENTS**30.1 Financial risk management**

The Company has financial instruments inherent in its operations, represented by cash and cash equivalents, restricted marketable securities, trade accounts receivable, trade payables, and loans and financing.

The management of these instruments is performed through operating strategies and internal controls, aimed at liquidity, profitability and security.

In the case of financial instruments used for hedging purposes these are contracted through a periodic analysis of the risk exposure that management intends to mitigate (exchange, interest rate etc.) and in accordance with the policies and strategies determined by Company management, approved by the strategy and finances committee.

The Company and its subsidiaries do not invest in derivatives or any other risky assets on a speculative basis.

30.2 Financial instruments by category

The financial instruments have been classified as follows:

	Classification
Assets	
Cash and cash equivalents	Financial assets at fair value through profit or loss
Restricted short-term investments	Loans and receivables
Accounts receivable	Loans and receivables
Liabilities	
Trade payables	Liabilities measured at amortized cost
Loans and financing	Liabilities measured at amortized cost

Financial assets consist of:

(a) Cash, cash equivalents, restricted short-term investments

	Parent Company		Consolidated	
	2015	2014	2015	2014
Cash and cash equivalents	1,799,138	2,090,026	1,822,801	2,117,649
Restricted short-term investments	82,785	-	82,811	20
	1,881,923	2,090,026	1,905,612	2,117,669

- Cash and cash equivalents

Banks - Funds available in current accounts maintained in Brazil and abroad.

Floating Fixed Fund – Petty funds (no yield) intended for US\$ advances required on international trips made by employees.

Marketable Securities – Funds invested in conservative, highly liquid bank products. Investment Funds.

- Restricted cash kept for use as a result of court proceedings associated with the Fundão dam collapse, as described in Note 3(a).

- (b) Accounts receivable

Funds to be received by the Company, the balance of which represents market value.

	Parent Company		Consolidated	
	2015	2014	2015	2014
Accounts receivable	362,384	644,192	190,657	637,264

Financial liabilities consist of loans and financing. These funding operations are intended to support the Company's routine activities and investments.

The geographical distribution by region of the Company's loans and financings is shown in the table below:

	Parent Company and Consolidated	
	2015	2014
Brazil	1.08%	1.47%
USA	85.32%	84.69%
Japan	13.60%	13.84%

30.3 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including price risk, interest rate risk, exchange rate risk) and liquidity risk, as follows:

(a) Credit risk

The Company's sales policy is governed by the credit policies determined by management, which are aimed at minimizing any losses resulting from default by clients. The Company conducts credit analyses on its clients every year, in order to mitigate risks of nonpayment for outstanding receivables and future sales. Client payment capacity is also evaluated during the credit analysis. The Company presently offers its clients the following means of payment: letter of credit, cash payment or credit sale in current account.

Gross sales revenue amounted to R\$6,638,101 in 2015 (R\$7,601,335 in 2014), while the consolidated allowance for doubtful accounts made in 2015 was R\$33,130 (R\$5,249 in 2014). 13.71% of the outstanding accounts receivable is secured by a letter of credit.

With respect to financial institutions, the Company and its subsidiaries only carry out operations with first-class institutions ranked as low risk by rating agencies.

The receivables' exposure to the credit risk by geographical distribution is minimal because they are dispersed across the regions, as shown in the table below:

	Parent Company and Consolidated	
	2015	2014
Middle East / Africa	21%	23%
China	31%	17%
Asia (except China)	15%	22%
Europe	19%	21%
Americas	14%	17%

(b) Market risk

(i) Price risk

The price of the Company's principal product, iron ore pellets, is set through periodic negotiations (primarily quarterly and monthly) with customers. The level of prices negotiated is directly impacted by global supply and demand for iron ore.

(ii) Interest rate risk

This arises from the possibility of the Company and its subsidiaries sustaining unforeseen impacts arising from fluctuations in interest rates on their financial assets and liabilities, and inflation. Most of the Company's loans and financings as of December 31, 2015 is denominated in United States Dollars, with approximately R\$8,524,012 bearing interest at fixed rates and R\$6,383,367 (R\$5,791,296 e R\$5,611,283 in 2014, respectively) at floating rates corresponding to the variance in the LIBOR plus a contractual spread. The Company has no hedge against LIBOR variance, in accordance with its internal and its shareholders' guidelines. Interest-rate risk also derives from the small amount of debt referenced to the IGP-DI price index and short-term investments referenced to the Selic base interest rate.

(iii) Exchange rate risk

This risk results from the possibility of fluctuations in the exchange rates for the foreign currencies (other than the functional currency) used by the Company to acquire domestic consumables and/or services, pay taxes, dividends, etc. The Company has the following assets and liabilities, in Reais, which can affect its results due to exchange rate variations:

(a) Asset exposure	Consolidated		(b) Liability exposure	Consolidated	
	2015	2014		2015	2014
Current assets			Current liabilities		
Cash and cash equivalents	817	7,382	Trade payables	(110,623)	(337,517)
Restricted short-term investments	82,811	20	Loans and financing and charges	(25,713)	(14,768)
Domestic accounts receivable	6,519	3,332	Salaries and payroll contributions	(37,336)	(113,547)
Recoverable taxes	249,664	232,473	Taxes payable	(66,866)	(62,380)
Prepaid expenses	12,282	9,995	Provision for income tax	(6,657)	(68)
Other assets	133,071	59,262	Dividends	-	(1,619,936)
			Other provisions	(1,975,145)	(112,712)
			Other liabilities	(11,331)	(143,110)
Noncurrent assets			Noncurrent liabilities		
Court deposits	1,402,178	706,287	Loans and financing and charges	(139,808)	(158,296)
Recoverable taxes	49,222	53,477	Provisions for contingencies	(139,565)	(126,678)
Deferred income tax	1,373,155	-	Deferred income tax	-	(512,742)
Other assets	35,475	36,952	Dividends	(2,805,548)	-
			Other provisions	(8,551,899)	(367,043)
			Other liabilities	(176,878)	(172,483)
				(14,047,369)	(3,741,280)
	3,345,194	1,109,180			

(c) Exposure not recorded in the balance sheet:

	2015	2014		2015	2014
Tax proceedings			Civil claims		
Chance of defeat remote	(2,178,659)	(2,024,065)	Chance of defeat remote	(3,287)	(13,601)
Chance of defeat possible	(5,704,382)	(5,549,793)	Chance of defeat possible	(64,064)	(56,638)
Labor claims			Environmental proceedings		
Chance of defeat remote	(7,564)	(8,614)	Chance of defeat remote	(54)	(45)
Chance of defeat possible	(56,344)	(40,335)	Chance of defeat possible	(62,893)	(55,453)

Summary of the exchange rate exposure

	2015	2014
Exposure recorded in the balance sheet (a + b)	(10,702,175)	(2,632,100)
Exposure not recorded in the balance sheet (c)	(8,077,247)	(7,748,544)
Total net exposure	(18,779,422)	(10,380,644)

The Company does not hedge its assets and liabilities in Reais, in accordance with its internal guidelines. Foreign currency assets and liabilities are translated to the functional currency at the exchange rate as of the balance sheet date, with US\$1.00 being equal to R\$3.9042 as of December 31, 2015 and US\$1.00 equal to R\$2.6556 as of December 31, 2014.

(c) Liquidity risk

The liquidity risk arises if the Company does not have sufficient funds to honor its obligations on time.

Company Management believes it could face challenges in its liquidity risk management due to the suspension of production operations after the collapse of the Fundão dam (Note 3).

To mitigate liquidity risks the Company is looking into alternatives to obtain short and medium-term credit facilities to provide additional liquidity in order to enable it to honor its daily financial obligations in the event. However, according to the TTAC, Vale and BHP are obliged at the proportion of 50% each to cover the contributions Samarco is obliged to make under the settlement, if the Company does not have sufficient funds to honor its obligations.

The carrying amounts of the cash flows from financial liabilities are:

	Consolidated		
	Amount	2015	
		Up to 12 months	1 – 10 years
Trade payables	116,197	116,197	
Loans and financing	15,070,162	328,243	14,741,919
Financial charges payable	109,128	108,388	740

The value of the undiscounted cash flows are as follows:

Financial liabilities	Carrying value	Contractual cash flow	2015		2016	2017	2018	2019-2024
			0 - 6 months	6- 12 months				
Trade payables	116,197	116,197	115,021	1,176	-	-	-	-
Loans and financing	15,070,162	15,070,162	162,215	166,028	324,315	4,259,519	511,488	9,646,597
Financial charges	109,128	109,128	108,388	-	-	740	-	-
Total	15,295,487	15,295,487	385,624	165,977	324,718	4,261,083	511,488	9,646,597

30.4 Bank sureties

The Company has bank sureties issued for an indefinite term to guarantee the suspension of amounts demanded under tax enforcements amounting to a restated total as of December 31, 2015 of R\$1,852,771. The total amount originally contracted is R\$1,146,433.

Bank	Amount secured	Restated amount	Index	Term
Bradesco	607,850	860,299	Selic	Indefinite
Bradesco	53,978	74,056	VRTE	Indefinite
Votorantim	100,947	328,056	Selic	Indefinite
Itaú	279,743	473,197	Selic	Indefinite
Itaú	63,971	72,176	IPCA-E	Indefinite
Itaú	13,319	-	-	Determined:
Citibank	371	-	-	Determined:
Safra	26,254	44,987	INPC	Indefinite
Total	1,146,433	1,852,771	-	-

The Company also has fixed-term sureties used to guarantee the payment of electricity purchases and full performance of obligations required in the transmission system usage agreements amounting to a restated total as of December 31, 2015 of R\$13,690; which is not indexed.

Company management does not expect any loss on these guarantees.

30.5 Capital management

The Company administers its capital with a view to safeguarding liquidity, managing the capital cost

so as to minimize it, while yielding sustainable returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the Company's capital structure, management constantly monitors its debt levels, aligned with its dividends policy, which in turn follows shareholder guidelines.

The Company and its subsidiaries permanently monitor and manage their level of financial leverage in accordance with market standards, their strategy and financial covenants established in loans and financing contracts.

The Net Debt / EBITDA index denotes net debt in comparison with the Company's cash generation, as measured by EBITDA. Net debt, in turn, corresponds to total loans and financing (including short- and long-term loans, as shown in the consolidated balance sheet), minus cash and cash equivalents.

In 2015, the Company's strategy was to change its Net Debt/ EBITDA limit at financial institutions from 3:1 to 4:1 in all financial contracts. As of December 31, 2015 this ratio was 3,05:1 (Note 15).

We also show below the calculation of the financial leverage index considering net debt as a percentage of total capital. Total capital is calculated by adding the shareholders' equity, as demonstrated in the consolidated balance sheet, to net debt:

	2015	2014
Total loans and financing	15,179,290	11,648,170
(-) Cash, cash equivalents, restricted short-term investments	(1,905,612)	(2,117,669)
Net debt	13,273,678	9,530,501
Total shareholders' equity	(1,653,264)	4,313,331
Total capital	11,620,414	13,843,832
Financial leverage index	114%	69%

An analysis of these indicators is used to determine the working capital management so as to maintain the natural leverage of the Company and its subsidiaries at levels equal to or less than the leverage index considered adequate by management.

30.6 Fair value hierarchy

The Company considers fair value as the price that would be obtained on the sale of an asset or paid to transfer a liability in an arm's length transaction on the measurement date (sale price). The Company uses market data or assumptions that market participants would use to price the asset and liability, including assumptions about the risks in general and risks inherent to the inputs used in the valuation method. The Company mainly applies the market approach to measure fair value and makes every effort to use the best information available. The Company consequently uses evaluation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company can classify the fair value balances based on observable inputs. The fair value

hierarchy is used to prioritize the inputs used to measure fair value. The three levels of fair value hierarchy are as follows:

- Level 1 . Active market: quoted price - A financial instrument is deemed to be quoted in an active market if the quoted prices are readily and regularly disclosed by a stock exchange or organized over-the-counter market by operators, brokers or market association, by entities with disclosed prices by regulatory agencies, providing that these prices represent market transactions which take place frequently between independent parties, on an arm's length basis.
- Level 2 . No active market: valuation method - A valuation/pricing method should be used to determine the fair value of an instrument which is not traded in an active market. Other criteria like data of the current fair value of another similar instrument, discounted cash flow analyses and options pricing models can be used. The valuation method aims to establish what the transaction price at the measurement date would be in an arm's length transaction.

- Level 3. No active market: equity instruments - Fair value of equity interests/equity instruments not quoted in an active market and underlying derivatives which should be settled by delivering unquoted equity instruments.

	Balance in 2015	Fair value hierarchy		
		Level 1	Level 2	Level 3
Short-term investments in cash and cash equivalents	1,820,657	-	1,820,657	-

30.7 Sensitivity analysis

The Company's financial instruments consist of cash and cash equivalents restricted short-term investments, accounts receivable, accounts payable and loans and financing.

The main risks facing the Company's operations are posed by changes in the Libor rate for long-term financing, IGP-DI for domestic operations and Selic for short-term investments.

In order to identify the sensitivity of the index in the short-term investments to which

the Company was exposed as of December 31, 2015, three different scenarios were determined. Based on market projections and the official interest rate (Selic) in force at said date, the Company thought it was reasonable to use the rate of 11.65% p.a. of Selic for the sensitivity analysis, a rate defined as the probable scenario. Based on the rate established for the probable scenario, two more scenarios were prepared (II and III), with a negative variance of 25% and 50% respectively.

	Risk	Probable scenario I	Scenario II	Scenario III
Short-term investments available in Brazil	Selic	11.65% a.a.	8.74% a.a.	5.83% a.a.
Yields as of December 31, 2015	-	71	69	66
Financial investments abroad	Fed Funds	0.50% a.a.	0.38% a.a.	0.25% a.a.
Yields as of December 31, 2015	-	32	31	31

The sensitivity analysis was simulated over the previous 12 months (amounts corresponding to the yields obtained in the period, based on the rates used in the evaluated scenarios as of December 31, 2015).

In order to identify the sensitivity of the index in the long-term investments to which the Company was exposed as of December

31, 2015, three different scenarios were determined, the twelve-month to cover the following 12 months. Based on the accumulated IGP-DI price index and Libor rate in force for 12 months, in force at December 31, 2015, the Company determined a probable scenario and two other additional scenarios based on the first (II and III), with increases of 25% and 50% respectively.

	Risk	Probable scenario I	Scenario II	Scenario III
Overseas loans and financing	Libor	0.8462% a.a.	1.0577% a.a.	1.2692% a.a.
Interest as of December 31, 2015		54,913	68,641	82,370
Domestic loans and financing	IGP-DI	10.61% a.a.	13.27% a.a.	15.92% a.a.
Interest as of December 31, 2015		1,258	1,572	1,886

Amounts corresponding to the indexes over the total long-term debt in USD, indexed to floating interest rates, as of December 31, 2015, with repayment at the end of the period only (effect of simulation).

In order to identify the sensitivity of the changes in foreign currency to which the Company was exposed as of December 31, 2015, three different scenarios were determined, where scenarios II and III entail an exchange-rate decrease of 25% and 50% respectively, based on the first, called probable scenario I.

Financial liabilities	Exposure (R\$)	Scenario Probable I (USD)	Scenario II (USD)	Scenario III (USD)
Exchange rate - (Risk - R\$ / USD)	-	3.9042	2.9282	1.9521
Total Assets	3,345,194	856,819	1,142,406	1,713,639
Total liabilities	(14,047,369)	(3,598,015)	(4,797,271)	(7,196,029)
Net exposure in Reais recorded in the balance sheet	(10,702,175)	(2,741,195)	(3,654,865)	(5,482,391)

31. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of the financial assets is evaluated by referring to the independent credit ratings (if applicable), or historical information about the levels of counterparty default by counterparties.

31.1 Cash and cash equivalents

	Parent Company		Consolidated	
	2015	2014	2015	2014
Current account and short-term bank deposits				
Investment Grade	1,799,138	2,090,026	1,822,801	2,117,649
Noninvestment Grade	-	-	-	-
	1,799,138	2,090,026	1,822,801	2,117,649

This category includes current accounts and short-term investments at banks.

31.2 Trade accounts receivable

	Parent Company		Consolidated	
	2015	2014	2015	2014
Counterparties with independent credit rating (S&P)				
Investment Grade	124,264	283,813	124,290	283,812
Noninvestment Grade	126,697	302,450	126,696	294,901
Counterparties without independent credit rating (S&P)				
Group 1 - clients with relationship of up to 5 years	21,188	122,577	19,931	122,071
Group 2 - clients with more than 5 years without history of default	37,238	226,291	40,000	227,412
Group 3 - clients with more than 5 years with little history of default	31,017	79,681	31,017	79,723
Group 4 - domestic clients not purchasing iron ore	6,519	3,332	6,519	3,332
Transfer of inventory between companies of the same business group.	173,237	-	-	-
	520,160	1,018,144	348,453	1,011,251

32. INSURANCE COVERAGE

In order to mitigate risks and given the nature of its operations, the Company takes out several different types of insurance policies. The policies are in line with the risk management policy and are similar to the policies taken out by other companies in the same line of business as Samarco. The coverage of these policies includes: operational risk of material damages and lost earnings, national transportation, international transportation, life and personal accident insurance, vehicle fleet, civil liability insurance, engineering risks, export credit, surety bonds and others.

The Civil Liability policy was in force until November 12, 2015. It was renewed until February 10, 2017 with the elimination of the coverage for (i) sudden pollution as per the regulations of SUSEP, a Private Insurance Regulator, and (ii) dams, due to the recent incident occurred, where the structures are in the process of being recovered.

The operational risk insurance is contracted in foreign currency (USD) and is in force until March 31, 2016. The covered assets amounted to USD 6,599,646 (R\$25,766,336) as of December 31, 2015 (R\$17,160,642 in 2014) and the maximum value at risk declared for business interruption was USD 1,172,387 (R\$4,577,235) in the year (R\$1,859,340 in 2014). Samarco is still in negotiations with the

market with respect to the renewal of the Property Insurance.

33. SUBSEQUENT EVENT**a) Terms of Transaction and Adjustment of Conduct**

Between the end of the year - December 31, 2015 - and the date the conclusion of the statement was approved, Samarco together with its with its shareholders BHP Billiton Brasil Ltda. and VALE S.A., signed a Terms of Transaction and Adjustment of Conduct ("TTAC") on March 02, 2016, as disclosed in Note 3.

b) Administrative Proceedings - CSLL

On April 05th 2016, the 3rd tier of the Administrative Court (CARF) ruled that Samarco is subject to the payment of CSLL tax for calendar years 2007 and 2008. The Federal Supreme Court (STF) has also recognized the general repercussion effect over all the ongoing CSLL judicial disputes and a decision in this leading case could impact the final outcome of Samarco's ongoing litigation due to its binding effects. The decision from 3rd tier of CARF is still pending formally publication. At December 31, 2015 this matter is classified as a possible contingency, as disclosed in Note 19.

SAMARCO MINERAÇÃO S.A.

BOARD OF DIRECTORS

SERVING MEMBERS

Bryan Quinn
Flávio Bulcão
Silmar Silva
Stephen Potter

ALTERNATES

Juan Merlini
Leonardo Eyer Harris
Sérgio Consoli Fernandes
Pieter Le Roux

EXECUTIVE BOARD

Roberto Lúcio Nunes de Carvalho
CEO (acting)
Commercial Officer

Eduardo Bahia Martins Costa
CFO and Supplies Officer

Leonardo Sarlo Wilken
Strategy and Planning Officer

Maury de Souza Júnior
Project and Eco-efficiency
Operations and Infrastructure Officer (acting)

ACCOUNTANT RESPONSIBLE

Lucas Brandão Filho
Accountant - CRC-MG 046442/O – T ES