

**2009
ANNUAL SUSTAINABILITY
REPORT**



Samarco is proud to present its most recent Annual Sustainability Report, containing a detailed description of all the numbers, guidelines and information related to the Company's performance in 2009, focused on transparency, ethics and sustainable growth.

In addition to the printed copy of the Report, Samarco also offers an online version which provides access to the full content, including videos and exclusive images. The objective is to supply a complete and reliable tool for consultation, contributing towards the understanding of all of the Company's principles, practices and commitments.

Cordially,



José Tadeu de Moraes
CEO



We are Samarco. We believe in the continuity of our business and we pursue results which are sustainable and which contribute to the development of the country, our shareholders, customers, suppliers and neighboring communities.

We are aware of our responsibility and know that the growth of our business and our strategic development are built on a day by day basis - with each project we successfully implement, with each satisfied client, with each social action we participate in.

In working towards our purpose, we count on the powerful driving force represented by our personnel. In a competitive world, where innovations constantly succeed one another, we are proud to have a highly qualified and motivated team. It is our people who open and lay the path for our success. And each one of us is important for the development of the Company.

But we pursue much more than economic development. We know that it is only possible to construct a better world if our actions are also aligned with social and environmental development goals. We want profitability together with socioenvironmental responsibility.

Always in the most correct manner, prioritizing transparency, ethics and dialogue.

Yes, dialogue is the key to development. Our stakeholders want to and should feel they are part of our business.

And with dialogue and interaction, we have engagement. The needs of each public, together with our own aspirations, contribute to create a positive reality, with stimulating vigor and dynamics.

Engagement does not mean just doing business on a win-win basis and fomenting actions focused on socioenvironmental development. Engagement mainly thrives when we all share the desire to go in the same direction, confident that we are doing our best.

This is the path we have chosen to follow.

And it is only with the participation, commitment and engagement of all stakeholders that we can consolidate lasting relationships and achieve results aligned with the sustainable development that we envision for ourselves, for society and for the country.

This is Development with Engagement.



An overview of Samarco highlighting some number and initiatives in 2009:

Installed production capacity of **22.250 million tons of pellets/year**, with the potential of reaching 30.5 Mtpa with the implementation of the Investment Plan.

Gold Prize from Prêmio Qualidade Espírito Santo (PQES) and Prêmio Mineiro de Qualidade (PMQ), in addition to a trophy from PMQ, in view of the good performance of our management model.

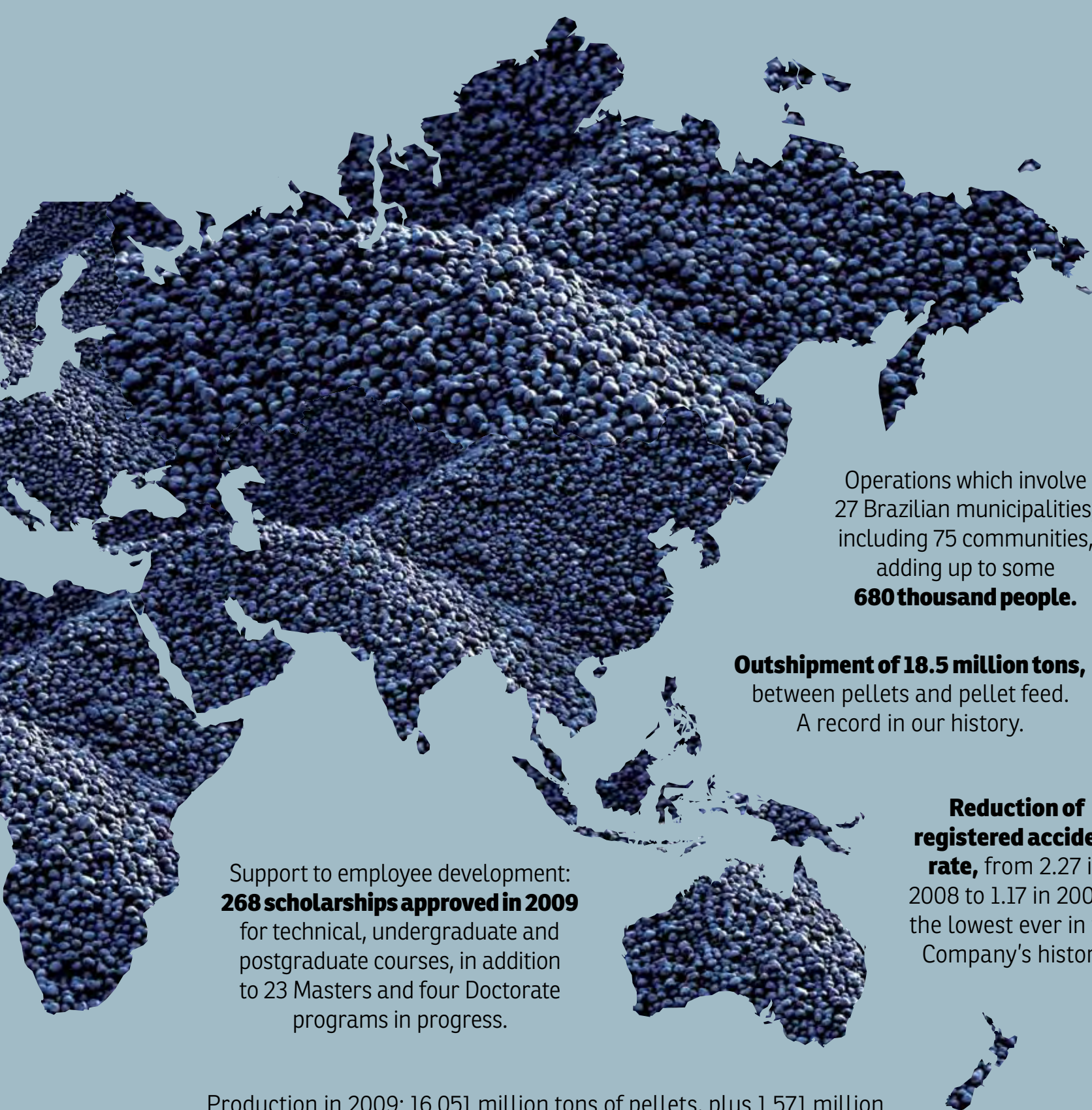
Over R\$ 16 million directed to environmental management and protection projects and actions.

Term of Environmental Commitment (TCA), in the amount of R\$ 150 million, signed in Espírito Santo.

Net income in 2009 of R\$ 1,474.3 million, 16% more than in 2008, when it was R\$ 1,263.5 million.

Strategy Review Cycle.

Samarco's CTS Program for technical training and qualification resulted in the granting of **200 partial scholarships** (up to 80% of tuition) in 2009 for residents of Anchieta, Guarapari and Piúma, all in Espírito Santo .



Operations which involve 27 Brazilian municipalities, including 75 communities, adding up to some **680 thousand people.**

Outshipment of 18.5 million tons, between pellets and pellet feed. A record in our history.

Reduction of registered accident rate, from 2.27 in 2008 to 1.17 in 2009 – the lowest ever in the Company's history.

Support to employee development: **268 scholarships approved in 2009** for technical, undergraduate and postgraduate courses, in addition to 23 Masters and four Doctorate programs in progress.

Production in 2009: 16.051 million tons of pellets, plus 1.571 million tons of pellet feed, totaling **17.622 million tons of throughput.**

In 2009, just one of the volunteering initiatives promoted by Samarco, called V-Day, **benefited over 15 thousand people.**

Largest exporter in the State of Espírito Santo in the past two years (2008 and 2009), according to information from the Foreign Trade Secretariat (Secex) of the Ministry of Development, Industry and Foreign Trade.



Empilhamento - Germano, MG

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

To
The Shareholders and the Administrative
Board of Samarco Mineração S.A.
Belo Horizonte – MG

INTRODUCTION

We worked with the purpose of applying Limited Assurance Procedures on the sustainability information disclosed by the Samarco Annual Sustainability Report, related to the year ended on December 31st 2009, which was prepared under the

responsibility of Samarco's administration. Our responsibility is to issue a Limited Assurance Report on this Sustainability Report.

PROCEDURES OF LIMITED ASSURANCE

The limited assurance procedures were performed in accordance with Rule NBC TO 3000 – Assurance Engagement Other than Audit and Review, issued by the Brazilian Accounting Federal Council – CFC; and with the International Standard on Assurance Engagements (ISAE 3000), issued by the International

Auditing and Assurance Standards Board - IASB, both related to Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The limited assurance procedures comprised: (a) the work's plan, considering relevance, coherence, volume of quantitative and qualitative information and operational and internal control systems that served as a basis for the preparation of Samarco Annual Sustainability Report; (b) the understanding of the calculation and consolidation methodology of the performance indicators through interviews with the responsible personnel; (c) the comparison, on a sample basis, of the quantitative and qualitative information with the performance indicators disclosed in Samarco Sustainability Report; and (d) the comparison of the financial indicators with the financial statements and/or accounting records.

REPORTING CRITERIA

Samarco Annual Sustainability Report 2009 was prepared according to the Global Reporting Initiative guidelines (GRI-G3).

SCOPE AND LIMITATIONS

Our work purpose was to apply limited assurance procedures to the sustainability information disclosed in Samarco Annual Sustainability Report 2009, on profile items (which provide the overall context to understand the organizational performance, including its strategy, profile and governance), on management approach and on the sustainability performance indicators, not including the assessment of its policies, practices, and sustainability performance.

The applied procedures do not constitute an examination in accordance with the financial statement auditing standards. Additionally, our report does not offer limited assurance on the scope of future information (such as goals, expectations and

ambitions) and descriptive information subject to subjective assessment.

GRI – G3 APPLICATION LEVEL

Referring to the GRI-G3 guidelines, Samarco declares an Application Level A+ to its Annual Sustainability Report, related to the year ended on December 31st 2009.

Samarco Annual Sustainability Report addresses all required information related to Samarco's profile, to the GRI core performance indicators, to the indicators compiled by the sector supplement - "Mining and Metals Sector – RG Version 3.0/MMSS Final Version", and to the additional indicators that were identified as material by the company's stakeholders. As a result, the applied procedures were considered sufficient for us to guarantee that the application level declared by Samarco complies with the Global Reporting Initiative guidelines (GRI-G3).

CONCLUSION

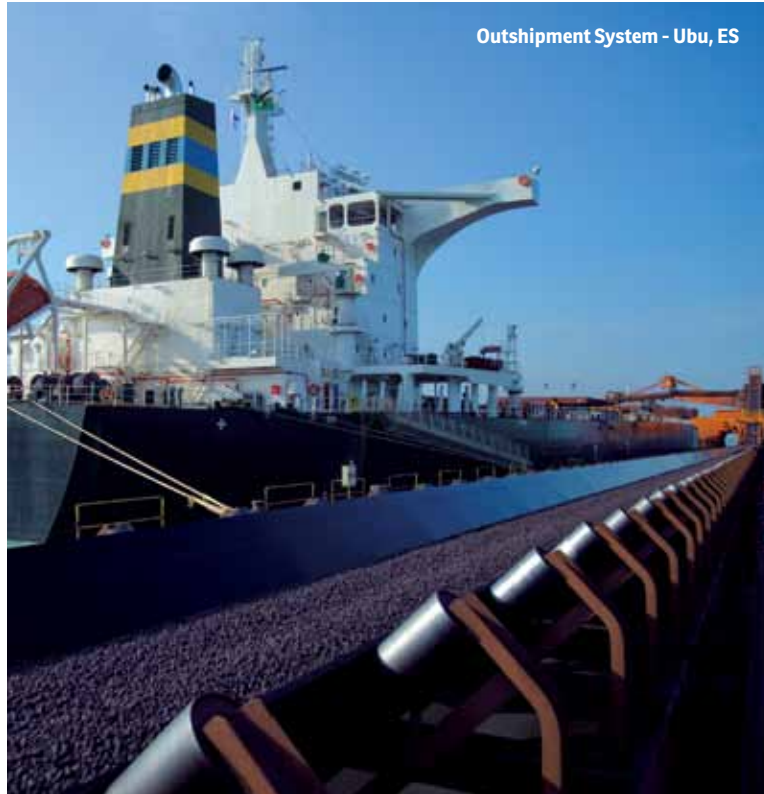
Based on our review we have not identified any relevant modification that should be performed on Samarco Annual Sustainability Report, related to the year ended on December 31st 2009, to guarantee it complies with the GRI-G3 guidelines and with the records and files used at its preparation.

Belo Horizonte, September 13th 2010



KPMG Auditores Independentes
CRC SP-014428/O-6 F-MG

Ulysses M. Duarte Magalhães
Contador CRC 1RJ092095/O-8-S-MG



Outshipment System - Ubu, ES



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This Annual Sustainability Report refers to the period from January 1st to December 31st of 2009.



HOW TO READ THIS REPORT

Our Annual Sustainability Report mirrors our strategic position – Development with Engagement – and emphasizes our belief in a better world, evolving with sustainable development, and outlines our experiences on the path to sustainability.

The first part of the Report describes our essence and presents its foundations: mission, vision and values.

After that, the Report addresses the two main themes of our strategic pursuits.

In the section on Development, you will find our profile and information on corporate governance, management of risks, image and reputation, as well as processes, technology and products, and our investment plan.

This section also outlines our Business Vision and Sustainability Vision which guide our actions and strengthen us in terms of relations with our stakeholders and society. It further contains an overview of our economic/financial performance.

In the other section, relative to Engagement, we describe our continuous learning process in terms of relations with

our stakeholders, outlining the guidelines and practices of our management of work safety, health, quality of life and environmental protection..

The final part of the Report provides, among other relevant information, a detailed report of our economic performance as demonstrated by our financial statements.

It is important to point out that, as we are signatories to the Global Pact and support the Objectives of the Millennium, the Report shows graphic reproductions of the respective seals of the Global Pact Principles and the Objectives of the Millennium whenever pertinent to the subjects addressed.

For the eighth consecutive year, this Report complies with the guidelines of the Global Reporting Initiative (GRI). At the end, there is an index which cross-references our text and the GRI Indicators.

An unabridged version is also available at <http://www.samarcoqueagentefaz.com.br/relatorio2009/> and on our website – www.samarco.com

We hope you enjoy reading our Report.



 **OUR ESSENCE**





Filtration – Ubu, ES



MISSION, VISION AND VALUES

Our Mission, Vision and Values are the essence of our business.

Mission

We are a Brazilian company which produces high quality iron ore to the global steel industry. We strive to improve people’s living conditions and well-being and promote social, economic and environmental development through the responsible utilization of natural resources and the construction of lasting relationships based on value generation

Vision

To be a mining company leader among pellet producers and recognized as a world class a organization.

Values

Our actions are guided by principles of justice, esteem for life, collective well-being, respect for people, commitment and surpassing expected results.

We establish, transparent, lasting relationships, based on ethics and aimed at generation value for all stakeholders.

Creativity, associated with a continuous pursuit of technological development, provide the delivery of quality and reliability in products and services and are seen as indispensable attributes for our perpetuity.

OUR VALUES IN A NUTSHELL:

- We value life our greatest treasure.
- Respect and fairness guide our relations.
- We act with responsible autonomy.
- Results are premises for growth.
- Corporate excellence is the cornerstone of our success.
- Ethics preserve and strengthen our relations.
- Sustainability assures continuity

CATCHING UP IN 2009 PROSPECTS AND CHALLENGES IN THE MINING INDUSTRY

The year of 2009 started with a strong downward trend for the steel industry, directly impacting mining activities, leading to plant shutdowns and uncertainties caused by the propagation of the effects of the crisis in the international financial system. This scenario of reduced demand, mainly in the first half of 2009, led to a drop of 48.3% in pellet and 28.2% in pellet feed prices in the annual benchmarking negotiations. This meant that iron ore pellets were actually sold at 2006 prices.

Brazil, due to its continental size and geological diversity, occupies an important position in the mining industry, since our deposits and mines are considered world class.

However, iron is the main consumable in steel production – which, in turn, drives a series of other industries (consumer and capital goods, civil construction, logistic infrastructure, among others) whose production volume is directly dependant upon the expansion of the global GDP.

Pursuant to data from the World Steel Association, the worldwide production of crude steel amounted to 1,220 million tons in 2009, 8% less than in the previous year (1,329 million tons). Steel production also fell in almost all major producer regions, including the European Union, North America, South America and CIS (Community of Independent States). However, Asia, particularly China and India, and the Middle East, experienced growth in 2009.

Thus, in 2009, with the worsening of the economic/financial crisis, mainly in the first semester, the iron ore segment felt a significant shrinking of demand, which led to a reduction in exports as well as in product prices.

Fortunately, in the second semester the markets showed signs of recovery, and this allowed the mining industry to foresee excellent prospects for 2010, pursuant to specialized analysts.

In the second semester, the market started recovering, with demand warming up. As a result, the mining industry shows excellent prospects for 2010, pursuant to expert analysts.

In addition to the market upswing, driven by the slow yet gradual recovery of the world economy, a special factor came into play: China, running counter to overall global trends, maintained its forecast of annual growth between 8% and 9% for 2010 and an increase of 15% in its steel production.

In Brazil, pursuant to the Brazilian Mining Institute (Ibram), the industry will enjoy renewed vigor in 2010 and may, from 2011 on, return to the same volume of ore exports existing prior to the economic crisis. Again pursuant to Ibram, preliminary studies show that the mining industry in the country may reach a total of US\$ 50 billion in investments between 2010 and 2014.

Data provided by the Foreign Trade Secretariat show that Brazilian iron ore exports rose by 25.7% in the first quarter of 2010, and that Brazilian sales abroad reached 71.8 million tons in this same period. In March 2010, Brazil exported 27.35 million tons of ore, the largest volume shipped overseas since September 2009, when exports amounted to 28.24 million tons.

Thus, in general, according to industry specialists, with the recovery of the world economy and the increased demand for iron ore, the prospects for the mining market are encouraging.



José Tadeu de Moraes
Samarco CEO

MESSAGE FROM THE CEO

Two points come to mind immediately when I think of 2009.

When we constructed our Materiality Matrix to define the themes to be addressed in our Annual Sustainability Report and also to guide our management process, we found that, among the ten themes we and our stakeholders found most important, all were related to sustainable operations. This is the way to go, and we are not alone in this belief.

In 2009, we carried out a review cycle of our strategy and defined three main strategic themes for Samarco's corporate actions: sustainable growth, operational excellence and management excellence, within the context of an integrated management model.

This means that the concept of sustainability is at the core of our actions and beliefs, and of our way of doing business.

We want to continue like this. We want to grow and keep developing in a consistent, balanced and solid manner. To this end, our positioning is underpinned by a focus on sustainable development, dialogue with our stakeholders,

our ongoing concern with client satisfaction and emphasis on valuing quality of life among our employees, families and contractors.

Our very raison d'être already points the way. In our daily tasks, we know that the rational and proper use of mineral resources is indispensable to the continuity of our business and to sustained economic growth, which

"In 2009, we carried out a review cycle of our strategy and defined three main strategy themes for Samarco's business: sustainable growth, operational excellence and management excellence, in the context of integrated governance."

allow us to generate results which bring benefits to all our stakeholders.

In order to pursue this path, attitudes such as transparency, ethical conduct, attentiveness to community demands, offering of quality products – suited to the needs of our customers – and relationships built on trust and commitment, form the background that we consider ideal for our operation and for our sustainable growth plans.

In 2009, we experienced two different worlds. In the first half, the global economic/financial crisis affected us significantly. Sales dropped drastically, and this in turn led to a reduction in the sales prices of our products. However, our committed staff transmuted this period of instability into a learning experience for our Company. During this time, we studied all possible scenarios, cut back sharply on our costs and expenses, increased our level of austerity and strengthened further our commitment to the Company's sustainable development, the communities, the government entities, our suppliers and customers. These adjustments allowed us to adapt well enough to safely weather the international crisis.

Even with the postponement of some scheduled investments, we were able to maintain, prioritize and invest planned resources in safety, health, and the environment, reinforcing the consistency of our Values.

I cannot fail to mention the fundamental role of face to face communication, which kept our employees up to date about the Company's position during these difficult times. This initiative collaborated towards an internal atmosphere based on commitment and reinforced the relationship of trust and transparency between the Company and its employees and contractors.

And in the second semester, the world changed. With the gradual upswing of demand, we succeeded in reaching satisfactory levels of results, closing out the year with a good production level and the best safety indexes ever, in all our 32 years of operation.

Thanks to our accurate reading of the scenarios, the confidence of our shareholders, the implementation of austere, transparent and consistent measures, and the commitment of our employees and partners, we were able to overcome the crisis and become even stronger to cope with new challenges.

However, one should remember that, at the end of last year,

“Thanks to our accurate reading of the scenarios, the confidence of our shareholders, the implementation of austere, transparent and consistent measures, and the commitment of our employees and partners, we were able to overcome the crisis and become even stronger to cope with new challenges.”

although we did attain good production volumes, we still fell far short of our total installed capacity, a fact which was aggravated by a reduction of almost 50% in our product prices.

For 2010, the outlook is much brighter, with the world economy in recovery and more credit available in the marketplace.

I firmly believe that, supported by our shareholders and our employees, contractors, clients, suppliers, communities and other stakeholders, we will work hard to continue growing in a steady, ethical and sustainable manner. With the prospect of an upcoming expansion of our facilities, we are going full steam ahead with the feasibility studies for the Fourth Pellet Plant Project, which, if approved by our shareholders, will increase our production capacity by over 37%.

With everybody pulling together, we want to build true Development with Engagement.



José Tadeu de Moraes
CEO of Samarco

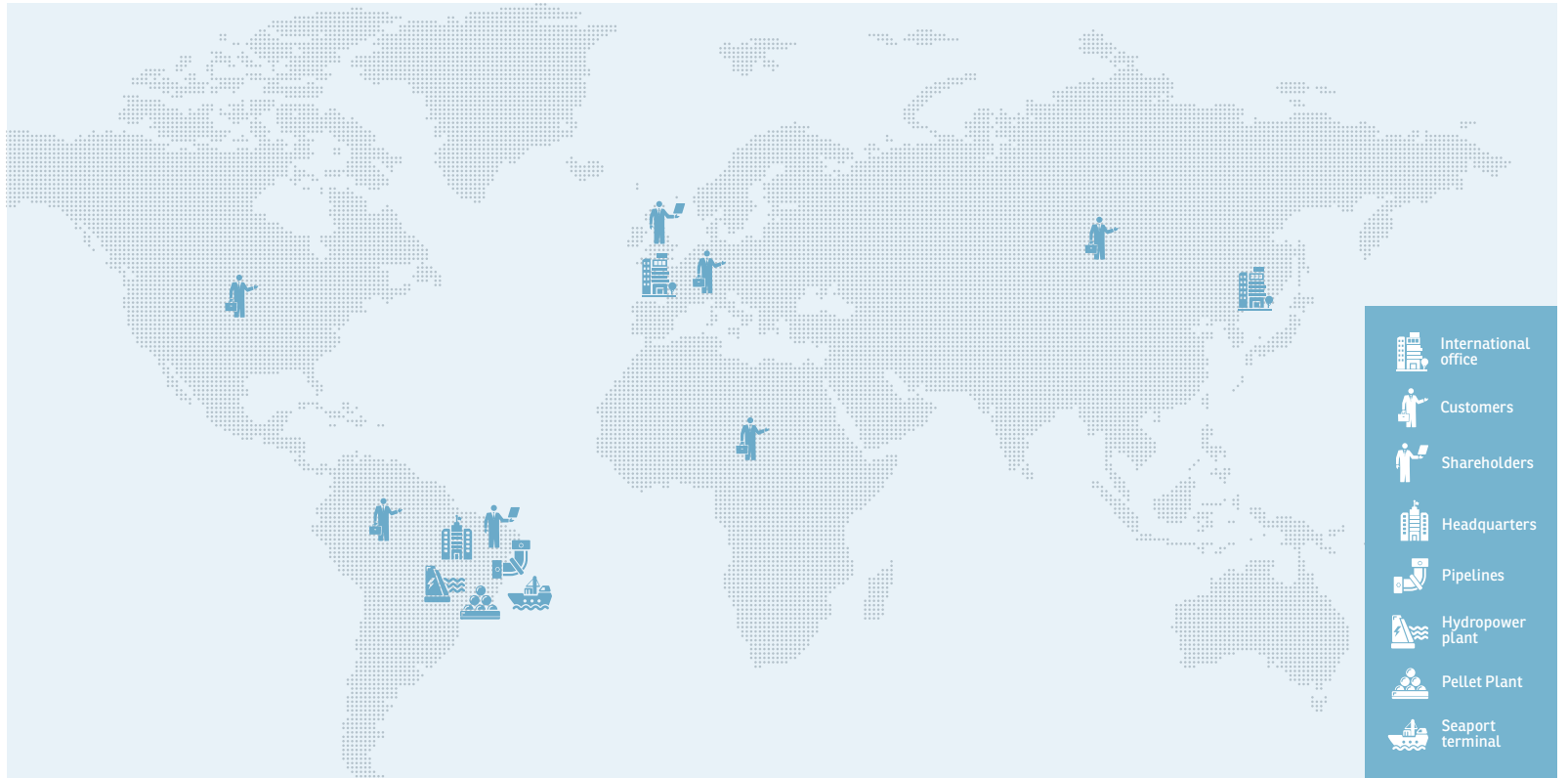


Access the link <http://www.samarcoqueagentefaz.com.br/relatorio2009/mensagens/> and watch the video with the CEO's message.



● DEVELOPMENT





-  International office
-  Customers
-  Shareholders
-  Headquarters
-  Pipelines
-  Hydropower plant
-  Pellet Plant
-  Seaport terminal

CORPORATE PROFILE

Founded in 1977, Samarco is a Brazilian mining company. Our main product consists of iron ore pellets which are sold to the global steel industry. With a current production capacity of 22.250 million tons per year, we generate some 2 thousand direct jobs and approximately the same number of indirect/induced jobs.

The closely-held Company has two shareholders, VALE and BHP Billiton, who each own half of the Company's equity.

The Company facilities include two concentrators, installed in the cities of Marian and Ouro Preto, Minas Gerais, which process the ore and increase its iron content, as well as three plants in Anchieta, Espírito Santo, which pelletize the ore.

The two industrial units are connected by two pipelines of almost 400 km, which transport the iron ore in form of slurry from Minas Gerais to the coast, in Espírito Santo, crossing 25 municipalities. We are pioneers in this type of transport, and our two pipelines are currently considered the longest in the world.

We also have our own seaport terminal, in Ubu, Espírito Santo, from where we outship our products. In addition, we maintain three sales offices, one in Espírito Santo and two international ones, one in Amsterdam and the other in Hong Kong.

In 2009, we supplied customers from many countries around the world, located in Europe, Asia, Africa, Middle East and the Americas. The year was further marked by the resumption of sales of part of our production on the domestic market.

We also run a hydropower plant in Muniz Freire, Espírito Santo, and participate in a consortium with ArcelorMittal in the hydropower plant of Guilman-Amorim, in Antônio Dias and Nova Era, Minas Gerais. Together, these two plants supply 26% of Samarco's electric energy needs.

With regards to the socio-economic reach of our activities, we are aware of the indirect economic impacts caused by our activity and we give preference to contracting from suppliers located in the areas surrounding our operations, as well as extending sustainability practices to clients, communities, partners and other publics with which we have contact.

PIONEERING SOLUTION AND DEVELOPMENT WITH THE PIPELINES

Considered the world's largest in terms of iron ore transportation and a pioneer project in Brazil, the first Samarco pipeline started operation in 1977. In 2008, as part of the Third Pellet Plant Project, a second line was built.

Ore slurry* is transported through these pipelines across 27 municipalities in the States of Minas Gerais and Espírito Santo, over 400km, between the Minas Gerais mountains and the Espírito Santo coastal area, departing from the pump stations next to the concentration plants. In the municipality of Matipó (MG), two booster pump stations help the slurry flow overcome obstacles, such as the Caparaó Range, at 1180 m above sea level, and on downhill stretches the flow is controlled by four valve stations (two in Guaçuí and two in Alegre, Espírito Santo) that reduce flow velocity until it is delivered to the pellet plants in Ubu, municipality of Anchieta (ES).

The pipelines run along a 'right of way', an area that is 35m across. The duct is almost entirely buried to a depth of 1.5m, protected against

corrosion and monitored by means of fiber optic. i.e., the pipelines are practically 'invisible' to the naked eye and only on some stretches they become exposed, as an overhead section (river crossings, for instance). Marks were installed along the entire ROW to identify the pipeline route.

At the beginning of every year, a maintenance program is prepared for the purpose of rehabilitating the soil surface damaged by rainwater and to fulfill the needs of the 'ROW'. This is a Samarco commitment.

As a preventive measure, we have a pipeline Integrity Plan, which consists of the periodic mapping and evaluation of its conditions, by means of pigs, which are devices that travel inside the pipeline to identify structural damages, thus anticipating interventions, if required, and contributing to ensure pipeline integrity.

In addition to the preventive measures, an important channel for interaction with the public is the Samarco Public Relations Center, which can be reached at all times through toll free phone number 0800 031 2303, even for emergency situations.

(*): Slurry: mixture bearing 30% water content and 70% iron ore solids (fines).

In 2009, we supplied customers from many countries around the world, located in Europe, Asia, Africa, Middle East and the Americas. The year was further marked by the resumption of sales of part of our production on the domestic market.

This includes the ethical and transparent relationship with our publics, valuing our employees, the importance of honoring our contract payments on a timely basis, creating jobs and paying taxes.



KM 0 – Starting point of Samarco's first pipeline – Germano, MG



Overview of Plant 2 – Germano, MG

CORPORATE GOVERNANCE

The basis of our corporate governance is defined in the Articles of Incorporation and in the Shareholder Agreement and is reinforced in the Code of Conduct, with a focus on fairness and valuing the Organization's shareholders.

It is in harmony with the Mission, Vision, Values and institutional positioning of the Company and is in harmony with our shareholders.

Governance structure

In 2009, we made a change to our governance structure, to enable us to gain greater agility in our appreciation of the most important matters of interest for our Organization. This change made our corporate governance structure more robust, with the definition of new deliberative and advisory bodies.

Under the current structure, Samarco's corporate governance is coordinated by the Executive Board, the highest level of governance, which is composed of representatives from our two shareholders: Vale and BHP Billiton. There are four permanent

members and four alternates, with three year terms; re-election is allowed. The general business guidelines and business strategy are determined by the Board.

Among the attributions of the Executive Board are: orientation/ approval of the Organization's business plan and budget, including investment plans, dividend distribution to shareholders and re-investment; monitoring of Company results; guarantee of integrity of Samarco management; choice of CEO and evaluation of members of the Executive Board, choice of independent auditor; and deliberations on alterations in the Company's capital structure.

It is important to emphasize that the topic of sustainability is treated in all the projects and initiatives, throughout the governance structure.

There are three committees that advise the Executive Board:



Stacking – Germano, MG



Pelletizing – Ubu, ES

■ **Finance and Strategy Committee** – supports the Executive Board in strategic, economic and financial matters.

It has three subcommittees:

- Taxes and Contingencies
- Treasury
- Auditing.

■ **Operations Committee** – supports the Executive Board in technical and operations related matters.

It also has three subcommittees:

- Performance Management
- Capital Projects
- Technical

■ **Remuneration Committee** – supports the Executive Board in defining remuneration policies for the main executives at Samarco and general human resource policies.

These Committees formally meet at least three times a year, with a pre-determined agenda. In general, matters that are taken to the Executive Board have already been analyzed by these Committees.

Our corporate governance is based on four pillars:

- *Corporate responsibility*
- *Accountability*
- *Transparency*
- *Fairness*

Regular audits are performed by the shareholders and by teams of external independent auditors to monitor the issues dealt with.

One of the main topics analyzed in 2009 was the approval of the pre-feasibility of the Fourth Pellet Project.

In addition to the fixed governance structure, subcommittees may be created, at any time, to deal with specific topics.



BUSINESS STRATEGY

The path chosen by Samarco brings together sustainable growth, operational excellence and management excellence.

Ethics and transparency

Ethics and transparency are two points that are closely related to our business activity. They are emphasized in our Code of Conduct, which guides our relationship with our stakeholders.

We believe that it is only by working with ethics and transparency, aligned without Vision, Mission and Values, that it will be possible to carry out business with credibility and safety and to construct lasting relationships with our stakeholders.

In our day-to-day activities, our managers play a fundamental

role, as the "guardians" and disseminators of these principles. For example, in 2009, 40 managers were trained in fraud prevention in contracting works and services, within the scope of training on the Code of Conduct.

Another expressive example of this dissemination process was sending the pamphlet Corporate Social Responsibility in the Fight against Corruption to all employees, during the week in which International Anti-Corruption Day (December 9), is celebrated. This pamphlet was prepared by the companies that participate in the Working Group for Integrity and the Fight against Corruption and by the Federal Inspector General Office. This pamphlet was distributed together with a letter from the president of Samarco.

In addition, two workshops were held, one at the Federation of Industry of the State of

Businesses should support and respect the protection of internationally proclaimed human rights

Make sure that they are not complicit in human rights abuses

Businesses should work against all forms of corruption, including extortion and bribery

Espírito Santo (Findes), on August 18, and the other on October 15, during a seminar organized by the Citizenship Council of the Federation of Industries of the State of São Paulo (Fiesp), in which we presented and distributed our Code of Conduct and the pamphlet Corporate Social Responsibility in the Fight against Corruption.

Also in 2009, a workshop on sustainability was held with service contractors, in December, covering topics like Ethics and Integrity. At this time, we also distributed copies of our Code of Conduct and of the aforementioned pamphlet.

In our day-to-day activities, we do not allow corrupt practices in our business dealings. In 2009, there were no recorded cases of corruption at our units or involving our operations.

Our Code of Conduct contains explicit guidance on this matter, as well as on violations of human rights, such as in the following items:

- 3.3.** Samarco may terminate a business relation whenever its interests are harmed or if there is a lack of compliance with legal, tax, socioenvironmental and work safety requirements, or if the other party uses slave or child labor, engages in corruption or disrespects human rights.
- 10.2.** Employees must use the Company's financial resources prudently and provide accurate information on expenditures. The preparation of expense reports containing errors with fraudulent intent is considered a serious breach of conduct.
- 15.1.1.** Samarco does not make any improper payments with the objective of closing deals, influencing decisions in favor of the Company or inducing people to grant undue concessions. Therefore, it is strictly forbidden to offer any sort of bribe, kickback, illicit commission or any other type of similar payment, which, in addition to being unethical, could render the Company and the involved employees subject to legal sanctions and criminal lawsuits. This prohibition is also applicable to representatives and outsourced personnel retained by the Company to represent its interests, who, upon being retained, must be clearly informed of this policy and endorse it without reservations.

In our day-to-day activities, we also do not tolerate practices that could be characterized as a conflict of interests. Our Code of Conduct contains rules regarding this matter:

- 9.4.2.1.** Employees are not allowed to perform activities which conflict with the interests of Samarco.



- 9.4.2.2.** The Company has no objection to employee activities which do not impinge upon the hours to be worked for Samarco and do not generate a conflict of interest.
- 9.4.2.3.** Volunteer work is authorized and supported by the Company.
- 9.4.2.4.** Employees should not hold positions in or provide consultancy to organizations which do business with Samarco, even outside normal working hours, if the job they hold in the Company provides them with power to influence transactions or access to information which can lead to conflict of interest.
- 9.4.2.5.** Employees are not allowed to have any corporate or business relationships, either personally or through relatives, with business partners or competitors of the Company.

- 9.4.2.6.** The mere ownership of stock in another company does not generate a conflict of interest, except when the shares pertain to a company with which Samarco maintains business relations and the employee has power to influence decisions.
- 9.4.2.7.** Employees should not hold positions where they are able to influence the employment circumstances (distribution of tasks, remuneration, etc.) or the performance evaluation of relatives.
- 9.4.2.8.** Time spent on personal matters should be kept to a minimum during working hours.
- 9.4.2.9.** Employees, in the performance of their duties, should inform their immediate supervisor of situations which could result in conflict of interest.
- 15.3.1.6.** Gifts should not be offered or accepted in circumstances which could create an obligation in the business or general relations with representatives of Samarco competitors, since this practice could represent a conflict of interest.
- 15.3.1.7.** It is forbidden to solicit gifts of any kind from suppliers, customers or third parties with whom Samarco does business.

These anti-corruption and conflict of interest guidelines are some of the matters which are continuously monitored by the



Alysson Werneque Pereira delivers Code of Conduct to Ivan Gozzer – Ubu, ES

Board of Directors, which has, among its many attributions, the function of assuring the integrity of Samarco's management.

Through the program Click for Knowledge (self-training program), more than 99% of Samarco's employees underwent on-line training on the fourth edition of Code of Conduct, which also covers matters related to human rights.

This same training program was conducted with professionals from the Safety area. In 2009, all 42 people from this area received training.

OMBUDSMAN

For those cases in which there is doubt on how to proceed or to notify the Company of deviations or improper situations, Samarco has an ombudsman, accessible to all stakeholders, who classifies the comments received into accusations, orientations and requests for specific information.



In 2009, an investigative procedure for internal complaints was formalized, which guides the work of the Ombudsman and brings enhanced professionalism to the process, as well as security for both the accuser and the accused. In 2009, six accusations were received and sent for a solution.

The Ombudsman area is also responsible for preparing reports on accusation monitoring and investigation processes, which are to be presented at the quarterly meetings of the Code of Conduct Committee and brought to the attention of shareholders. The Committee is composed of the president of the Organization, the general manager of Administration and HR and the Ombudsman.

Vision of the Business

At the beginning of 2009, as per our quarterly calendar, Samarco's upper management, together with an executive group composed of senior technical career managers and professionals, led a new Strategy Review Cycle.

This was a very important time for the definition of our current business positioning. We gave the direction for the three challenges in light of the scenarios analyzed.

Three major themes were established, and were broken down into strategic challenges, critical success factors and strategic programs and projects. The topics are:

Sustainable growth: to increase the value of the Company, expanding our production and sales capacity, ensuring continuation of the business.

Operational Excellence: to increase the Company's value, through full use of our assets, increasing the efficiency of the processes.

Management Excellence: to increase the Company's value, through the use of excellence in management practices, seeking differentiated results and recognition as a world class company.

We drew up a new Strategic Map as a result of this work, guided by our Corporate Values. The Map covers the following objectives:

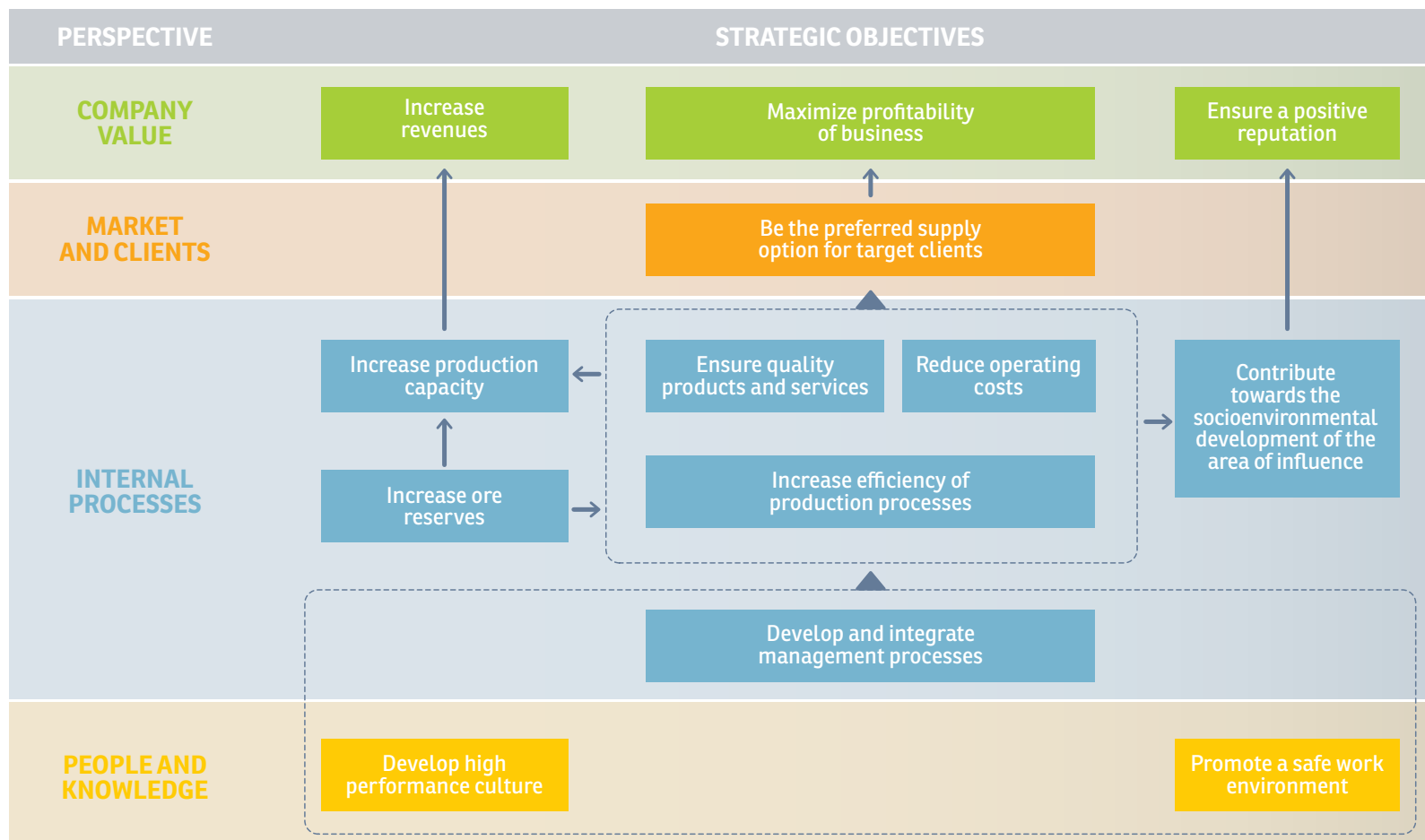
- *"Company Value" Perspective:*
 - Increase revenues
 - Maximize profitability of business
 - Ensure a positive reputation

- *"Market and Clients" Perspective:*
 - Be the preferred supply option for target clients

It is important to emphasize that these two perspectives focus on results, a consequence of the initiatives of the following perspectives:

- *"Internal Processes" Perspective:*
 - Increase ore reserves
 - Increase production capacity
 - Ensure quality products and services
 - Reduce operating costs
 - Increase efficiency of production processes
 - Contribute towards the socioenvironmental development of the area of influence
 - Develop and integrate management processes
- *"People and Knowledge" Perspective:*
 - Develop high performance culture
 - Promote a safe work environment

Strategic Map



The current Strategy Review Cycle establishes three yearly monitoring meetings and critical analysis of strategic programs and projects, with the participation of the Board and general managers. This strategy is broken down for the other levels in the Company through the Contribution Panels, in which each General Management* area identifies its way to contribute to the strategy and plans projects and actions to achieve this, involving managers and technical career professionals, and the Operational Performance Management, in which department heads and team heads, together with technical-operational level employees, respond daily for

operating goals derived from the major strategy goals.

(*) At Samarco, the hierarchy is structured as follows:

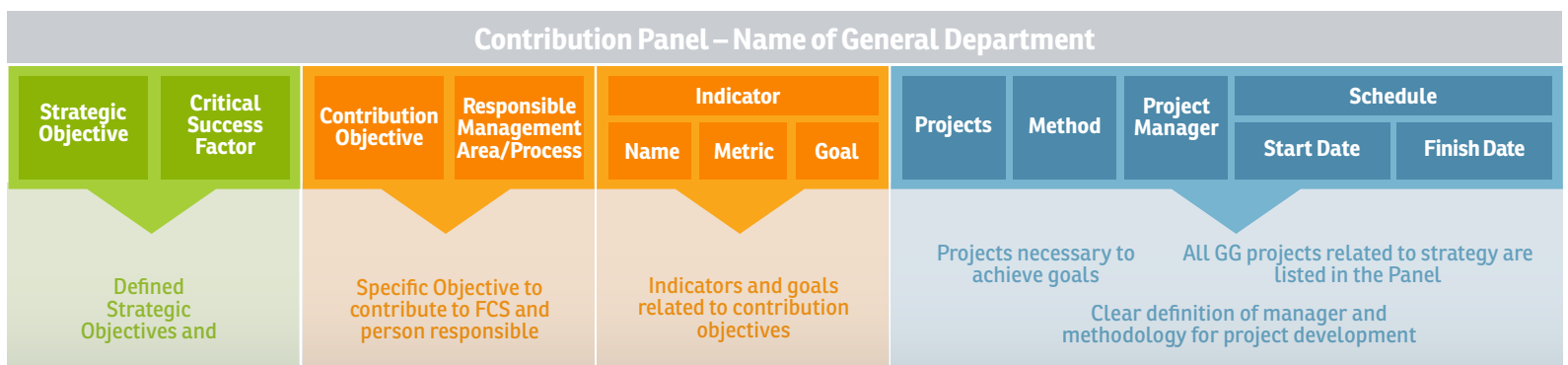
- a) directors;
- b) general managers;
- c) managers;
- d) department heads;
- e) team leaders;
- f) professionals with university degrees, also called technical career professionals, who can be found at a variety of levels in the Company's hierarchy;
- g) technical-operational level professionals.

Strategic Map



Contribution Panel

The GG Contribution Panel clearly indicated the level of managerial contribution in reaching the expected results.



Throughout 2009, the new strategic direction incorporated the actions necessary to face the global economic-financial crisis scenario and was fundamental in mitigating the effects of the reduction in price and demand that occurred during this period.

To adapt the business to the crisis scenario, measures to reduce costs and delay investments were adopted, while preserving investment in Safety, Health and the Environment, which are the most important values for the Company. Short term debt maturities were lengthened, in order to lessen the liquidity crisis. In addition, there were no reductions in direct staff, which demonstrates coherence with our premise of valuing life and people.

In an interview with the magazine Fato Relevante, published in the December 2009 edition, Eduardo Pessotti, NA ÉPOCA general manager of Strategic Planning and Management at Samarco, speaking about the economic-financial crisis period, emphasized the following: "(...) I had the opportunity to experience the decisions of our president, who mobilized our employees to change the management model and to develop actions to reduce costs, recognizing that people and their knowledge are the foundations of competitiveness and sustainability of the business".

In the second semester, we went back to using our installed capacity, and to selling all our production. The sales strategy of segmenting the Company's market was decisive, considering the current geographical distribution.

For 2010, the forecast is for an increase in demand for iron ore pellets, which will contribute to enabling us to sell all our production capacity (22.250 million tons of pellets) and enable us to move forward in our growth strategy, through investments in increasing capacity.



Vision of Sustainability

For us, Sustainability is the Company's capacity to develop and innovate in increasingly complex and interdependent environments, with transparency and economic, environmental and social responsibility.

It is the creation of value for Samarco and its stakeholders, guided by ethics, trust, pro-activeness and systemic vision. We do this through actions and partnerships that seek to ensure balance between the economic, socio-cultural and environmental dimensions, respecting current generations and contributing to the development of future generations."

The commitment to sustainability is present throughout Samarco's planning, management, operations and relations with its stakeholders. By including sustainability as one of the pillars of our strategy, we seek to go beyond the traditional focus on specific Company business, broadening the possibilities of the guidelines contained in our Vision and Mission.



For us, sustainability is not a strategy or a tactical stance. It is a business philosophy. It means considering, in our management, operations and attitudes, economic, social and environmental aspects, and working in an ethical and transparent manner. We believe that sustainable development is an essential pillar for the creation of value for the business and for all society.

We have a Declaration of Commitment to Sustainability, the result of an internal process of group creation, which lays out a set of premises and guidelines that are the basis for sustainability at Samarco. The guidelines indicate our choices and guide our management. Through ongoing learning processes, over the years, we have built a shared vision on this topic, in a clear and convergent manner.

The incorporation of sustainability into our day-to-day lives is also guided by our Code of Conduct, which governs the relations established between the Company and the stakeholders.

We seek to constantly inspire and raise awareness among our employees and contractors regarding this path to sustainability and to conduct business in a responsible manner, in order to create present and future value for everyone involved. Ethical, transparent conduct, quality products and services and clear and ongoing communications are factors that mark our business management.



Aerial view of Plant 2 – Germano, MG

STATEMENT OF COMMITMENT TO SUSTAINABILITY

Aligned with the Mission, Vision, Values and Integrated Management Policy, guided by Ethics, with the objective of remaining competitive and performing with management excellence, considering in its decision-making processes the balance between the economic, environmental and social aspects on the one hand and the current needs of society and future generations on the other, Samarco defines a series of principles and guidelines for its corporate conduct, with the commitment to:

- Conduct its business in conformity with the current laws of the country, adopting precepts of social responsibility in line with the publicly assumed national and international commitments;
- Act responsibly with regard to the use of natural resources, considering the limits and the regeneration capabilities of the natural environment, mitigating impacts and contributing towards the preservation of biodiversity, water and energy resources, and continuously seeking creative alternatives for its operations;
- Promote the diversity and ongoing development of the human and intellectual capital of its employees, in a fair, clear and merit-based approach;
- Foster and construct a process of internal and external corporate communication open to permanent social dialogue;
- Engage the stakeholders in the sustainability model, structure decisions and choices based on the principles outlined in this model, and lead efforts to develop agreements and joint projects between private and public entities;
- Encourage and support the initiatives of employees, suppliers, clients, local partners, governments and society which are aligned with our commitments to sustainability and social responsibility, with the objective of bringing about changes in a responsible, ethical and just manner, considering both environmental balance and collective well-being;
- Construct and maintain a business rationale with the commitment to generate wealth for shareholders, employees, third parties, society, government, suppliers and clients.



Tilapia fish farming in tanks using nets
Mãe-Bá Lagoon – Anchieta, ES

We know that moving into a culture of sustainability in our day-to-day activities occurs in a gradual manner, and for this reason we have consistently reinforced the topic in our communications, training and preparation of our leaders. The process is long, daily, continuous and never ending. We must always be persistent. In 2010, we will launch a Sustainability Guide, to compile guidelines, premises and practices on this matter, as well as other communications initiatives, especially focused on our internal public.

Also in 2010, we implemented specific training modules for our employees with sustainability themes.

Question of survival

We have always believed in sustainable development, and our past proves this orientation. However, today, with a more critical, participatory and monitoring stance by society, being sustainable is a question of survival.

To continue along this path and guarantee the continuation of our business, it is essential to continue to seek dialogue and engagement with our stakeholders, principally with the communities neighboring our operations, and to educate and raise awareness of our employees, in addition to responsible investments in long term expansion, with the commitment to create value.

Alignment with global commitments

A signatory to the Global Compact since 2002, in 2008 Samarco reaffirmed its commitment to the Compact, created by the UN (United Nations) to promote respect and defense of human rights, labor, environmental protection and the fight against corruption. All these themes are covered in our Code of Conduct.

In addition, we support the Millennium Goals, eight objectives defined by the UN, ranging from fighting hunger and poverty, supporting quality education, reduction of child mortality, focus on the quality of life and respect for the environment, among others. These commitments can be seen in our management and in the projects we develop, as, for example, in the actions that are a part of our Social Investment Policy.

	Businesses should support and respect the protection of internationally proclaimed human rights		2 Make sure that they are not complicit in human rights abuses		3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining		4 The elimination of all forms of forced and compulsory labor		5 The effective abolition of child labor
	6 The elimination of discrimination in respect of employment and occupation		7 Businesses should support a precautionary approach to environmental challenges		8 Undertake initiatives to promote greater environmental responsibility		9 Encourage the development and diffusion of environmentally friendly technologies		10 Businesses should work against all forms of corruption, including extortion and bribery

	1 ERADICATE EXTREME POVERTY AND HUNGER		5 IMPROVE MATERNAL HEALTH
	2 ACHIEVE UNIVERSAL PRIMARY EDUCATION		6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
	3 PROMOTE GENDER EQUALITY AND EMPOWER WOMAN		7 ENSURE ENVIRONMENT SUSTAINABILITY
	4 REDUCE CHILD MORTALITY		8 GLOBAL PARTNERSHIP FOR DEVELOPMENT

In 2006, we adhered to the Business Pact for Integrity and against Corruption, coordinated by the Ethos Institute. This Pact is a consequence of one of the principles of the Global Compact and personifies the spirit of Brazilian companies in recognizing laws and promoting ethics and integrity in business.

In 2009, Samarco participated, together with other companies, in a work group to prepare a workshop on fighting corruption, which was held at the International Conference of the Ethos Institute.

See other examples of initiatives focused on fighting corruption in the item on "Ethics and Transparency," in this chapter on "Business Strategy".

Climate changes

In 2009, we signed the Open Letter to Brazil on Climate Changes, in conjunction with 21 other entities and private Brazilian companies. This document establishes the stand of the signatories on the subject. The document is considered by the specialized media a landmark on the attitude of the production sector towards low-carbon economy.

The letter was issued during the seminar Brazil and Climate Changes, organized by the newspaper Valor Econômico and GloboNews.

In the letter, the signatories committed themselves to five basic topics:

- a) Publish, on an annual basis, an inventory of greenhouse gas emissions (GHGs) produced by their companies, as well as actions to mitigate emissions and adaptation to climate changes.
- b) Include, as a strategic guideline for the decision-making process required for investments, the selection of options that promote the reduction of GHG emissions in processes, products and services.
- c) Pursuit a continuous reduction of specific GHG emissions and of the net balance of CO2 emissions from their companies, by means of actions that would directly reduce emissions of the production processes, investments in carbon capture and sequestration and/or support to actions required to reduce emissions from land clearing and degradation.
- d) Act with the supply chain, aiming at the reduction of emissions from suppliers and clients.
- e) Engage with government, civil society and other relevant

"The climate changes are already a reality experienced by many nations in different parts of the globe. Samarco Mineração believes in the need to reach an agreement among governments, civil society and the private sector to discuss more effective means to respond to climatic change issues. We share the UN Global Compact initiative, which seeks an agreement on climate, trying to protect the planet and support socioeconomic and environment requirements in a rational and less aggressive way"

José Tadeu de Moraes, CEO, Brazil.



sectors to try to understand the impacts of climatic changes on the areas where they operate and the respective adaptation actions.

This document was also presented during the Copenhagen Climate Conference (COP-15) that was held in Denmark.

In 2009, the campaign Seal the Deal was launched by the United Nations Environment Program (UNEP), which invited the world population to sign an on-line petition for the purpose of demanding urgent measures to fight climate changes.

The collected signatures were compiled and submitted to world leaders that attended COP-15, in December, for the purpose of convincing them to go for an agreement towards a more sustainable world.

This material also contained statements made by corporate leaders and opinion leaders. The only statement by a Brazilian leader was made by Samarco CEO, José Tadeu de Moraes, which is quoted below.

OPEN LETTER TO BRAZIL ON CLIMATE CHANGE

Our View

Climate change represents one of the biggest challenges of our time. The 4th assessment report by the Intergovernmental Panel on Climate Change shows that a temperature increase of over 2°C in relation to that of the beginning of the industrial era would bring disastrous consequences to the economy of countries and the well being of mankind, in terms of health, food security, habitability and environment, jeopardizing sustainable development in an irreversible way.

In Brazil, a temperature increase of this magnitude would bring severe effects on agricultural production, the integrity of forests and biodiversity, the safety of coastal zones and availability of water and electricity. This would imply, therefore, in a retrocession in the fight against poverty and quality of life of our society.

The reduction of global emissions of greenhouse gases (GHG) represents a big challenge. In order for the temperature increase to stabilize below 2°C, IPCC shows the need to limit the concentration of CO₂e in the atmosphere to up to 450 ppm (parts per million). For that to happen, the total emission of GHG during this century must not be over around 18 Gt CO₂e/year (billions of tons of GHG expressed in CO₂ equivalent per year), in average. At present, global emissions exceed 40 Gt CO₂e/year. Even if developed countries reduced their emissions to zero immediately, it would not be possible to achieve the global reduction goal without the participation of emerging economies, including Brazil among them.

We experience a unique opportunity to build a new development model, based on a low carbon economy, which shall mobilize companies, governments and civil society. We believe that Brazil, more than any other country in the world, gathers the conditions to lead the agenda of this new economy. The deforestation reduction goal to 80% by 2020, advertised by the National Plan on Climate Change, will give significant contribution for the reduction of global emissions. Brazil has positive experiences in other sectors, as the production of biofuels, which show our capacity to meet this objective.

We are sure that Brazilian companies can give a key contribution so that the country may lead the transition to a low carbon economy, take advantage of new business opportunities and increase its competitiveness. In this letter to the Brazilian government and society, we make commitments regarding the climate change agenda and propose actions for the public power.

Our commitments

Como contribuição aos esforços globais de redução dos impactos das mudanças climáticas, nos comprometemos a:

As a contribution to the global efforts for the reduction of climate change impacts, we commit ourselves to:

- A. Publishing the inventory of GHG emissions of our companies every year, as well as the actions for the mitigation of emissions and adaptation to climate change.
- B. Including the choice of options that promote the reduction of GHG emissions in our processes, products and services, as a strategic guidance for investments decision-making process.
- C. Pursuing the continuous reduction of specific GHG emissions and of the net balance

of CO₂ emissions from our companies through actions of emissions direct reduction in our production processes, investments on carbon capture and sequestration and/or support to actions for the reduction of emissions from deforestation and degradation.

- D. Work with the supply chain, aiming at emissions reduction from suppliers and clients.
- E. Engaging with the government, civil society and our operation sectors, in the effort to understand climate change impacts in the regions where we operate and respective adaptation actions.

Proposals to the Brazilian government

The COP15 - 15th Conference of the Parties of the United Nations Climate Change Conference - will take place next December in Copenhagen. During the event, representatives of around 200 countries will discuss new commitments and incentives for the reduction of GHG emissions, the adaptation to the effects of historic emissions and the development, financing and technological cooperation that promote the reduction of global emissions and climate stability.

In order for Brazil to advance in the agenda of low carbon economy and for companies to plan on how to operate in the new context, it is vital that a predictable and stable governance system for climate change issues is structured. For that matter, we suggest the following measures to the government, regarding Brazil's participation in the COP - 15:

- A. Take on a leading position in the negotiations for the definition of clear goals for the global reduction of GHG emissions, ensuring the use of the principle of common, yet differentiated, responsibilities.
- B. Defend the simplification and agility of CDM (Clean Development Mechanism) implementation, using as central eligibility criterion its verified emissions reduction, eliminating the concepts of financial and regulatory additionality and the characterization of forest credits as temporary.
- C. Support the creation of an incentives mechanism for REDD (Reducing Emissions from Deforestation and Forest Degradation), including conservation and sustainable forest management. Such mechanism shall consider resources from different sources, including voluntary contributions, such as the Amazon Fund, and other ways of raising funds from market instruments.

And in the local scope,

- D. Produce and publicize Annual Estimates of GHG Emissions in Brazil and a Brazilian Inventory of GHG Emissions every three years.
- E. Establish a National System of Emissions Control, including mechanisms so that society may participate in the process and be consulted, and the definition of an independent regulatory sphere for the theme.
- F. Prioritize GHG emissions reduction in public policies and investments, in order to consolidate the country's positioning in a low carbon economy.
- G. Promote the simplification of the evaluation process of CDM projects in Brazil.
- H. Define and implement a support policy to forest peoples, rural producers, companies and institutions for actions regarding forests conservation and sustainable management that promote REDD.
- I. Establish and implement a strategy for Brazil to adapt to climate change.

São Paulo , 25 August 2009.

Investment Plan

In 2010, we will be working towards our goal of operating at full capacity, or approximately 22.250 million tons of pellets, and selling our entire production.

Such goal was not reached in 2009 only because of the world's economic and financial crisis. For this reason, some investments had to be postponed. But no cuts were made in expected expenditures on Safety, Health and Environment as these are considered critical to our continued existence.

Samarco's annual budget targets are derived from its Business Plan, which is prepared looking ahead a long-term, 5-year vision, based on the 15-year Strategic Planning which, in turn, is oriented by the Organization's Vision.

The Fourth Pellet Plant Project

With the promotion of sustainable development always in mind, our strategic goal is to add value to the Company by expanding our production and sales capacity and thereby ensuring the perpetuation of our business.

To implement this vision, we have structured the Fourth Pellet Plant Project, aimed at increasing production capacity. Progress has been made on the associated studies and investigations.



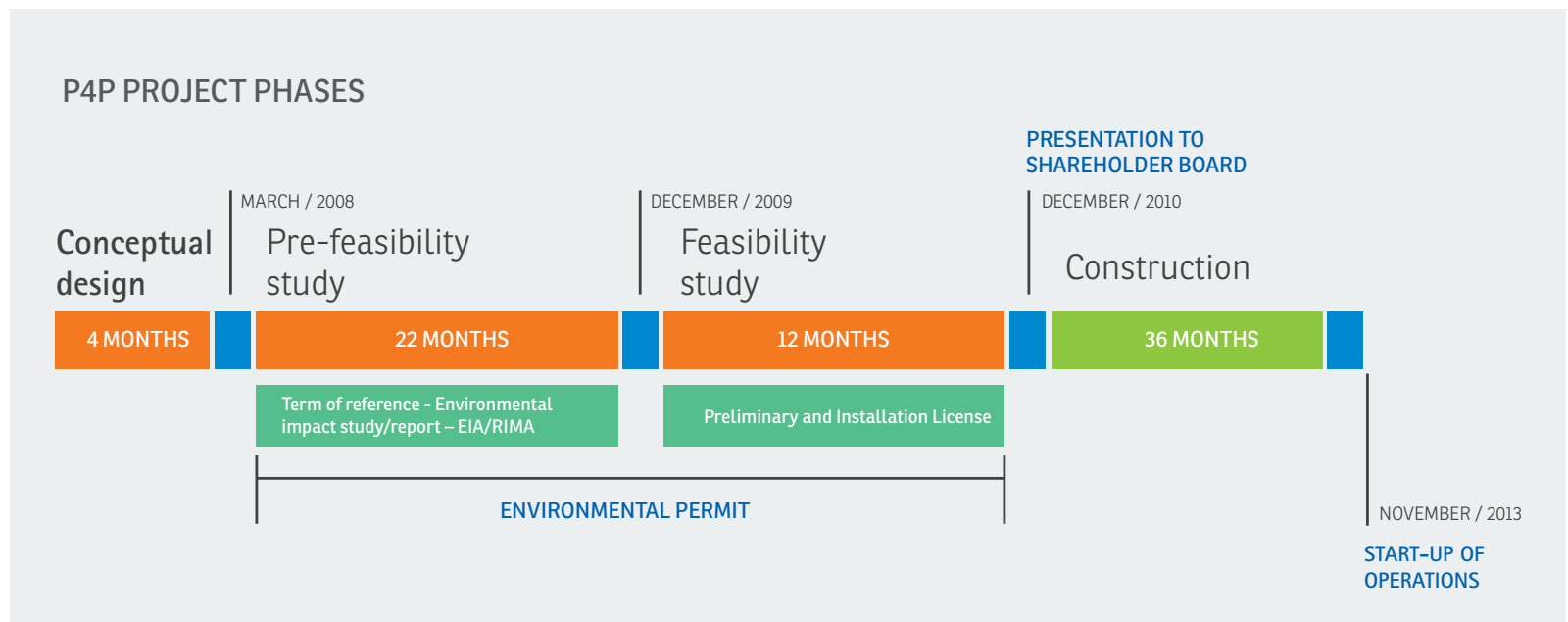
The capital to be invested in the implementation of the Fourth Pellet Plant Project is around R\$ 5 billion

By the end of 2010, the Project will be submitted to our shareholders for approval.

The Project's scope includes the following actions:

- Construction of a third concentrator at Germano Site (MG), with capacity for producing 9.5 million dry metric tons of ore concentrate per year.
- Construction of a third ore pipeline, running parallel to the two that are already in operation, designed to carry 20 million dry metric tons of ore concentrate each year.
- Construction of a fourth pellet plant at Ubu, in Anchieta (ES), with capacity for producing 8.25 million dry metric tons of pellets and pellet feed.
- Revamp of the port terminal to raise its shipping capacity to 33 million dry metric tons of pellets and pellet feed.

As a result of these initiatives, our pellet production capacity will be increased by 37.5%, jumping from today's 22.250 million tons to 30.5 million tons year.





Alegria Mine – Germano, MG

The Fourth Pellet Plant Project is expected to generate income opportunities for local populations and tax revenue for local administrations – 28 municipalities are included within the Project's area of operations – or approximately R\$ 370 million (R\$ 147 million in federal taxes, R\$ 230 million in state taxes, and R\$ 21 in municipal taxes), in addition to contributing to the local economy during its construction. At the peak of construction, approximately 12 thousand jobs will be created in the States of Minas Gerais and Espírito Santo.

PROJECT PROGRESS

It should be emphasized that the Company proceeded with the Project studies even during the worst of the global economic and financial crisis. The Project's pre-feasibility phase was completed in 2009. In 2010, we expect to finish the feasibility phase, which includes detailing the selected option and preparing the basic design.

In parallel to project studies, we began its environmental licensing process. Public inquiries and hearings have mobilized so far approximately 3,550 members of local communities in the States of Minas Gerais and Espírito Santo.

In late 2009, we secured the Preliminary License for the third concentrator, which will be erected at Germano Site, in the municipality of Ouro Preto (MG). Its Installation License is expected to be issued sometime in 2010.

The Preliminary License for the third pipeline was issued in May 2010, while the fourth pellet plant is expected to receive its Preliminary License by July 2010. Installation licenses are expected to be obtained for both of them by October 2010.

GROWING IN A SUSTAINABLE MANNER

To properly address all socio-environmental aspects of an expansion project, the Four Pellet Plant Project includes hiring contractors to manage Safety, Health, Environment and Community activities. Such hiring decision is aligned with the Company's previous expansion experience, the Third Pellet Plant Project, which was completed during the first half of 2008 and was assessed as Best Practice in that same year by IPA (Independent Project Analysis), an internationally-renown institute.

In 2009, no significant contracts were signed in connection with the Four Pellet Plant Project. Yet, its pre-feasibility and feasibility studies follow stringent quality, cost and productivity criteria and address concerns associated with Health, Safety, Environment, Community Relations, Personal Development, and Human Rights (which are, in this respect, aligned with the precepts of the United Nations Declaration of Human Rights).

With the Four Pellet Plant Project, it is our intent to advance and evolve even further. In a general manner, the Project has been designed to use more energy-efficient equipment and more advanced technologies. Sustainable building materials will be used in its construction*. Notwithstanding all this concern with the environment, we also care for the sustainable development of the communities in the areas where we operate,

(*) Materials that meet one or more of the following requirements: cause no damage to the environment, can be reused or recycled, do not cause major impact in terms of waste generation, use sustainable energy sources, be composed of non-toxic substances, be economically beneficial to the areas where they are produced, and effectively combine their properties with the natural conditions of the places where they are used.



Square at Germano Unit, MG

and seek to contribute towards positive social change. To this end, when engaged in any expansion projects, we also make investments of a social nature to align engineering operations to our strategic objectives, minimize negative impacts and maximize the positive ones, while promoting respect and confidence among local communities and providing support and recognition to their culture. These are principles that we cherish in our relationship with the communities in the vicinities of our sites.

Our ultimate goal is to ensure that benefits are brought to everyone: the Company, our employees, our shareholders, the communities where we operate, and society at large.

Engineering and Projects

The Engineering and Projects area is responsible for medium-size projects that involve improvement works to the Company and to the community.

These projects are intended to support production increase, cost optimization and upgrading of internal or external structures in order to contribute with aspects of the Company's performance and with communal development in all Samarco's influence areas.

The most relevant projects under the Engineering and Projects management are:

- Adjustment of plants to allow replacing industrial oil with natural gas in Ubu (ES), at a cost of R\$ 46.68 million. Completion is due 2010.
- Installation of electrostatic precipitators to reduce emission of particulate matter in the atmosphere, in Ubu (ES), at a cost of R\$108.5 million. This investment was considered in the Environmental Commitment Term (TCA) signed by Samarco, the Government of the State of Espírito Santo and Public Attorney's Office, at a total cost of R\$ 150 million. Completion is due 2011.
- Expansion of the production capacity of Concentrator 2 in Germano (MG), at a cost of R\$68 million. This project started in 2009 and completion is due 2011.



Wastewater treatment plant of Mãe-Bá – Anchieta, ES



Santarém Dam – Germano, MG

- Expansion of the production capacity of Concentrator 1 in Germano (MG) and has not started yet. Completion is due 2012.
- Raising of the crest of the Santarem Dam, close to the Germano unit (MG). As a result, the capacity of the dam could be increased, as silt was building up continuously. The project ended in 2009.

The following topics, among others, can be mentioned as examples of communal projects:

- Construction of sports facilities in the community of Mãe-Bá, Anchieta (ES). Completion is also due 2010.
- Construction of wastewater treatment plant in Mãe-Bá. The work was completed in 2009.
- Renovation and extension of Mepes Hospital (Espírito Santo Promotional Education Movement), in Anchieta (ES), at a cost of R\$ 7.5 million. In 2009, we took the responsibility for the implementation of the detailed engineering design. Project start is due 2010.
- Renovation of the Santo Antonio municipal school, in the city of Ponte Nova (MG). The project was completed in 2009.

Risk management

The Samarco risk management policy is more than a defensive mechanism; it is considered a strategic process and is strongly linked to the business, encompassing strategic, reporting / compliance and operational risks.

The strategic risks are intended to assess the ability of a Company to achieve long-term results, in order to ensure competitiveness and sustainability. The operational risks are related to the continuity of all processes, with no interruption of the activities. Reporting and compliance risks are intended to anticipate the possibilities of errors or frauds in the internal processes, ensuring integrity, reliability and quality of the financial statements, good governance practices and transparency while disseminating corporate information. Every single year, the risks are reassessed by a group of experts and managers of the relevant areas. Then, they are validated by an internal committee.

In 2009, two plans were developed: the Business Continuity Plan, for key operational risks and the Operational Business Continuity Plan, for IT (Information Technology) and AT (Automation Technology) processes. The plans assume that quick responses will be provided for crisis situations, management of contingencies and return to normality, thus allowing Samarco to be always prepared to conduct their businesses non-stop and to protect the interests of the relationship public. For 2010, the idea is to consolidate all the Organization's existing plans to facilitate their understanding and dissemination.

We have a Risk Management and Internal Control Committee, which is the highest decision-making instance in terms of risk management, with meetings held every six months. Chaired by a Company director, the committee has the participation of all general managers.

We want society and all our stakeholders to have a true perception of who we are and how we act. This increases our responsibility and gives special meaning to our performance, which must evolve and improve continuously, based on a process of collective construction.



Renovated school – Ponte Nova, MG



Renovated school – Ponte Nova, MG

The Risk Management and Internal Control Committee is the highest instance of decision and monitoring of risks and meetings are held every six months. The committee is chaired by a director and all general managers attend the meetings.

Strategic and operational risks are dealt with by the Company as per their potential impact (maximum possible loss) and residual level, which can be classified and divided into five levels, according to the impact factors and probability: Very Low, Low, Moderate, High and Extremely High.

Moderate risks and above are specifically treated by means of the Control Self Assessment (CSA) tool, which is an internal control process that evaluates how effective the controls are. High and Extremely High risks, as well as all strategic risks are reported in the Integrated Risk Map. Reporting / compliance risks are also continuously monitored and are part of the monitoring and decision scope of the Risk Management and Internal Control Committee.

Corporate image and reputation management

We have been seeking to construct, over the years, a positive reputation, founded on assumptions we deem relevant:

- attainment of solid financial results;
- perspectives of continuous growth and clear vision of the future;
- prioritization of transparency, ethics, and sustainable relationships;
- supply of high-quality products and services;
- satisfaction of our clients;
- emphasis on innovation, which allows anticipation of changes;
- strong leaderships and committed teams;
- attractive workplace environment;
- socio-environmental performance;
- ethics and transparency.

In 2009, when we conducted the third strategy review cycle, the corporate reputation management reached an even more relevant level within the Organization, and became a strategic target ("Ensure Positive Reputation"), directly linked to the perspective "Company Significance" of our Strategic Map.

"Ensure Positive Reputation" reflects our intention to ensure the best perception of our businesses, investments and operations by the different strategic publics, who, direct or indirectly, influence or are influenced by our actions. This is made possible by means of value-based strategies aiming at the market, collaborators and society in general, such to contribute towards sustainable relationships, favorable opinion and generation of perceptions and feelings such as favorable regard, admiration, empathy and confidence in the Company, resulting in acceptance and legitimacy of all our initiatives.

To ensure the fulfillment of this objective, we developed in 2009 the planning phase of the project named Construction and Implementation of Samarco's Reputation Platform.

In 2010, three phases of the work development and construction stage are expected to take place:

- 1) Development of Samarco's reputation analysis model, focusing on the definition of indicators, mapping of stakeholders and research application.
- 2) Definition of the structure of the project, such to promote internal alignment, with the support of interface areas.
- 3) Preparation of the Company for the reputation management process, focusing on leadership qualification, interface areas and project team.

We have selected, as a monitoring indicator, the Reputation Pulse Score (promoted by the Reputation Institute), which measures the level of esteem, confidence, admiration and respect towards the Company and allows us to adopt comparative success references with other industry companies with characteristics similar to those of Samarco.

In this context, our reputation is intrinsically linked to the Development plus Engagement, as a positive perception is

constructed every single day, as a result of our actions and our ethical, transparent and professional attitude when dealing with all sorts of publics.

The outcomes of a positive reputation can be identified in various aspects of the business and of our actions, such as:

- Improvement of the growth and development conditions of the business by means of alignment among the Company's point of view, perceptions and interests of stakeholders and the desirable support behaviors, solidly and soundly grounded.
- Increase of investment attractiveness.
- Recruitment and retention of talented employees.
- Long-term and stable relationships with clients, suppliers and other publics.
- Achievement of 'social permits'.
- Improved engagement and productivity of employees.

We want society and all other stakeholders to have a real perception of who we are and how we act. This enhances our accountability and makes our actions to be more special, seeking continuous evolution and improvement from a collective constructive process.



Stacker – Ubu, ES



Port - Ubu, ES

PROCESSES, TECHNOLOGY AND PRODUCTS

Production process

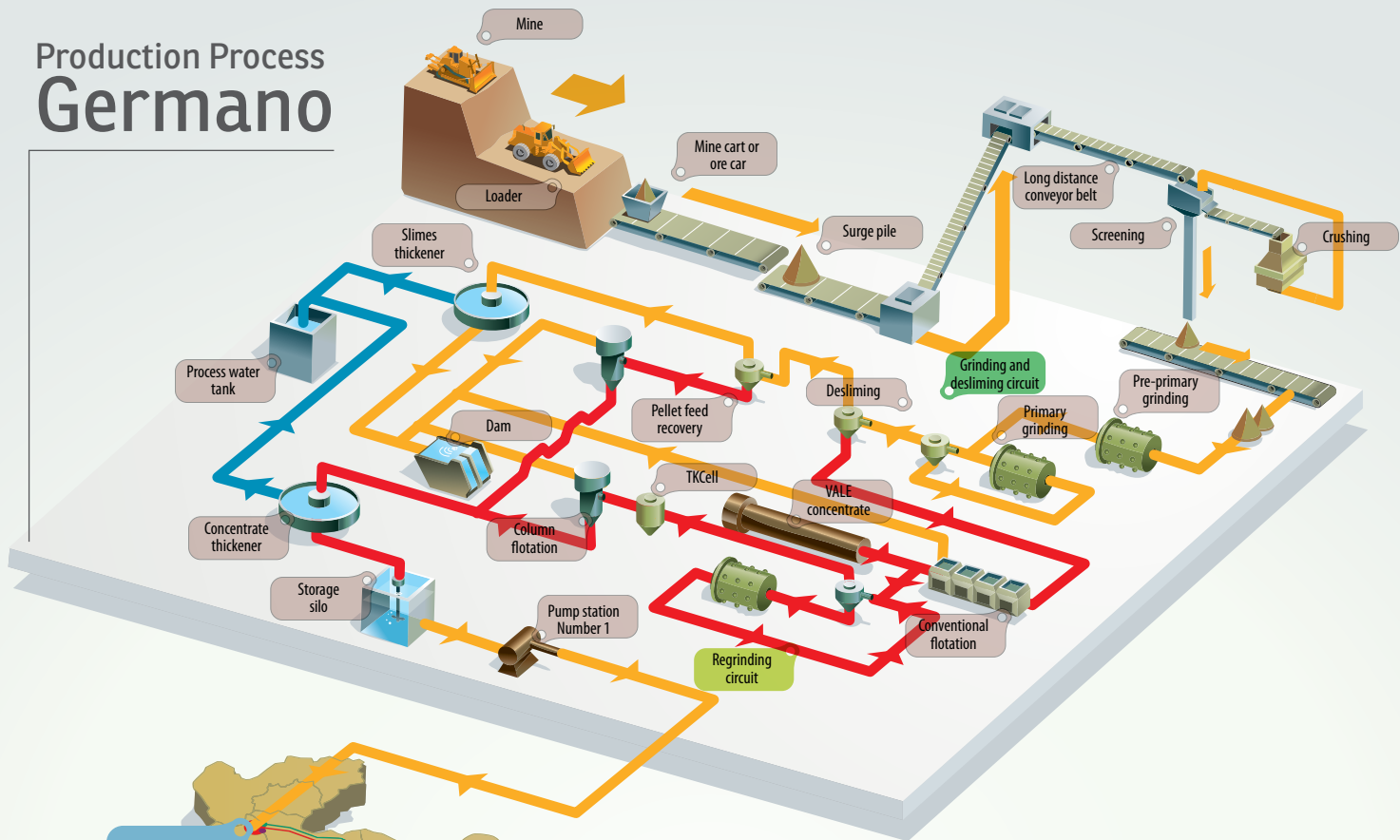
Samarco has an integrated production process, from the mine to the port, which ensures high production efficiency and low operating costs.

The production comprehends the following steps:

- **Mining** – extraction of itabiritic iron ore of low iron grade (currently, assumed mean grade is about 45%), open pit operation, in the Alegria Mining Complex, Germano unit, in Mariana (MG). Our reserves amount to 2.1 billion tons of iron ore, and currently, two mines are being operated – Alegria South mine and Alegria North. Ore extraction and waste stripping are performed by a fleet of large-size movable equipment, in conjunction with the use of a belt conveyor system. This production logistics results in low mining costs.
- **Beneficiation** – during this phase, the ROM is concentrated and undesired materials are removed in order to meet the chemical and size specifications required by subsequent processes.
- **Pipelines** – ducts, through which ore, after being processed as slurry, is transported from the Germano unit (MG) to the Ubu unit (ES) running almost 400km. This system was the first implemented in the country for iron ore transportation.

In 2009, iron ore beneficiation generated 13.7 million tons of tailings, comprising sandy materials and slimes. This material was conveyed to adequate tailings disposal structures, dams and waste dumps, which are periodically monitored and inspected to ensure their stability conditions.

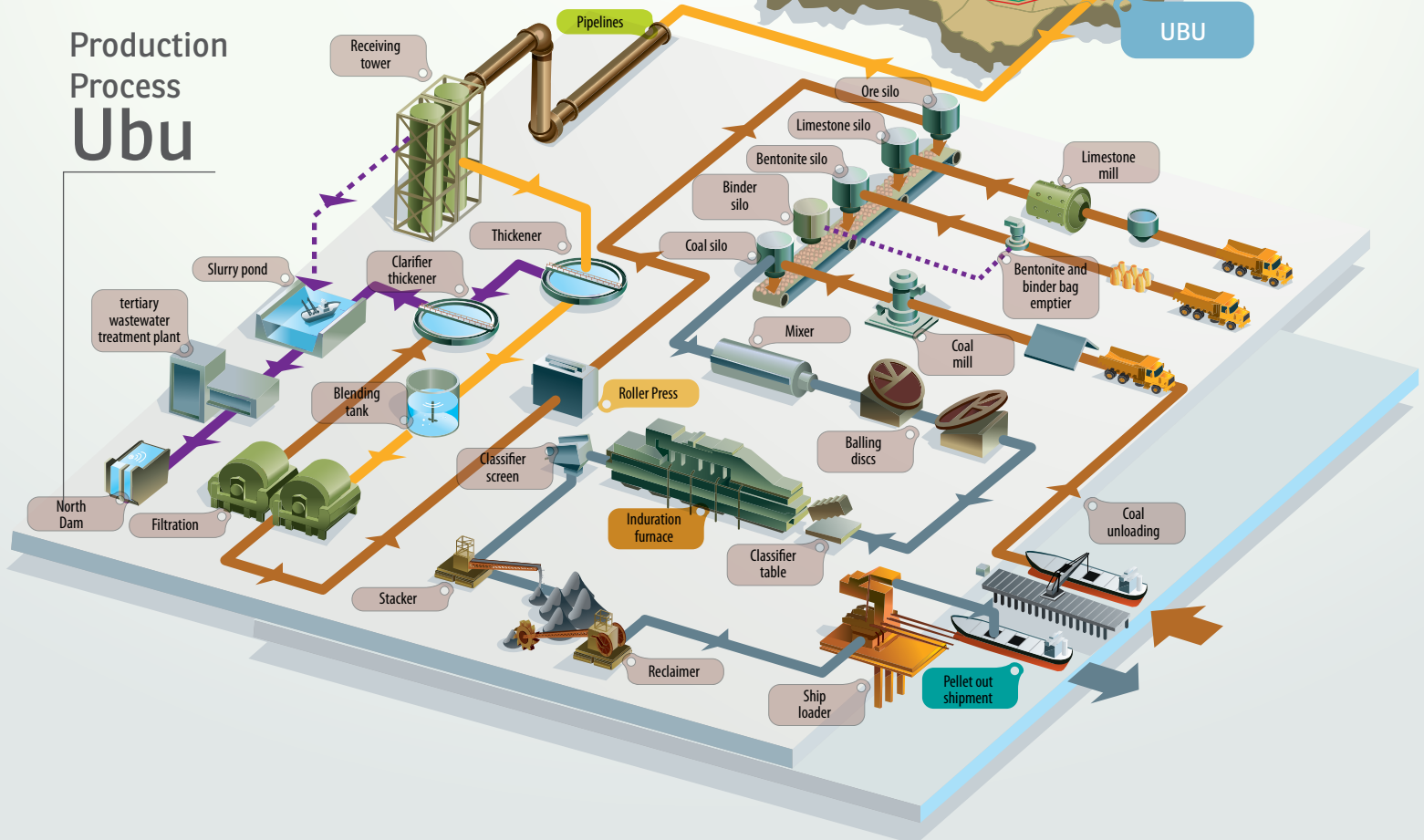
Production Process Germano



GERMANO

Pipelines

Production Process Ubu



UBU

Description (dmt*)	Total 2009 (dmt*)
Samarco tailings – Sandy	10.353.929
Samarco tailings – Slimes	3.359.241

(*) dry metric tons.

- Pelletizing** – pelletizing is an agglomerating process aiming at the utilization of ultra-fine concentrate, transforming it into pellets of size ranging between 8 and 16mm, which, after proper heat treatment, acquire characteristics required for the reduction processes, both through blast furnace and direct reduction processes. Currently, we count on three pellet plants located in Ubu, municipality of Anchieta (ES).
- Stockpiling and Port Operations** – the pellet product is stockpiled on a yard whose capacity is 1.8 million tons, thus ensuring high inventory turnover ratio and hold-up time of approximately 30 production days. The pellets are loaded into ships at the Ubu Port, owned by Samarco; this port has a pier with two mooring berths and depths of up to 18.7m. These depths are extremely important for port performance, because they allow ships of up to 210,000t capacity to dock. The port operates 24 hours per day, with the use of azimuth tugboats and a team trained for naval tasks and to respond to any emergency situation; it is also provided with a loading system whose equipment allows rates above 9,000t/h. In addition to ore loading, the port also receives and unloads all mineral coal used in the plants.

To support our assessment and improvement processes, we count on a technology-based structure, cost management and monitoring of internal indicators.



Reclaimer – Ubu, ES

Products

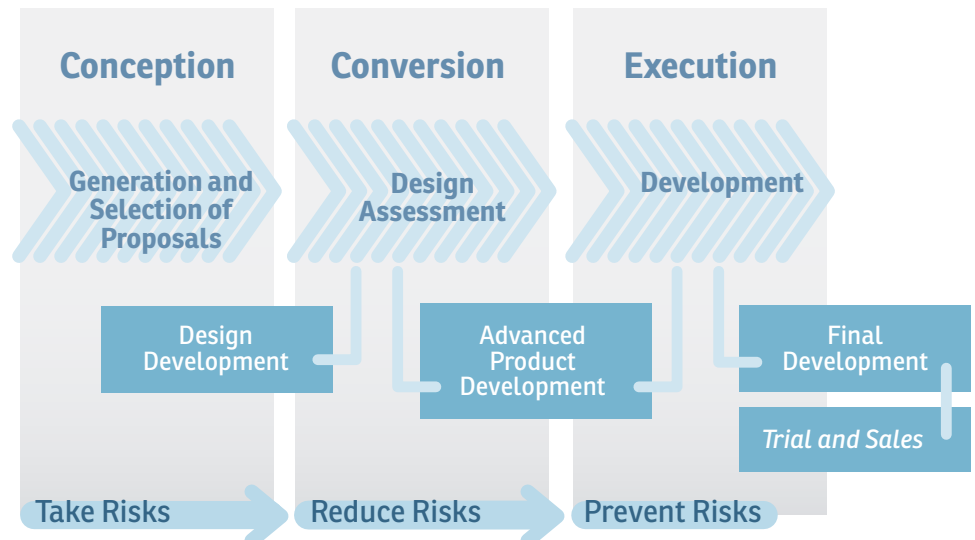
To meet the requirements of clients on a global scale, we produce and sell a considerable number of different pellet types. This flexibility allows meeting specific demands, according to the type of reduction technology adopted by the client (blast furnace or direct reduction).

- Blast Furnace pellets:** pellets are divided into three products – PBF/STD, PBF/MB45 and PBF/HB. The major difference among them is basicity, which is measured by the CaO (calcium oxide) and SiO₂ (silicon oxide) ratio; these oxides are part of the chemical composition of the pellets, and meet the specifications of clients involved in the production of pig iron.
- Direct Reduction pellets:** pellets are divided into three products – PDR/MX, PDR/HY and PDR/MG. They have different chemical, physical and metallurgical properties, which are suitable to the production of sponge iron.

Our sales plans aim at supplying the market in terms of 50% blast furnace and 50% direct reduction.

Ore concentrate, after filtration, has a moisture content of 10% approximately, and can also be traded to be used in pelletizing or sintering (process in which two or more solid particles bind together due to heat effect at a temperature lower than the fusion temperature. It is called pellet feed and two different products can be supplied: PFL (low-silica pellet feed) and PFN (standard silica pellet feed). The internal market absorbs these products for the production of direct reduction and blast furnace pellets, respectively.

Phases of the product development system



Pellets in our every-day life

They are to be found in needles, electronic equipment, cars, scalpels, steel cables, keys, computers, buildings, home appliances, elevators, electrical cables, spaceships, razor blades, ships, bridges, silverware, etc.





Balling discs – Ubu, ES

(*pellet feed de sílica normal*). Internamente, esses produtos são destinados à produção de pelotas de redução direta e de alto-forno, respectivamente.

Iron ore pellets, among other raw materials used in steel manufacturing, are a consumable of well-established quality that ensures high productivity and stability to the direct reduction and blast furnace processes.

It is worth emphasizing that, while developing new types of pellets or conducting pellet improvements, tests are always carried out before new products are marketed, for the purpose of ensuring effective productive to the product and preventing any potential risks.

Our product and service development process aims at promoting the use of Samarco pellets through the understanding of the clients' needs and perception of the importance of our products and services. This is an interfunction process in which the task sequence initiates with market analysis, and then technical reviews of products and productive processes, financial feasibility analysis and finally actual production. This development process requires that all activities, criteria and responsibilities should be clearly defined.

Quality, research and innovation

Innovation is part of Samarco's history. The Company was established in the 70's as a daring and innovative project, being a pioneer in the flotation of itabiritic iron ore concentrate and complete integration of the production chain. The project comprehends iron ore extraction and beneficiation, concentrate transportation (through pipelines crossing the mountains of the State of Minas Gerais until reaching the southern coast of the State of Espírito Santo), production and loading of pellets at Samarco-owned port, to meet the needs of foreign clients.

Routinely, we seek to encourage the adoption of innovative actions in our activities, comprehending processes, products and projects.

For the internal environment, we have developed, for instance, the Field of Ideas Program, through which Samarco's employees and those contracted can submit suggestions and innovative ideas that be put into practice in the various processes of the Company.

In our production process, we beneficiate low-grade iron ores and add value to the society, producing pellets, a valuable raw material for the steel-making industry, generating jobs and encouraging the economic development of the entire production chain and communities where the Company is present.

Our product development processes are fully integrated to the strategy review cycle conducted in 2009.

Quality is an item very much prized in our production process. On a daily basis, we make all possible efforts to meet the specifications of contracts established with clients, and quality



In our day-to-day activities, we encourage the implementation of innovative actions, related to processes, products and projects.

is one of the most considered points. Quality is also considered of great importance to our stakeholders. In our Materiality Matrix (see Attachment 1 herein) the item 'Quality of Products' can be found amongst the 10 most relevant issues.

Our greatest challenge has been to reduce product variability, so that the client receives the pellets at a low level of quality variability. Thus, we have developed indicators to monitor the product throughout the phases of the production process and also count on the support of the Lean Six Sigma Program (see item on 'Technology and Process Improvements', next).

Every two years, we conduct technical seminars during which innovations are submitted to clients and suggestions on improvements are gathered. The valid suggestions are inserted in our Product Development Manual, which is kept up-to-date whenever required.

Our researches and lab testing are designed to develop new product lines as well.

With respect to new developments, two different issues are being considered:

- In 2009, the development of a project to replace bauxite (one of pellet components) with a mixture of limestone and bauxite

involved a lot of effort. This would allow the client to benefit from a direct reduction pellet of lower alumina content and free from other deleterious components inadequate to the steel-making process. Bauxite is also an element that makes pellets to release dust in the industrial area, and stricter operating controls are required while pellets are loaded into ships and while being handled by direct reduction clients. We expect that, from future industrial tests, the reduction of particulate matter in the industrial area becomes perceptible from this new mixture, since bentonite adheres more to the surface of pellets than bauxite. Regardless of this fact, we are designing a new particulate suppression system to be implemented in the stockpiling and storage circuit, as well as the installation of electrostatic precipitators at the discharge of furnaces 1 and 2, similarly to Plant 3, among other actions provided for in the Term of Environmental Commitment (LEC).

- We expect sulfur levels to drop in pellets from the use of natural gas in lieu of fuel oil in pelletizing furnaces. We know that even in small amounts, sulfur is deleterious to the environment and particularly, to the direct reduction process of clients. The use of natural gas in our furnaces is planned to start in the end of the first half of 2010.



Laboratory – Ubu, ES

Technology and process improvements

Samarco's technological development is coordinated per specific area, for the purpose of providing and implementing technological and process solutions, in a structured and systemic manner, for medium and long-term, high-impact, strategic demands.

This action takes place in three major fronts, many times in partnership with universities, research centers and suppliers:

- Technological improvements, with a focus on development of new technologies for the Company that add value to the business.
- Process development, aiming at investigation and provision of new process routes.
- Process engineering applied to strategic projects, whose guidelines are sustainable growth, operational excellence and management excellence.

Our activities are characterized by a high level of automation and use of technological resources. However, there are many points to be improved and some other points that must be updated. Investment in research and technological development projects, which, in 2009, totaled R\$1.0 million, was expanded to R\$4.5 million in 2010, and, the expected figure for the 2011 to 2015 period is about R\$47.0 million.

Older systems are being gradually replaced with modern systems, and other investments are on the way, considering the development and implementation of advanced process control systems along the production chain, e.g., OCS (Optimizing Control System) and MPC (Model Predictive Control), used in Plant 1, 2 and 3. In short, these systems, through different techniques and approaches, lead to enhanced process optimization and stability, replacing human decisions with automated decisions.

The process engineering teams involved with critical processes contribute with studies, researches, development and projects with a focus on productivity gains, operational stability and cost reduction, among others. These teams also are involved with the development of Lean Six Sigma Projects, whose individual gain began being measured in 2008, including financial gains.

In 2009, we continued to develop Program LSS (Lean Six Sigma), whose objective is to achieve improvements and identify solutions for problems whose root source is still unknown based on statistical fundamentals and quality tools.

This Program, which began three years ago, is now showing the first results:

- support to projects of higher complexity;
- cost reduction opportunities;
- reduction of fuel oil consumption;
- projects with a focus on the use of thermal energy;
- projects with a focus on the reduction of electric power consumption;
- projects with a focus on the development of alternative renewable energy sources for coal and oil.

The development of the Lean Six Sigma Program comprehends three phases:

1) Tools/Training

Internal focus = actions and events directed to personnel qualification.

2) Processes / Instill Culture

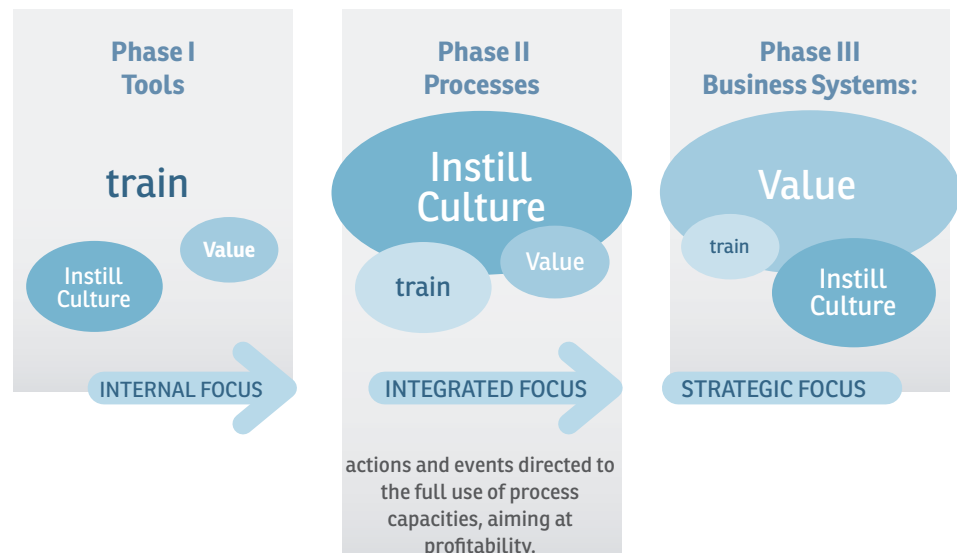
Integrated focus = actions and events directed to the full use of process capacities, aiming at profitability.

By the end of 2009, this phase was still in progress.

3) Business / Value Systems

Strategic focus = adoption of the Lean Six Sigma Program by all Company areas, as one of the ways to carry out our strategy.

Phases of Lean Six Sigma Program



The Lean Six Sigma Program brought a positive evolution in terms of methodology, as we began to construct reasoning in processes ranging from identifying the problem up to the



bottlenecks to solve it, and the possible paths to solution. The Program deals with an essential aspect, efficiency, and is focused on three major fronts: production process, productivity and costs. This is the essence of "doing more with less."

All the managers were trained in the Lean Six Sigma, as have 90% of the employees holding technical positions.

There is a project committee that accompanies Program evolution. This committee which meets twice a year to pass resolutions on projects, gains, dissemination of the Lean Six Sigma culture, and on other points.

In 2009, we had financial gains of R\$ 31 million with the Lean Six Sigma, spread over 43 projects.

Also very important in generating innovative ideas is the Field of Ideas Program, which recognizes differentiated suggestions submitted by employees that can be put into practice in the Company's processes. For more information on this Program, consult the item in this Report on "HR Management"..

ECONOMIC-FINANCIAL PERFORMANCE

Even in a year of global economic-financial crisis, our results achieved a positive level.

During the first semester of 2009 (period of low demand), at some points we operated at only a third of our capacity. In spite of this scenario, we shipped 18.5 million tons of products, including pellets and pellet feed; of this amount, 16.9 million tons were pellets. This represented a record in shipping at our Company.

Pellet production was the second highest in our history: 16.051 million tons, compared to 17.145 million tons in 2008. Shipping increased in 2009 because we used a greater amount of our inventory.

In 2009, our net profits in Reais were 16% above the results in 2008 (R\$ 1,474.3 million compared to R\$ 1,263.5 million). This represents the best result in our history in domestic currency.



Another highlight in 2009 was that our indebtedness fell by 30.8% in Reais (7.1% in Dollars).

With the return to economic growth, beginning in the second semester of 2009, our business picked up, offering excellent prospects for 2010.

The complete results of our financial statements can be found in Attachment 2 of this Annual Report.

A close-up photograph of a person's hand holding a small, clear glass jar. The jar is filled with dark soil and contains a small, vibrant green seedling with two leaves. The background is a soft-focus outdoor scene with green foliage and a light blue sky. The overall mood is one of care and growth.

● **ENGAGEMENT**





Francismere Souza – Loading at Alegria Mine – Germano, MG



RELATIONSHIP WITH STAKEHOLDERS

Our logo shows our new positioning: Development with Engagement. It is only through the interaction, commitment and effective participation of our stakeholders that the Company can develop and grow in a sustainable manner, fulfilling our goal to build lasting relationships with a positive focus on environmental management.

Code of Conduct

Our relationship with all our stakeholders is guided by our Code of Conduct, which presents the orientations and principles that govern this relationship. Determinations regarding employee

attitudes, commercial relations, negotiations with suppliers, relations with agencies, anti-corruption stance, fraud, receipt of corporate giveaways and presents, conflicts of interest and others are covered in the Code of Conduct.

The Code of Conduct is in total alignment with our positioning and the commitments we assume in our business strategy.

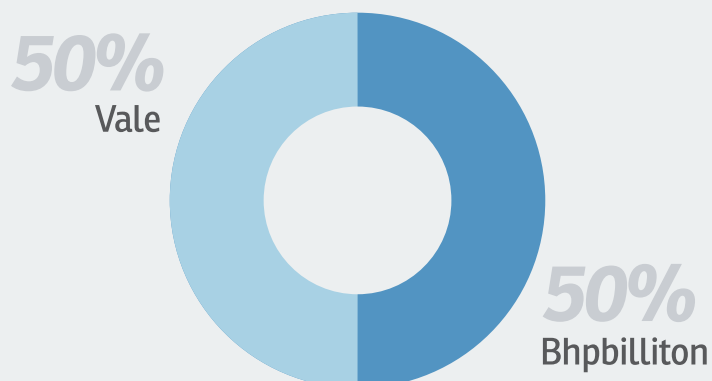
- 1** Businesses should support and respect the protection of internationally proclaimed human rights
- 2** Make sure that they are not complicit in human rights abuses
- 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- 4** The elimination of all forms of forced and compulsory labor
- 5** The effective abolition of child labor
- 6** The elimination of discrimination in respect of employment and occupation
- 7** Businesses should support a precautionary approach to environmental challenges
- 8** Undertake initiatives to promote greater environmental responsibility
- 9** Encourage the development and diffusion of environmentally friendly technologies
- 10** Businesses should work against all forms of corruption, including extortion and bribery

Published in 2002, the Code is now in its fourth version. This document is updated whenever we identify opportunities to adapt its content or the need to include new guidelines. The fourth version was principally updated to bring the guidelines in the Code even closer to the concepts of sustainability.

All the updates to the Code of Conduct are done in a collaborative manner, and take into account the suggestions and contributions of employees and other stakeholders. In 2009, all employees and customers, as well as our principal suppliers, received the fourth version of the Code of Conduct. Internally, employees were trained to better understand how these guidelines apply to their day-to-day activities.



Share ownership structure



Shareholders

Our relationship with our shareholders is guided by transparency and by trust. This relationship is strengthened by periodic review of the governance structure, with the adoption of best practices.

Samarco's shareholders, two of the largest companies in the world in the mining industry, Vale and BHP Billiton, hold equal interest in the Company's capital stock (50% each). Samarco acts as a totally independent unit, with its own obligations and liabilities and with a free strategy in the sale of its products.

The good practices of the two companies serve as a benchmark for us, within a process of inter-relationship guided by mutual respect and by sharing initiatives.

Employees

At Samarco, we believe that nothing is more important than people's lives. This is why we consider valuing life to be a principle, and we consider actions focused on human resource management, occupational safety, health and well-being to be essential.

We also believe that our employees are a priceless asset, which makes all the difference in helping us reach our desired results.

The importance of people to Samarco is evident in our Mission, Vision and in our Values.



Human Resources Management

One number stands out in Samarco's relationship with its employees and proves the importance of the internal public for us: monthly turnover (the ratio between the entry and exit of employees at the Company each month), which is less than 1% overall. In 2008, annual turnover was 0.48%, while in 2009, it was 0.35%.

Total employees + third parties			
Year	Employees	Contractors	Total
2007	1.743	2.280	4.023
2008	2.032	1.900	3.932
2009	1.987	2.191	4.178

and 2009 are within the normal levels of turnover and human resource management, and are not related to the global economic-financial crisis.

Annual turnover	
2007	0,32%
2008	0,48%
2009	0,35%

In 2009, there were 86 dismissals and 53 hirings, while in the previous year, 105 people left the Company.

Turnover by age group, gender and region, in 2009					
Unit	Male.	Female.	Under the age of 30	Between the age of 30 and 50	Older than 50
Belo Horizonte (MG)	0,11%	0,07%	0,15%	0,05%	0,20%
Germano (MG)	0,03%	0,09%	0,04%	0,03%	0,05%
Ubu (ES)	0,03%	0,05%	0,05%	0,02%	0,03%
Total	0,03%	0,07%	0,05%	0,03%	0,05%

We ended the year of 2009 with 1,987 employees, compared to 2,032 in 2008. Note: The dismissals that occurred in 2008



Priscilla Messias Pereira.
Filtration, Ubu-ES



Glaudston Henrique Pereira and Anete Ferraz
Pump Station. Germano, MG

Total third parties (contracted workers), in 2009

	Permanent	Temporary	Total
Ubu (ES)	964	80	1.044
Germano (MG)	941	206	1.147
Total	1.905	286	2.191

Total employees per region, in 2009

Belo Horizonte (MG)	59
Matipó (MG)	61
Germano (MG)	940
Ubu (ES)	927
Total geral	1.987

Total employees, by type of employment

	MG			ES			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Labor contract for undefined period	910	1.070	1.059	825	962	925	1.735	2.032	1.984
Labor contract for defined period	4		1	4		2	8		3
Total	914	1.070	1.060	829	962	927	1.743	2.032	1.987

Total employees, by function, in 2009

Function	Belo Horizonte (MG)	Germano (MG)	Matipó (MG)	Ubu (ES)	Total
Management	21	53	2	60	136
Technical (includes college level)	32	369	24	553	978
Operational	6	518	35	314	873

Total employees, by age bracket, in 2009

Age bracket	Mulheres	Homens	Total
Under 30	123	531	654
31 to 50	129	1.024	1.153
Over 50	4	176	180
Total			1.987

This low turnover demonstrates a two-way process. It means that people are committed to and engaged with our positioning and our Values, but it also recognizes the commitment and competence of our employees. This shows that there is a very strong identification process of people with Samarco's Values, and that there is alignment between the Company's demands and the needs of its employees.

Seeking this alignment in our day-to-day activities, the role of Upper Management is essential to ensure that our Mission, Vision and Values are present in our daily work to provide a stimulating work environment. This can be confirmed by the most recent Organizational Climate Survey, which was taken in November 2009. More information will be presented later on the Climate Survey, under the item "Organizational Climate."

In addition to the managers, more senior employees, who often assume the role of "Internal Instructors," help to disseminate concepts and to spread Values.

The importance of the macro-theme "Human Resources" is also highlighted in our Materiality Matrix (see Attachment 1 of this Report), which reflects the opinion of our stakeholders. Among the 49 relevant topics listed in the Matrix, ten are related to "Human Resources".

In 2009, this respect we show to our employees was evident. Even with the global economic-financial crisis, in 2009 we maintained our staff levels. No layoffs were made to reduce costs. The reduction in the number of workers in 2009 compared to 2008 is a consequence of the planned termination of some temporary work contracts, of employees over the age of 60 leaving the Company (we have a Retirement Preparation Plan, to support employees during their pre-retirement phase), and of normal turnover in a company of our size.

To preserve employment, we implemented a series of adjustments and internal measures. All these actions, supported by open and transparent, face to face



Celeide de Amorim, Paulo Roberto da Silva Júnior,
Jozelita Maas – laboratory – Ubu, ES

communications, were previously discussed and approved by employees, at meetings, and were accepted by high percentages of those present.

Among the measures adopted are: collective vacation periods for 321 employees and paid leave, for only 30 days, for some 300 employees.

Also in 2009, the performance evaluation process was maintained and the profit-sharing agreement and worker category Salary Agreement were approved by the employees, with a real gain of 2.02%, which reinforces our relationship of trust with our employees.

PERFORMANCE EVALUATION

Performance evaluations are based on competencies and technical capabilities. The evaluation cycle involves the analysis of employee performance by managers, leveling meetings and validation by leaders of partial results of the evaluations, feedback from managers to employees and the definition of development actions. The evaluation influences training actions, the process of promotions and movement and Company career systems.

Based on the strategy review, the performance evaluation process was revised, incorporating new competencies and adapting to the new strategic guidelines, since Samarco reached a new level of development, and consequently a new level of complexity in the work performed by its professionals. At the end of the evaluation cycle, we noted a good number of employees "meeting" and "exceeding" their deliveries, which demonstrates that we have people trained to carry out our strategy.

Changes in the model:

- Changes in career focus: creation of a new career focus; competencies strengthened in deliveries; some existing competencies put into and/or excluded from other focuses.
- New competencies.
- Review of institutional capabilities.

Preparation and training of teams for the process:

The leaders were very involved and active in preparing and training their teams for the performance evaluation process. The main focus of this training was to align and better understand the expected competencies for each career focus, in



Jordana Cristina Cola
Drilling machine – Germano, MG

which the employees had the opportunity to discuss in practice the deliverables defined for their levels and areas of activity with the manager and the team.

To support this training process, the following materials were developed:

- A ten-minute movie on the Evolution of the Model, on the Intranet.
- Editing of fifteen-minute movies for each of the 15 competencies. A schedule of techniques was provided to use the films with the teams, with support from an internal HR consultant before and during the events.
- Question and Answer Guide, to explain the principal doubts on the evolution of the model



Ernesto de Almeida Silva
Loading – Port of Ubu, ES

All this mobilization and the respective support guaranteed very positive results:

- Total number of managers trained = 132, which corresponds to 95%.
- Total number of employees trained in review of the model = 1,554 (76% of all employees).
- Of all the employees trained, 69% responded to the training evaluation, and 99% of this group was completely satisfied with the training.

By the end of 2009, 1,940 employees had passed through the performance evaluation process; in other words, 96.5% of all the evaluations had been completed. During the previous year, 90% of the employees had been evaluated and received feedback from their immediate superior.

RECRUITING AND SELECTION

To satisfy an ever more demanding and competitive market, and based on the ethical principles that permeate our activity and which are extolled in our Code of Conduct, we have established guidelines for the recruiting and selection processes that seek to select, develop and retain talents aligned with the Company's Values. In 2009, 53 people were hired, of which 45 were of a technical-operational level (37 operational and

eight technicians) and eight at a university level (there was no contracting for the management level).

Contracting by unit:

- BH (MG): 4
- Germano (MG): 32
- Matipó (MG): 1
- Ubu (ES): 16

In 2009, we did not have an Intern Program or a Trainee Program.

Since 2008, recruiting of personnel has been done using the e-recruitment system, which is used by our HR area and by the recruiting and selection consultants that support us. This tool allows the managers responsible for the vacancies to accompany

Of all hires, 7.7% come from neighboring communities. Of those contracted, 7.7% were from people from communities neighboring our units.

the entire selection process and offers management of the Company's electronic resume database, in addition to control and monitoring of vacancies. Some of the gains obtained are: agility in locating candidates (residing in the surrounding areas or not); records of processes for possible use of candidates previously evaluated; and qualitative analysis on persons registered in the system (residence, education, experience, etc.).

In 2010, we will begin a census study, in order to learn the socio-economic, educational and professional reality of the communities surrounding Samarco, so that the information gathered can be analyzed and used to define internal investment policies and for decisions related to professional development programs, in Minas Gerais (Mariana, Ouro Preto, Santa Bárbara and Catas Altas) and in Espírito Santo (Guarapari, Anchieta and Piúma). One of the sources used will be the e-recruitment system, in addition to information gathered by the Community Relations Area and by the Professional Development Program. The information gathered will be used internally, by the Personnel Development and Community Relations areas, to define policy and in their work related to local development.

It is important to emphasize that during the most recent expansion of the Company (Third Pellet Project), implemented during the first semester of 2008, some 35% of the employees contracted for the work came from the local communities.



Nevertheless, during the recruiting and selection process, everyone is treated and evaluated in the same manner – there is no “market reserve.” What differentiates us is that we continuously invest in training programs focused on the people in the neighboring communities, so that they can compete under equal conditions. More information is available in the chapter on “Communities”.

TRAINING AND DEVELOPMENT

Another measure we considered important in 2009 was the fact that the employee development and training policy was reviewed, in order to focus on the quality of the investment, with less emphasis on quantity. Priority was given to topics that are relevant and strategic at this time, considering the sustainability of the business and strengthening of professionals to face future challenges. Even in light of the economic-financial crisis, in 2009 training exceeded 100 thousand hours and practically 100% of our employees (1,987 people) received some kind of training, whether classroom or online (through the Click for Knowledge Program).

No. of training hours for employees	
2007	237.620
2008	140.833
2009	102.859

Among the topics/themes of the training, we can highlight the following:

- Lean Six Sigma Program (Black Belts, Green Belts, White Belts)
- Corporate Integration Program
- Contract Management
- Samarco Cost Management
- Internal Instructors Preparation Course
- Fraud Prevention in Works and Services Contracts
- Samarco Health and Safety Development Program
- Learning Map (Valuing Life and Occupational Safety)
- Competency-Based Personnel Management
- Environmental Education Program
- Click for Knowledge (online platform for e-learning courses).

Following are the results from some of the programs mentioned:

• **Lean Six Sigma**

Improvement approach adopted by Samarco, in order to optimize results in all Company process. More information on Lean Six Sigma is available in the item on "Technology and Improvements in Processes" of this Report.

Training	Employees trained in 2009	Hours of training
Black Belts	24	1.480
Green Belts	25	2.040
White Belts	550	4.370

• **Health and Safety Development Program**

In 2009, approximately 34% of the training hours at the Company were for Health and Safety programs, as follows:

Hours trained – safety training			
Univ. Level managerial	Univ. Level technical	Technical	Operational
1.023,12	2.376,25	12.584,74	18.925,25
Annual total: 34.909,36			

• **Learning Map - Valuing Life**

The Learning Map is an instrument which uses specific graphic symbolic support to encourage dialogue, increase understanding of our business processes and allow the sharing of our knowledge. The map helps to create meanings that make our actions make sense. In this case, the training on Valuing Life sought to teach people to "value life through thinking, feeling and acting safely."

Learning map – valuing life			
Samarco		Contratadas	
Hours of training	People trained	Hours of training	People trained
7.684	1.752	4.664	1.166

General information for 2009	
Number of training sessions	522
Number of groups	2.128
Number of employees trained	2.039
Number of participation	23.612
Hours of training	102.858,64

Quantity of professional development hours per employee/year	51,77
--------------------------------------------------------------	-------

No. of training hours by employee category			
Public	2007	2008	2009
Managerial	12.382,80	10.117,88	6.393
Career Technical	77.663,70	28.850,78	16.895
Operational	144.351,50	101.864,80	79.571
Total	234.398	140.833,46	102.859
Average man-hour	145,1	69,31	51,77

Note: according to the study "A Picture of Training in Brazil 2008/2009", by the Brazilian Association of Training and Development (ABTD), the average number of annual hours of training in Brazil is 38.8. In 2009, we were above this average, with 51.77 annual training hours per employee; in 2008, the average was 69.31 hours.

PERCENTAGE OF EMPLOYEES TRAINED

In 2009, 99.25% of our employees underwent some kind of classroom training, and during the previous year, everyone received some type of training. In Brazil, according to the survey by the Brazilian Association of Training and Development (ABTD), the average is 79% of employees. Our rate proves the Company's commitment to employee development.



In terms of education, we maintained our employee support policy, and awarded scholarships that paid for up to 80% of the tuition for technical courses, undergraduate and graduate study, as well as master's and doctoral studies, for which we paid 100% of the tuition. We believe that education is the true factor behind social transformation.

In addition to the classroom training, employees were able to receive training through the Click for Knowledge, an e-learning tool. In 2009, all employees and direct contractors used this method, which we broadly encouraged. We understand that providing knowledge is an act that promotes civic awareness; it prepares the citizen for a better world and it contributes to the evolution of people as human beings, and not just as professionals.

Modules	Length of Training	No. of Training sessions in 2009	Average Approval	Average Participation
Procedures	40 min.	9	90%	97%
Integrated Management Policy	40 min.	1	90%	98%
Code of Conduct	1 hora	1	90%	99%

In terms of education, we maintained our employee support policy, and awarded scholarships that paid for up to 80% of the tuition for technical courses, undergraduate and graduate study, as well as master's and doctoral studies, for which we paid 100% of the tuition. We believe that education is the true factor behind social transformation.

To date, 58 master's degrees and 4 doctoral degrees were earned by Samarco employees. Currently there are 23 masters and four doctoral candidates, and three master's degrees were approved and begun in 2009. The following chart presents information on the other types of courses:

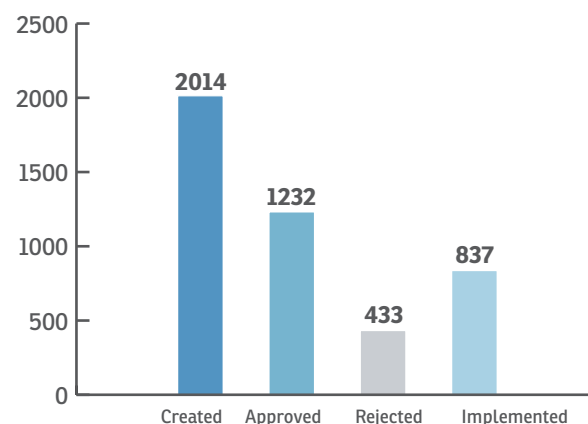
Scholarships			
Courses	Approved in 2007	Approved in 2008	Approved in 2009
Technical Level	85	96	50
Technological Level	6	4	4
Undergraduate	49	97	157
Graduate	24	41	57
Total	164	238	268

Percentage of investment in training and education in net operating expenses:	
2007	1,78%
2008	1,34%
2009	0,79%

With regards to trainees, in 2009 48 trainees were hired (87% of the class), from those who had been accepted in the 2008 Trainee Program.

Also worth mentioning is the Field of Ideas Program, which encourages and recognizes contributions, through employee ideas, which benefit the Company and which can feasibly be implemented. In 2009, 2,014 ideas were presented in connection with the Program, compared to 1,231 in 2008 (783 more ideas); in other words, there was an increase of 39% in the number of ideas registered. Of these, 1,232 were approved (61%) and 837 (42%) have already been implemented. Sixty-seven high impact ideas (8%), which brought expressive results to the Company, received awards.

**Field of Ideas Program
January to December 2009**



And finally, the Young Apprentice Program, aimed at young people under the age of 24, requires Samarco to have 23 apprentices. However, at the end of 2009, we were working with 89 apprentices. All the students reside in communities surrounding Samarco.

BUSINESS VALUE PROGRAM

For the 2009/2010 period, we developed a training portfolio based on our business strategy, the current global scenario and the reading and analysis of the internal environment.

The main idea of this portfolio is to "add value", in order to give meaning to actions, establish connections and provoke reflection that contributes to achieving more sustainable results.

The Business Value Program is part of this portfolio and its objective is to prepare professionals in technical careers (some 400 people) to work in the Company in a strategic manner, increasing their business view in search of excellence in organizational processes, ensuring a highlighted competitive position, guided by ethics and valuing civic participation.

The methodology of the Program is based on three fronts:

- **Create meaning:** a provoked, collective process to re-assign meaning to the roles, functions, practices and relationships at Samarco, as a result of learning. The objective is to aggregate fullness and value to people's lives, as well as to emphasize synergies, interactions with other people, with the task and with the results to which they are committed.
- **Establish a Connection:** a structured and directed effort to continually promote more and better connections among the different segments, events, processes, projects and people of Samarco. The idea is to enlarge the systemic vision articulated to the scenarios laid out in different contexts, in order to provoke chain reactions that multiply the points of aggregating value for the Company, for the business and for the neighborhood.
- **Promote Reflection:** process that leads to gains in maturity and changes in the level of awareness, through the habit of making a critical appropriation of knowledge and of the results of actions to practices, giving people a competitive advantage that strengthens their ability to aggregate value to their own existence, to the teams they work with, the tasks they perform, to the Company, the business, to society and to the planet.

DIVERSITY

In our day-to-day activities, we do not allow discrimination based on race, gender, age, color, belief, nationality, sexual orientation or any type of deficiency. This orientation is formalized in our Code of Conduct.

Since 2008, we began to meet the legal quota for disabled people (PCDs) in our staff, through the hiring of 25 PCD employees, two in Belo Horizonte (MG), 21 in Germano (MG) and two in Ubu (ES). Of these, 16 are administrative workers (some in the areas of production but with positions and attributions of administrative assistants) and nine are in operations. In addition, we reserve 5% of the vacancies exclusively for PCDs in the training programs offered to communities in the surrounding areas.



It is worth noting that the presence of women among Company employees has increased: there were 182 women in 2007, which increased to 269 in 2008 – representing 13.2% of all collaborators, and 259 in 2009, which corresponds to 12.9% of the staff.



Industrial restaurant – Germano, MG

Total number of women among employees	
2007	182
2008	269
2009	259

The disproportion between men and women at the Company is due only to the nature of our activities. There is no difference between the salaries paid to men women with the same position. Our salary policy focuses on the "value of the position," regardless of the gender of the person occupying that position.

No cases of discrimination were registered in 2009. Our Code of Conduct emphasizes questions of equal treatment and opportunities.

Employee Composition Chart in 2009	
Percentage of blacks (men and women) in relation to the total number of employees	48,0%
Percentage of black women in relation to the total number of women at the Company	37,5%
Percentage of black women in executive positions in relation to the total number of executive positions available	0%
Percentage of black women in coordination and management positions in relation to the total number of coordination and management positions available	0,7%
Percentage of black men in relation to the total number of men at the Company	49,6%
Percentage of black men in executive positions in relation to the total number of executive positions available	3,6%
Percentage of black men in coordination and management positions in relation to the total number of coordination and management positions available	21,6%
Percentage of women in relation to the total number of employees	12,9%
Percentage of women in executive positions in relation to the total number of executive positions available	10,7%
Percentage of women in coordination and management positions in relation to the total number of coordination and management positions available	6,0%
Total number of Management Council members (or similar structure)	8 people
Percentage of Management Council members (or similar structure) formed by independent members, without executive positions	0%
Percentage of women in the Management Council (or similar structure)	0%
Percentual de negros (pretos e pardos) no Conselho de Administração (ou estrutura similar)	0%
Percentage of people with disabilities at the company	4,7%

Proportion between Whites/Asian and Blacks/Mixed race		
Year	Whites and Asian	Blacks and Mixed race
2007	54,50%	45,40%
2008	53,25%	46,75%
2009	51,99%	48,01%



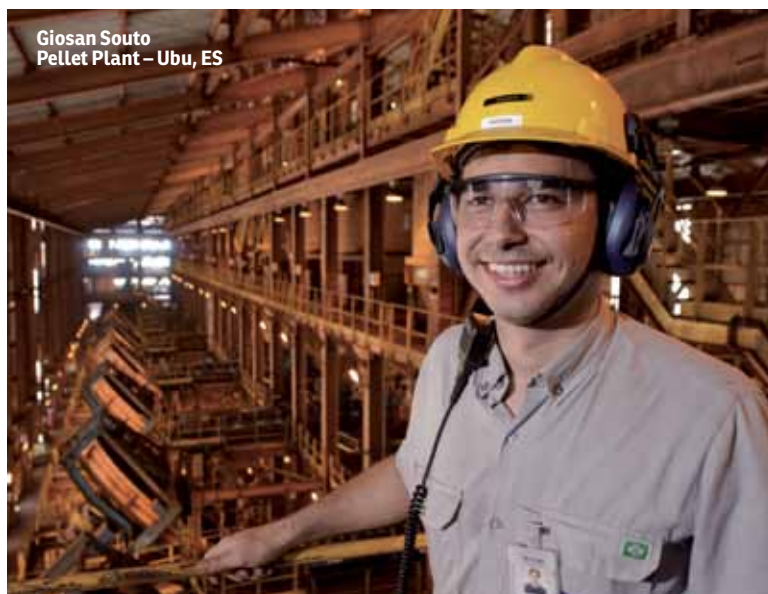
ORGANIZATIONAL CLIMATE

Since 1991, we have conducted the Samarco Climate Survey with our employees to gather information to evaluate the internal climate and to guide our personnel management actions and our Human Resources practices. The survey is conducted biannually, and was only not held during the period between 2005 and the middle of 2009, when we opted to monitor the "Samarco Culture".

Within the context of the strategy review that we conducted in 2009, the Climate Management Process was reformulated. The Research model was redesigned, and the main objective of this process began to be to encourage the creation of a high performance culture, seeking equilibrium between the needs of the Company and employee satisfaction. The Survey continues to show "a photograph of the moment" and to provide input for personnel management, but the difference is that now the responsibility for management of the organizational climate belongs to everyone who works at Samarco. The objective is to build and sediment a favorable environment for good performance, ensuring that Samarco has people trained to execute its strategy.

In this high performance culture, we want to reinforce our Values:

- Valuing life
- Respect and justice
- Responsible autonomy
- Result-oriented
- Business excellence
- Sustainability



The survey, in this new format, was taken at the end of 2009. The results are being gradually disclosed in 2010. Employee participation, which is voluntary, was 77%.

The broadest result of the survey was the favorability index of the employees in regards to the Company, which stood at 79.10%. This number is considered close to the level of excellence, as defined by the Guia Exame Você S/A das Melhores Empresas para se Trabalhar (Exame Você S/A Guide to the Best Companies to work for) and means that people recognize the practice of Values at Samarco.

The survey covers the following aspects related to the perception of the employee: his/her relationship with the Company; with the work itself; with the supervisor; and with colleagues. Within these categories, the topic "Identity" received the highest score, achieving 90.69% of favorability, which reveals the pride our employees feel in working for our Organization, followed by the topics "Satisfaction and Motivation" (with work, with interpersonal relationships and with management policies and practices) and "Leadership".

To break down and disseminate the overall results of the survey to all employees, forums are held with leaders and with senior professionals in the technical career. The entire disclosure process to the Organization is supported by the internal

communications vehicles. In addition to divulging the overall results, each manager meets with his team to talk about and discuss specific results for the area. At this meeting, managers and teams reflect on behavior, practices and actions that could be taken, in a joint and committed manner, to improve morale at the Company and in the areas, based on the results. HR internal consultants and the organizational development area lend support to this process.

Meanwhile, the HR area, together with the managers, identifies the most prevalent corporate topics and performs an in-depth analysis of the results. Possible corporate actions considered necessary feed the existing initiatives at the Organization, like the personnel development programs, project to foment change and interventions in policies, practices and procedures.

REMUNERATION AND BENEFITS

Remuneration

In terms of remuneration and benefits, we have initiatives and policies that are similar to good market practices, like integrated management of managerial and technical careers and the "Y" shaped career model – a mechanism that offers employees with a technical profile and vocation the opportunity to continue to grow professionally without having to necessarily follow a management career path.

Equal salaries are paid to men and women, since what is taken into consideration are the competencies. Remuneration is defined as a function of the position, and not of the person occupying the position.

In those locations where we have operations, the variation between the lowest salary paid at the Company and the minimum salary is 1.95; in other words, our lowest salary is almost double the legal minimum salary (base - December 2009).

All employees are paid more than the minimum salary, and a good part of the employees receive more than the Company's base salary.

Percentage of employees who receive the base salary and above the base salary, in 2009					
	Belo Horizonte (MG)	Matipó (MG)	Germano (MG)	Ubu (ES)	Total
Samarco Base salary	3,4%	1,6%	2,2%	1,9%	2,1%
Above base salary	96,6%	98,4%	97,8%	98,1%	97,9%
Total	100%	100%	100%	100%	100%

To evaluate the remuneration of full level positions and higher (upper level), we also have a Technical Career Committee, which meets according to the needs of managers, and which calls on members according to the criteria defined for each level. The Committee meets whenever it is necessary, to evaluate and define progress of technical career employees.

This committee closely examines recommendations for promotions made by supervisors, ensuring transparency, fair treatment and equal opportunities.

Benefits

Benefits cover all employees. For temporary employees (those with labor contracts for a set time period), only those benefits that require a minimum time period (private pension fund, credit co-op, scholarship and retiree health care plan) are not available.

All our employees are covered by collective bargaining agreements and by Profit and Result Sharing Plans (PLR), except for Upper Management, which is covered by its own remuneration and profit sharing program.

In addition to the benefits that are standard in the market, we have established as a guideline the granting of a complementary pension plan to employees, in order to bring the retirement benefit closer to the remuneration received while working. This plan is offered in the defined contribution modality, to current employees. This modality gives the beneficiary and the Company a guarantee that the plan will not face long term sustainability problems. At the end of 2009, 97% of employees were enrolled in the complementary pension plan.

Percentage of employees participating in the Complementary Pension Plan	
2007	93,98%
2008	96,19%
2009	97%

All our employees benefit from collective labor agreements and participation in our profit-sharing program, with the exception of top management personnel, who have a separate remuneration and profit-sharing program.

The liabilities of this plan are covered by funds held and maintained separately from the Company's resources, through the Vale do Rio Doce Social Security Fund (Valia), which is a non-profit private complementary pension fund, with administrative and financial autonomy.

The Valiaprev Plan, in the defined contribution modality, has a defined benefit component to protect participants, preventing drastic reduction in remuneration in the case of retirement for disability and a death benefit pension. For this segment relative to the defined benefit modality in the Valiaprev plan, the reserves are sufficient to cover the actuarial liabilities.

HR management priorities for 2010

For 2010, the priorities for employee development are to train professionals for the Fourth Pellet Project, invest in training that focuses on alignment of competencies to Company strategies, map knowledge that brings a competitive advantage (management of critical knowledge), reinforce the leadership development program and implement the "Business Value" Program, specific to technical career professionals.

The development actions presented in the 2010 Training Portfolio will be based on the following strategic topics:

- **Excellence in Management:** to build a professional posture guided by our Values, valuing teamwork and organizational learning as the basis for organizational culture and management practices.
- **Operational Excellence:** knowing and anticipating the needs of our customers, the production chain and the market, to offer complete and integrated solutions, covering the systemic character of existing processes, with support from Research and Development.
- **Development of Leaders:** to prepare, develop and retain people who are competent, motivated and committed to Samarco's Values and principles, and who are strongly result-oriented and focused on the Organization's strategy.
- **Sustainable Growth:** this is central to our strategy and our positioning. With an ever more challenging business scenario, having professionals prepared to act in this context has become a differential advantage for the Company's growth process in the coming years.

Also in 2010, the Succession Program Committees will begin to operate. These Committees will identify and evaluate substitutes for all management positions, beginning at the middle

management level. To support this process, more elements will be added to the performance evaluation process.

Internal Communications

The Internal Communications area is guided by our strategic objectives, and its final goal is to contribute towards increasing the value of the Company and strengthen our reputation.

Generally speaking, our communication actions cover a variety of initiatives, divided into eight processes: management of image and reputation; publicity, advertising and institutional content; institutional communication and leadership; promotions and events; relationship with the press; institutional relationship; digital communication; and communication for sustainability.

In these processes designed to inform, mobilize and hear employees, disclose management practices adopted and promote a sense of belonging, the following programs and channels of communications between the Company and our employees deserve to be highlighted:

- **Internal communication vehicles:** these have a specific editorial line and graphic design:
 - *Acontece: a weekly internal printed bulletin, which is distributed on the Company buses, with short, quick news items on day-to-day life in the Organization.*
 - *Jornal Mural: these boards are located at strategic areas in all our units and offices. There are 40 boards, which are updated weekly with corporate and day-to-day news, referring to Samarco's regular activities, results, awards and projects, etc.*

- *Intranet: updated in real time, with news in Web language and inclusion of hyperlinks, interviews, videos and images that complement the information. Also provides services to employees, making institutional data and information on Company benefits and services available.*
- *Revista Samarco: this monthly magazine with a print run of approximately 3 thousand copies, always presents reports and opinions reflecting the Company's position. It is sent to employees' homes and to some strategic stakeholders.*

- **Face to Face Communication Committee:** with monthly meetings, the forum creates a communications guide with the Organization's positioning, to be broken down into face to face communication between managers and teams. The employees can evaluate the meetings and propose new agendas, through a form available on the Intranet.
- **Internal communication campaigns:** these campaigns focus on divulging a given topic, seeking the engagement and mobilization of a group of employees or even the entire Company, with directed communications actions and/or communication actions covering the entire Organization, as well as disclosure in internal communications vehicles and face to face communications actions.
- **"Internal Communication" post office box notice:** email messages, with corporate information directed to certain publics (Upper Management, manager groups, technical career) or to employees in general, disclosing the launch of a project or campaign, or a specific event.
- **Internal events:** the objective is to recognize and celebrate results and goals that have been achieved.



Contractor employees – Ubu, ES

OCCUPATIONAL SAFETY, HEALTH AND QUALITY OF LIFE MANAGEMENT

Occupational Safety

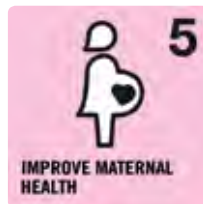
Valuing life is one of our main Values. For Samarco, nothing is more valuable than life. It is above any results and material assets and we must adopt the proper attitudes in our daily activities to preserve it. All our actions are guided by respect for life, inside and outside the Company. We only have one life and it deserves to be valued fully, in a balanced way, in all its dimensions: "physical, emotional, spiritual, social and intellectual."

Based on this Value, and to comply with the strategic objective of providing a safe and healthy environment for everyone, we developed a series of actions to preserve the Health and Safety of our employees and contractors. These actions can be divided into three main topics: System, Leadership and Awareness.

The Occupational Health and Safety System is based on OHSAS 18001 (international standard that certifies occupational Health and Safety management systems), in which we have been certified since 2000. To manage this Safety System, we have support from information technology tools, through the SAP EH&S System (Environment, Health and Safety), which enables us to identify and control risks to Health and Safety through a set of preventive and corrective actions for our day-to-day activities.

Based on this System, in 2009 we began to implement the Fatal Risk Control Standards, with investment of some R\$ 6 million. By 2011, R\$ 24 million will be invested in improving equipment and systems with a focus on Safety. The protocols and monthly action plans are periodically monitored, and the results are reported to the directors and shareholders.

Leaders play a strong role in developing and disseminating this Value throughout the Organization. In addition to participation in committees, inspections and audits, Upper Management, represented by the CEO, directors and general managers, participates twice a year in the DDS (Daily Safety Dialogues), in which they speak with the other employees about a variety of topics related to Health and Safety.



We have a Health and Safety Committee that meets every month to discuss general and specific topics. In addition to the Occupational Safety area, Samarco's president, the director of Operations and Sustainability and the general managers also participate. We also have a Committee that meets every quarter with contractor representatives. These committees cover 100% of Samarco's employees.

Every week, Group Safety Inspections are held, in which a group of people inspect areas to ensure safety. All managers are invited to participate.

In 2010, in order to consolidate "Health and Safety" as a Value, we began the Safety Leadership Development Project, in which a variety of topics related to human aspects linked to Safety are discussed with leaders.

To raise awareness regarding Health and Safety among employees, in 2009, a specific training session was held using Learning Maps. This methodology of interactive training and collective construction of knowledge allowed Samarco and contractor employees to deepen their reflection and commitment to the Health and Safety Management System, with a focus on the 12 processes that make them up.

We consider the topic "Occupational Health and Safety" to be fundamental, in harmony with our ideal of valuing life, and because we believe that employees are the most important asset that the Company has. Our stakeholders also highlight this item. The topic "Occupational Health and Safety" appears in first place among the most relevant topics in our Materiality Matrix

(the Matrix can be found in Attachment 1 of this Report).

For example, one of these processes involves the identification of risk, which allows better control, and consequently, the reduction and even elimination of these risks. The training processes for Safety-related matters are held with all employees and contractor employees. In 2009, more than 3 thousand people were trained.

A specific competence relative to Health and Safety was also created in the performance evaluation process for all employees. If a given area begins to present a high number of people with low safety performance, the managers, with support from the Occupational Safety area, perform actions to improve this performance.

This concern with life extends to all visitors to the facilities of our units, which are given orientation from a safety video on risk prevention and control procedures.

As a result of this work, in recent years, we have identified a gradual and consistent reduction in the rate of registered accidents. This rate measures the frequency of accidents at the Company, whether characterized as LTIFR (Lost Time Injury Frequency Rate), WOLT-RA (Without Lost Time, with Restrictions on Activity) or WOLT-MT (Without Lost Time, with Medical Treatment), at all Company units, covering both Samarco employees and contractors.

From 2005 to 2009, the Registered Accident Rate fell from 6.48 to 1.17 (registered accidents based on 1 million

hours worked), the best rate in Samarco's 32-year history, comparable to good results obtained by shareholders and by external companies.

Year	Registered Accident Rate
2007	2,83
2008	2,27
2009	1,17

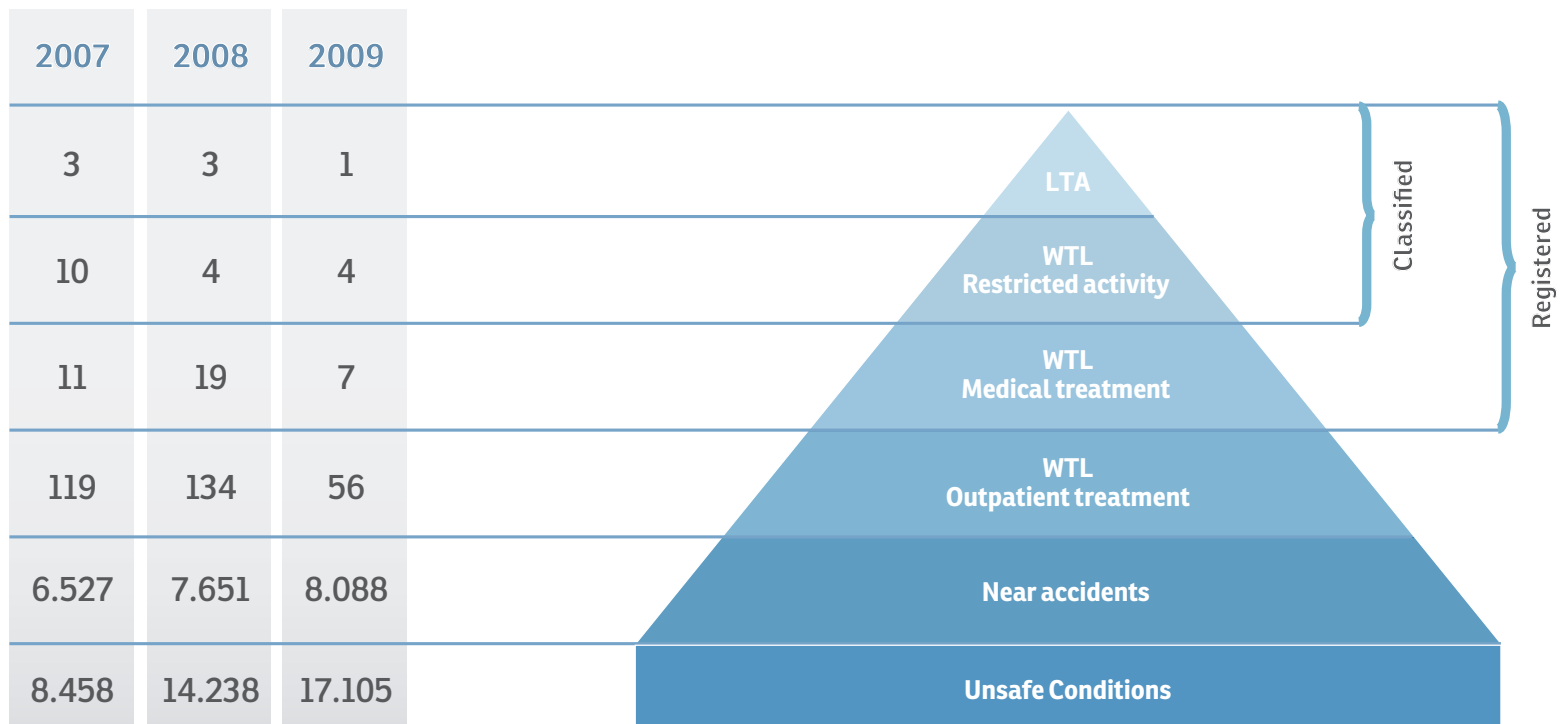
Note: during the first three months of 2010, only two accidents were registered in contractors; no accidents were registered at Samarco.

This rate is monitored monthly, and all accidents are analyzed and registered in the SAP system. Based on this accompaniment, we create monthly reports for our shareholders.

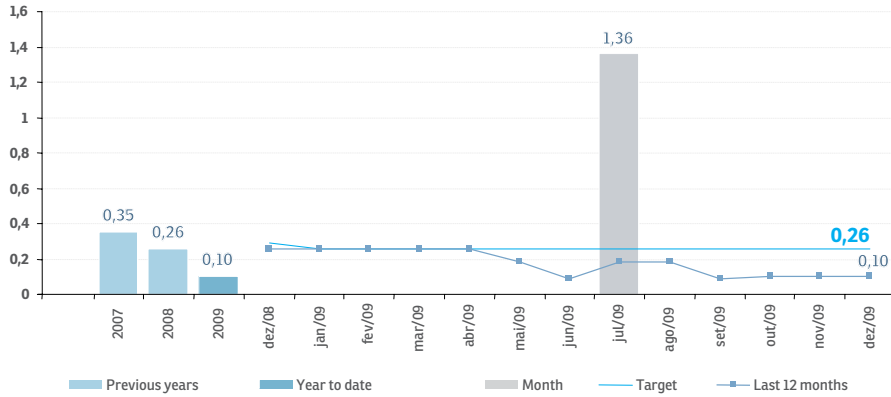
In addition to this rate (Registered Accident Rate), other important measurements are made, such as:

- LTIFR Lost Time Injury Frequency Rate
- CIFR Classified Injury Frequency Rate
- Severity Rate

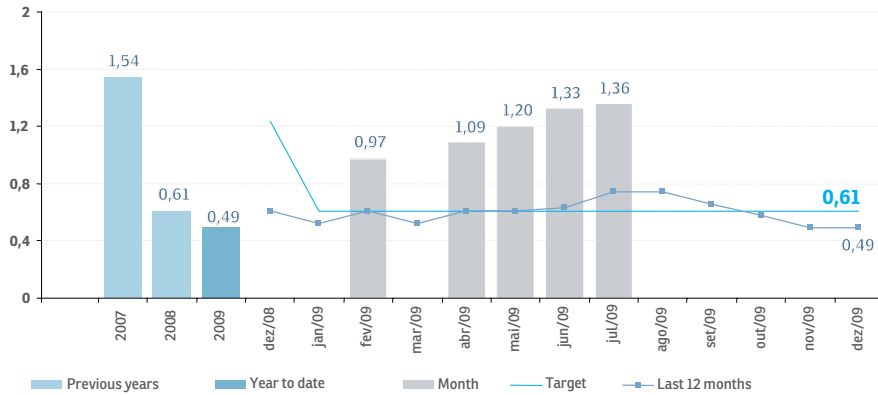
Safety – Corporate Pyramid



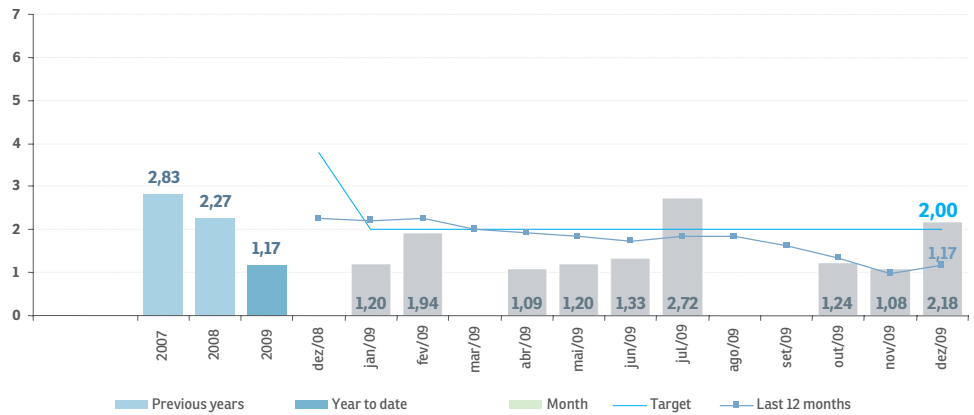
Accidents with Lost Time



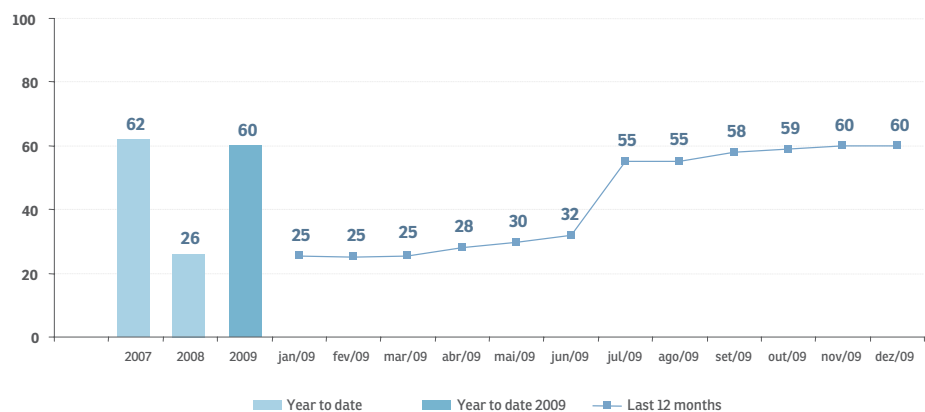
Classified Injury Frequency Rate



Registered Accident Rate



Severity Rate



HEALTH AND QUALITY OF LIFE

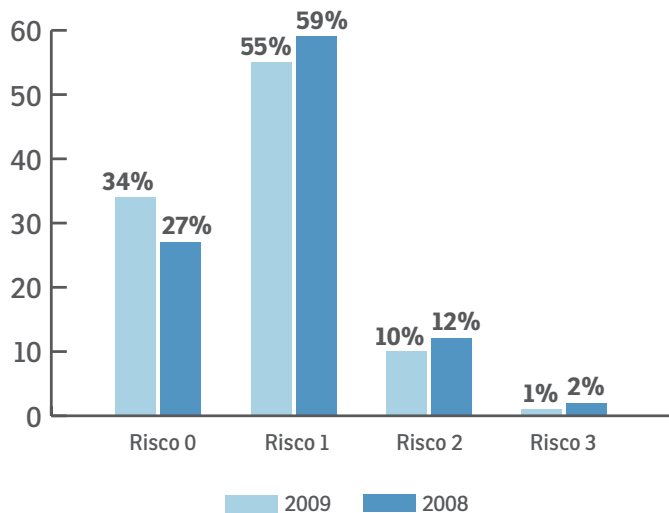
Within the scope of quality of life, Samarco is concerned with all the dimensions of health: physical, emotional, spiritual, social and intellectual. Based on this, we developed a series of activities and programs, like the incentive to practice sports for employees and their family members, promoting activities like Endurance Hiking, workplace gymnastics, specific events for women's health. For employees who are about to retire, we have the Retirement Preparation Program.

We focus our actions to improve employee health based on the Health Profile index, obtained from results of the regularly scheduled exams. In 2009, 89% of the employees were classified as having health risks at Risk 0 and Risk 1, the lowest risk levels, which shows improvement compared to 2008 (see following chart).

Among the factors considered in the Health Profile are tobacco use, high blood pressure, obesity and sedentary lifestyles. In addition to regular exams, we offer nutritional accompaniment and dental care. In 2009, the EAC was developed, which stands for Computerized Attention Exam, to verify whether employees are focused on their work, or if their attention is distracted, which could lead to a lack of concentration and greater propensity to accidents in the operations area.

The test is performed during the regular medical exams, given to all employees in the Operations area. In these cases, the EAC concentrates on indicators related to fatigue and inattentiveness. The goal is to predict situations that could cause a risk to health and/or life and the possibility of damages at work.

Corporate Health Profile



For functions in risk activities, we perform daily pre-function tests, to measure blood pressure and reflexes, and we also use breathalyzers.

Throughout the year, we conduct educational and awareness raising campaigns focused on the health of employees and contractors, like:

- blood donation campaign;
- STD/Aids prevention campaign;
- preventive medicine, focused on risk factors, like prevention of diabetes, high blood pressure and obesity, as well as on oral health.

We also have a Chemical Dependency Program to support the recovery of our employees with alcohol, tobacco or drug problems.

Finally, to accompany employees who are not working, whether due to illness or accident, we have the Rehabilitation Program, which covers their accompaniment until a program is established for them to return to work, defining areas and activities that do not expose them to risks to their health or physical integrity.

Customers

We have a close and transparent relationship with our customers, and concern over their satisfaction is part of our strategic positioning.

We adopt a systematic focus on our customers, which covers the entire service chain: product development, assistance or support services, interaction, receipt of ideas and suggestions, operations, commercial operations, after-delivery follow up and sustainability as an element present throughout.

In 2009, we sold our products on practically all the continents except Oceania. Among the countries where we have customers are: China, Taiwan, Malaysia, Indonesia, Japan, India, Argentina, USA, Germany, Spain, France, United Kingdom, Turkey, Libya, Saudi Arabia, Egypt, Qatar, Trinidad & Tobago, South Africa and the United Arab Emirates. Also noteworthy in 2009 was the return to selling part of our production on the domestic market, while maintaining our main characteristic as an exporting company.



All together, we have 35 customers.

CUSTOMER RELATIONS

To ensure a consistent and lasting relationship with our customers, we have a structure focused on serving this public, composed of committed teams, with support from appropriate systems and processes.

This structure is subordinated to the Commercial Area and to Corporate Services.

The commercial strategy and the customer service processes are defined in accordance with the following steps:

1) Marketing Strategy Council

Formed by all the directors in the Organization, it sets the strategic guidelines for sales and long term commercial service. The council meets twice a year.

2) Executive Marketing Group

The director of the Commercial area and the commercial general managers are part of this Group. This forum discusses and breaks down the strategic guidelines produced by the Marketing Strategy Council and defines business goals. The Group meets at least four times a year.

3) Sales Offices

The offices ensure proximity to customers and are responsible for day-to-day service, involving customer contact and visits, negotiations involving volumes, prices and form of delivery, signing of contracts and other commercial routines. They put into practice the goals set by the Marketing Executive Group.

Our sales offices are located in Anchieta (ES), Amsterdam (Holland) and Hong Kong (China).

4) Integrated Planning Area

After signing a variety of contracts with customers, this area proposes the programming to comply with the contracts, involving all the necessary areas, from the mine to the port, including the necessary production and supply work, until the product is shipped to the customers.

With regards to delivery, every year we prepare a shipment plan, with monthly corrections and quarterly re-evaluations, to synchronize production and shipments.

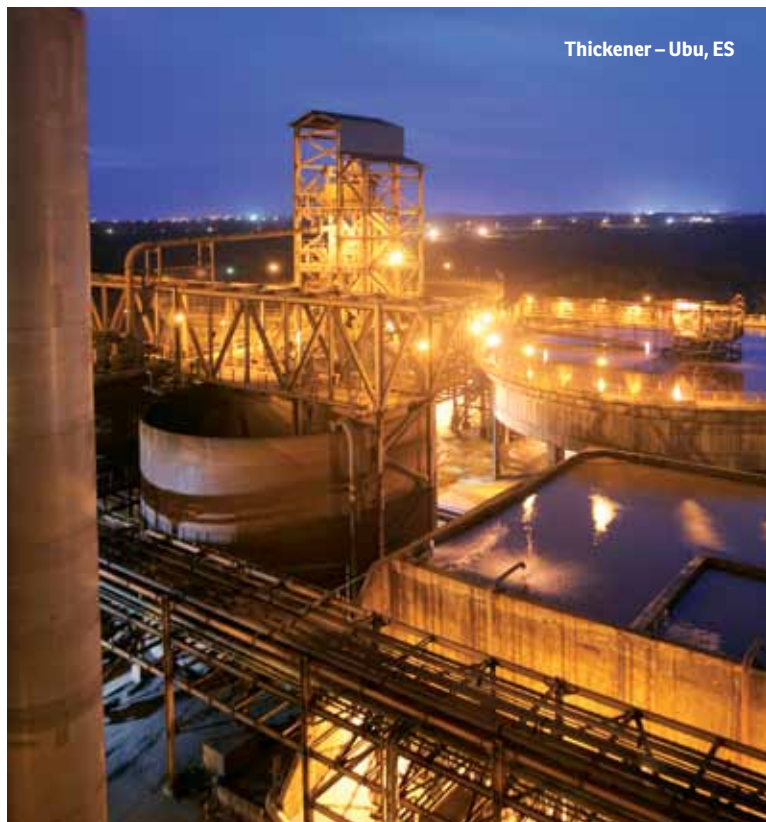
5) Support Areas

To support the sales and service areas, we have:

- *Technical Assistance*
Provides technical support to customers, including support visits, and in developing new products.
- *Contracts and Invoicing*
Responsible for drawing up the contracts, together with the Legal and Invoicing areas.
- *Logistics*
Responsible for the execution and monitoring of possible ocean shipping contracts, when necessary.
- *Market Intelligence*
Continuously evaluates the market, preparing studies, analyzing possible scenarios and indicating trends and perspectives. Customer data is stored and continuously updated in a database CRM (Customer Relationship Management).

INTELLIGENCE IN DATA MANAGEMENT

The CRM is a tool that manages important information on customers, potential customers and competitors. The system is available on the Intranet, allowing access to the same information to everyone who has authorization. The CRM covers general customer data, commercial and technical information, as well as quality control of products and shipments, visitation reports, accompaniment of complaint processes and information on mining and steelmaking markets.



Thickener – Ubu, ES

customer impacts are evaluated through physical, chemical and metallurgical testing. The results of these analyses can be easily understood by the customers, since the laboratory procedures adopted are standardized according to internationally known ISO (International Organization for Standardization) standards.

The environmental impacts of our products are described on the MSDS (Material Safety Data Sheet), which also presents all preventive Health and Safety measures that should be taken during handling.

The iron ore pellets are not packaged for transportation; they do not have labels, and are shipped in bulk vessels. The technical information related to physical, chemical and metallurgical quality of the final product is described in the contract. With each shipment, a certificate is issued containing the result of these analyses.

When ships are contracted to transport our products to our customers, in addition to the technical criteria taken into consideration, we are also careful to avoid possible environmental impacts, like oil spills, etc.

In the past two years, we have not received any fine or external sanction as a function of problems related to the supply and use of products and services.

CUSTOMER SEMINARS

Once every two years, we organize a seminar on the direct reduction and blast furnace pellet market, for which customers are invited to make technical presentations on the steelmaking market and on how they use the pellets in their activities.

Also at this forum, customers are presented with improvements in products and processes, sustainable practices and other innovations.

CUSTOMER SAFETY

There is no identified risk to safety for customers in handling Samarco pellets. The dust that is emitted (particulates) is not harmful, and customers are given orientation on how to correctly handle the product.

We are always on the lookout for ways to mitigate possible negative impacts that may be caused by our products, for both our customers and for the environment. We also work to ensure that our products do not cause physical harm to people that come into contact with them. For this purpose, we rely on the support from studies conducted at our labs and at research centers.

Whenever there is a shipment of iron ore pellets, the possible

HOW CUSTOMERS CAN ACCESS INFORMATION ON THEIR BUSINESS DEALINGS WITH SAMARCO

To enable our customers to access information on their relationship with Samarco, we have the Inside Samarco, an online communications channel, connected to our CRM base, in which the customer can consult contracts, invoices, production data, reports and programming of shipment, technical and commercial visit reports, information on quality deviations, comments and requests, as well as sending, directly from the system, emails to Samarco. The customer can also prepare graphs or spreadsheets based on comparative results of shipping and unloading. All this interaction takes place inside a safe environment, protected by individual passwords.

SATISFACTION AND PERCEPTION

To measure customer satisfaction, a Customer Satisfaction Index was created, which is fed through several sources: technical/commercial visits, shipment efficiency, shipment quality, delivery quality, benchmark quality, penalties, complaints and flexibility and other items.

A score is attributed to each item. Items have different “weights” according to their importance in the chain and the value perceived by the market, as well as other evaluations. This evaluation is made quarterly.

The methodology complies with the National Quality Program guidelines (PNQ) and ISO 9001 Certification standards.

Based on this index, it is possible to identify areas that need improvement, or suggest personalized service.

All customer complaints are analyzed, and for each one, a service procedure and an action plan is generated. The customer is notified about progress.

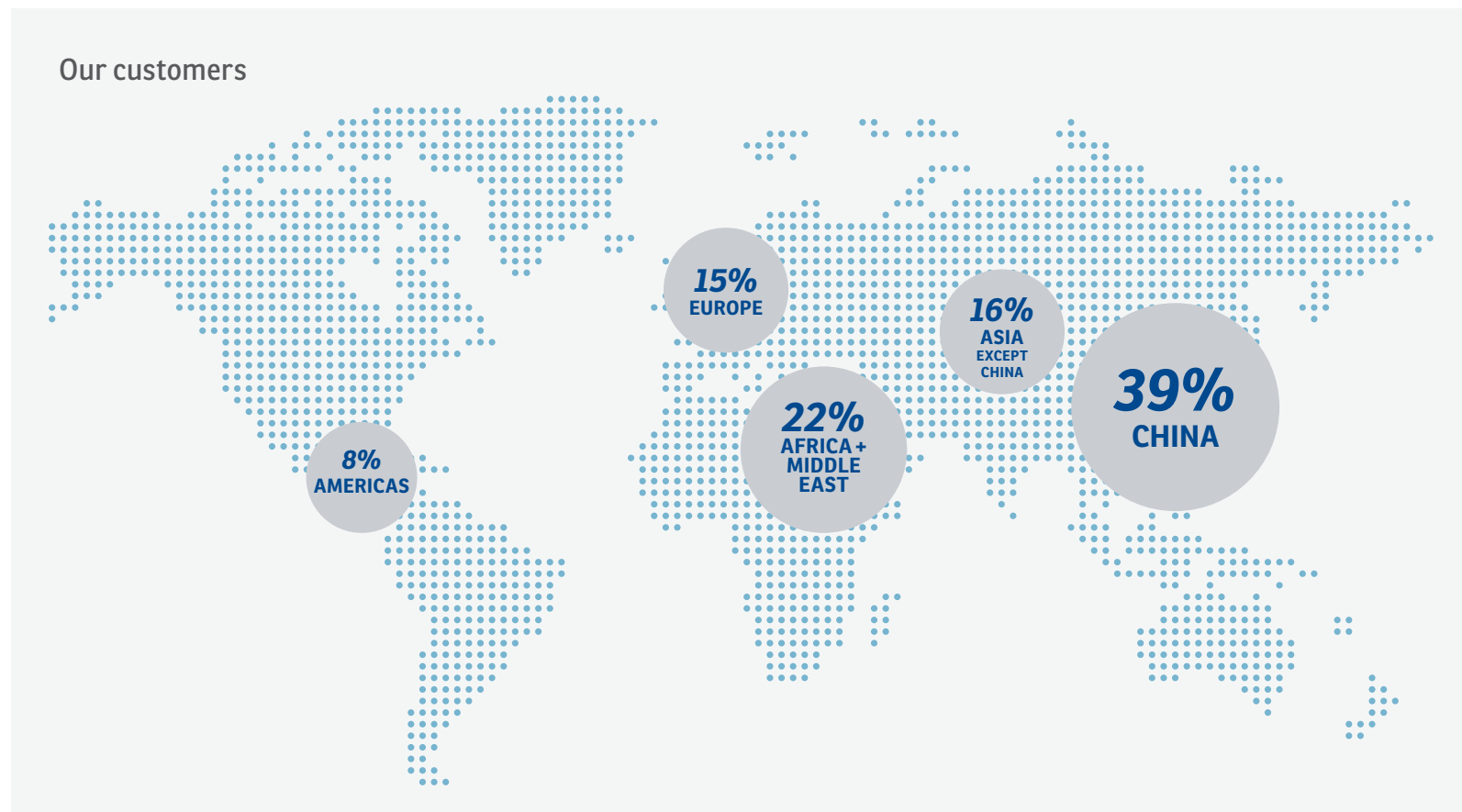
With regards to the perception of customers about Samarco, our monitoring indicates that it is fairly positive. Some customers even consider the Company to be a reference in certain areas.

PANORAMIC VIEW OF 2009

As a result of our positioning regarding transparency in our relations, in spite of the economic-financial crisis, in 2009, we stayed in close contact with our customers, encouraged by the search for solutions for everyone. During the second half of the year, the market recovered and shipping picked up, stimulated by the economic recovery. Samarco was well positioned to promptly respond to this demand, and since July, we have again been operating at 100% of our capacity, coming out ahead of our competitors.

During 2009, 18.5 million tons of pellets and pellet feed were shipped; of this amount, 16.9 million tons were iron ore pellets. In spite of the crisis, this was a record in the 32 years since Samarco was founded.

The majority of this production went to the Chinese market, which was responsible for consuming 39% of Samarco's sales in 2009. The second largest geographic market in 2009 was the Middle East and Africa, with 22%. The rest of the production went to other markets in Asia (outside China), with 16%, Europe, with 15%, and the Americas, with 8%.



Suppliers

Our Procurement strategy seeks to enhance the company's competitiveness, by means of negotiations and relationship with qualified suppliers and those that develop the best practices.



We have set up different strategies with regard to relationship and qualification of suppliers, based on market complexity, disbursement and impact relative to the specific sector of each supplier.

In 2009, a time of financial turmoil in the global economic scenario, Samarco conducted a negotiation process with its suppliers by means of concentration of acquisition of services and materials with better-qualified companies. Such negotiations were always conducted in a fully transparent manner and, especially, respecting the suppliers and their employees. After this process was completed, we then counted on approximately 300 active suppliers.

Currently, we are reorganizing the supplier qualification processes, such that this qualification involves not only quality aspects but also other aspects such as Sustainability, Safety, Health and Financial Management.

We are strengthening a policy of appreciation of suppliers located in the neighborhood of our industrial units, which explains the reason for 70% of suppliers being established in the States of Minas Gerais and Espírito Santo.

In 2009, 22.3% of total expenditure with procurement was directed to local suppliers. Between 2007 and 2009, on average, 47% of purchasing occurred in Minas Gerais, 18% in Espírito Santo and 35% in other locations.

Expenditure with local suppliers / total expenditure with suppliers (%)	
2007	18%
2008	35%
2009	22%

Samarco encourages, on a continuous basis, permanent service providers to establish themselves in municipalities located in the neighborhood of Samarco's operations.

Among contractors, we encourage the retaining of local labor. In 2009, 90% contracted employees came from neighboring



municipalities.

For the purposes of improving relationship and disseminating Procurement management policies to the procurement market, we attended specific forums sponsored by the Industry Federation of the State of Espírito Santo (Findes) and Industry Federation of the State of Minas Gerais (Fiemg) and we are one of the sponsoring companies of the Supplier Development Programs (Prodfor and PDF) in the State of Espírito Santo and Integrated Supplier Development Program (PDIF) in the State of Minas Gerais.

Implemented in 2008, the Supplier Collaboration Program is designed to encourage suppliers to propose creative and innovative ideas aiming at process improvement, quality of products and services, cost reduction and minimization of socio-environmental impacts. This is a pioneer initiative in Brazil's heavy industry sector.

During the implementation phase, the Program received contribution from 76 suppliers, and were encouraged to propose ideas that could change the routine of the Organization, which contributed to an improved relationship. The ideas can be sent to the Samarco's website, specifically at www.samarco.com/suppliers.

The partner company whose ideas are approved and implemented gets an extra score in the supplier assessment process and also increases its chances of being granted the Samarco Excellence Award.

The Samarco Excellence Award is another way in which the Company encourages and recognizes good performance among its suppliers by selecting 12 of them (distributed among the following categories: raw materials, services and spare parts), apart from an Occupational Safety award of distinction. Suppliers are periodically assessed, as per the contractual terms. The assessment frequency varies according to work

complexity, significance of the company and number of operations with Samarco.

The 2009 Awards Edition took place in Vitória, on October 28th. The suppliers were assessed based on the following criteria: quality of services, compliance with delivery times, occupational safety, cost and development of responsible socio-environmental actions.

The 2009 winning companies were:

- Bentonit União Nordeste Industrial e Comercial Ltda.
- Companhia Brasileira de Petróleo Ipiranga
- Divitec Distribuição de Vedações Técnicas Ltda.
- Energisa Soluções S.A.
- Geosol Geologia e Sondagens S.A.
- Kowalski Alimentos Ltda.
- Magotteaux Brasil Ltda.
- Mibita Minérios Brasileiros Ltda.
- Sotreq S.A.
- Vix Logística S.A.
- Viferro Ferramentas e Ferragens Ltda.
- Weir do Brasil Ltda.
- Safety Distinction Award: Geosol Geologia e Sondagens S.A.

In 2010, the Excellence Award celebrates 10 years of existence.

Annually, a meeting with strategic suppliers is held (comprehending 90 suppliers, responsible for 90% of procurement expenses), for exchange of information, talks and getting together. These suppliers, which represent the highest volume in terms of relationship for Samarco, are provided with a development plan and a specific monitoring map (including quality of products and services, SHE concerns, legal and

Our objective it to always have suppliers who are aligned with Samarco values.

labor practices and respect to human rights); technical visits to suppliers can be scheduled at all times.

Engagement of new suppliers requires proper documentation and technical analysis (quality assessment; source of products, in case of raw material; risks; required certificates), environmental and Safety assessment, and assessment of labor practices and respect to human rights. Upon completion of the engagement process, all suppliers receive and sign Samarco's Code of Conduct.

As the relationship unfolds, we monitor whether the supplier keeps good labor, human rights, environmental and safety practices. All contracts that are signed consider internal and external assessment audits and include fiscal and labor clauses – including prohibition of child and slave labor.

The results of our assessments are taken into account prior to the granting of the Samarco Excellence Award.

If irregularities area detected, the supplier is summoned for a meeting, and is requested to take the required actions. In case of noncompliance, financial penalties may apply, and in serious cases, termination of contract may also apply.

In 2009, no serious transgression events were reported, such as violation of labor rights or human rights.



9th Samarco Excellence Awards – Vitória, ES

Materials

Total consumption of materials, by weight or volume			
Material	2007	2008	2009
Mineral coal (t)	243.439	275.630	161.734
Fuel oil (t)	158.610	163.536	184.048
Diesel oil (mil l)	15.868	16.272	13.427
Limestone (t)	290.182	318.567	360.396
Starch (t)	20.181	28.358	22.410
Amine (t)	1.285	2.793	1.961

In 2009, the stocks of material were used to the maximum possible extent, and the consumables were purchased according to the opportunities, in order to prevent shutdowns and to ensure a prompt return of the operations.

The daily control routine applied to materials and inventories is fully automated. The process that controls purchases and interaction of information with suppliers undergoes a Purchase Portal.

A Strategic Purchasing Matrix is used in our purchase processes to map merchandise groups according to three variables:

- complexity of the supply market;
- impact on the Company and processes;
- annual purchase value.

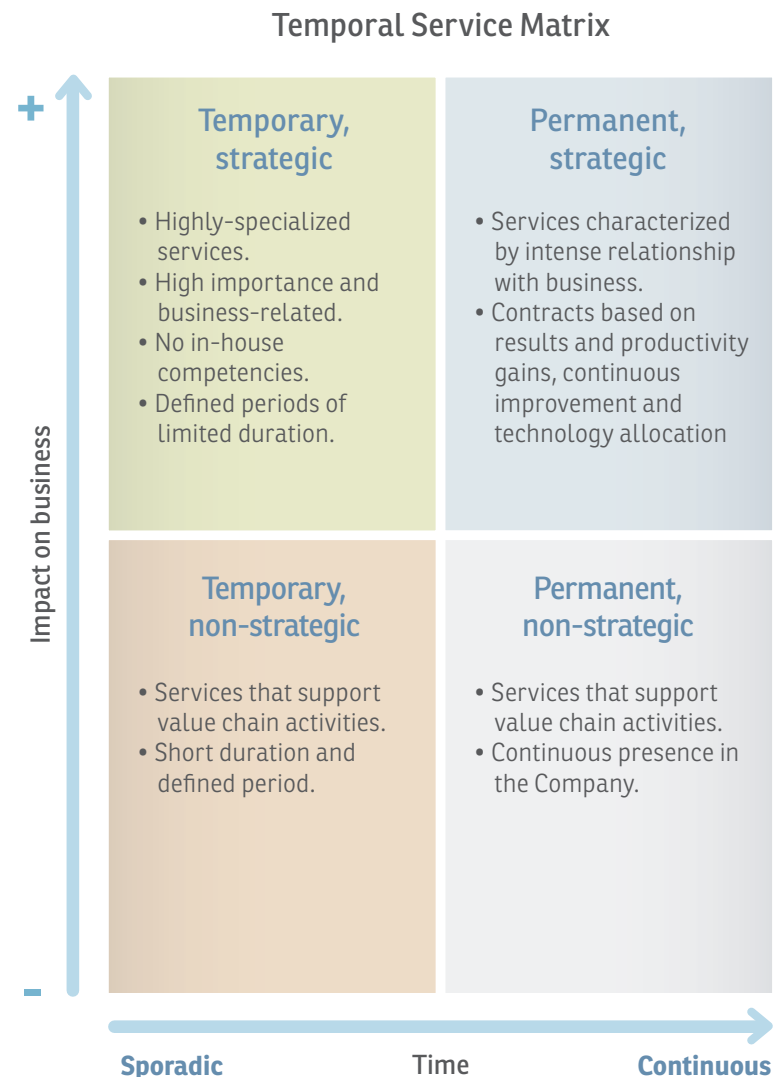


This matrix is intended to treat all materials and services in an individual manner, according to the position of the material or service within the matrix.

To complement the Strategic Purchasing Matrix, we use a Temporal Service Matrix, which includes the variable 'time' and a critical service factor to enable a broader vision of outsourced activities and:

- improved engagement process;
- improved assessment of each type of service;
- improved adequacy of contractor to the nature of the service to be rendered.

This Matrix identifies if an activity impacts the value chain and/



or critical success factors and duration of service.

The Inventory Management Policy sets forth guidelines on the inventory. We have assumed not to work with large inventories

of products, parts or materials, but rather to achieve maximum inventory turnover in the warehouses.

A constant work of inventory depuration is carried out to find inventory turnover and consumption, as well as to identify the existence of obsolete items.

All inventory materials are thoroughly described according to international standards, such to facilitate requisitions and eventual invitations for bids.

Among inventory items, there is also recycled material, which is commonly used.

Recycled materials*			
Material	2007	2008	2009
Lubricant oil	-	15,16%	30,41%
Mill Ball	1,04%	2,39%	4,73%

(*) Recycled material / total used material (%)

In 2009, the stocks of material were used to the maximum possible extent, and the consumables were purchased according to the opportunities, in order to prevent shutdowns and to ensure a prompt return of the operations.



"We have been supplying Samarco since May 2008. Even though we are not considered a long-time Samarco supplier, our relationship with this company is quite intense, as currently we are in charge of Samarco's management and logistics operation developed for materials and consumables, both in Germano and Ubu. This relationship has been characterized by transparency, ethics and mutual respect. Samarco treats us as an integral and effective part of its work process, which I consider a reference example of relationship. "Subsequently to the implementation of the Supplier Collaboration Program, we submitted seven ideas, being four of them accepted and put in place. This program encourages us to seek solutions that add value to Samarco and optimize our processes".

Flávio Moraes Barbosa,
partner and director of Elba Equipamentos e Serviços

Communities

We are present in 27 Brazilian municipalities, in the states of Minas Gerais and Espírito Santo, in 75 communities, which are home to some 680 thousand people.

All the projects, meetings and initiatives with the communities reinforce Samarco's work and our ties with the residents of the locations where we operate. With this, we can contribute to the development of the communities neighboring our units and the communities located along the slurry pipelines.

We see social dialogue as a basic pillar for all our initiatives with the communities. Independent of the channels we have created, which are described in greater detail later, our Community Relationship area holds meetings practically every week with community representatives, as part of an ongoing dialogue process that is sustained by all the actions conducted.

- 1 ERADICATE EXTREME POVERTY AND HUNGER**
- 2 ACHIEVE UNIVERSAL PRIMARY EDUCATION**
- 3 REDUCE CHILD MORTALITY**
- 4 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES**
- 5 ENSURE ENVIRONMENT SUSTAINABILITY**
- 6 GLOBAL PARTNERSHIP FOR DEVELOPMENT**
- 7 Businesses should support a precautionary approach to environmental challenges**
- 8 Undertake initiatives to promote greater environmental responsibility**
- 9 Encourage the development and diffusion of environmentally friendly technologies**

The relationship with the communities occurs through a variety of initiatives:

SOCIAL DIALOGUE

Through dialogue and by sharing information in a systematic and transparent manner, we believe it is possible to understand the demands and expectations of the communities, principally with regards to the environment and to other impacts arising as a consequence of our operations. With this interaction, we receive inputs that contribute towards our internal improvement and serve as a basis for the Company's interventions in the communities. Dialogue is the basis for Samarco's relationship with the communities.

We can emphasize the following dialogue actions:

- **Meeting with Community Leaders** – the objective is to maintain ongoing contact with leaders from communities neighboring our facilities, and with those located along the right of way of the slurry pipelines, map our scenarios, hear specific demands, align/share information in relation to Samarco and ensure engagement of these leaders in planning social actions and in the evaluation of these results. In 2009, 24 meetings were held, with the participation of 148 community leaders.

- **Community Meetings** – meetings are held with members of the communities neighboring our industrial units and along the right of way of the slurry pipelines; in 2009, 1,810 people participated. The objective is to offer information about Samarco and our activities, as well as about our Social Investment Policy and on the projects developed in the communities. Additionally, this is an important forum to receive suggestions, clarify doubts, reinforce our focus on sustainability and hear the impressions of the communities, which are applied to the ISC (Community Satisfaction Index), which we use as a thermometer for the development and monitoring of initiatives. To achieve this, people fill out a specific questionnaire. The average ISC has been 75%, but at times it has gone as high as 90%.

- **Community Relationship Committees** – the purpose is to increase dialogue with the communities neighboring our industrial units. Representatives of a variety of areas within Samarco participate in the Committees, to discuss and suggest actions regarding the following topics: environment, socio-economic topics and community relationships. In 2009, 20 meetings were held, with 800 participants.

- **Program of visitation to Samarco industrial units** this program makes it possible for the population to have access to our facilities and production processes and learn





about how they work. In 2009, 2,879 people participated, including students, community leaders and community representatives.

- **Lado a Lado Bulletin** – This is a bimonthly publication, to inform the communities surrounding our plants and along the pipelines of our activities. It presents news on our initiatives and projects, as well as relevant services and information for the population. There are two editions: one for the communities de Minas Gerais and another for the municipalities in Espírito Santo. The print run is 3 thousand copies, which are distributed in schools, community associations, entities and community organs.
- **Consultations and Public Hearings** – forums for the presentation of investments and the respective socio-environmental impacts and for discussion of topics of interest to society, to clarify doubts about our projects.
- **Samarco Environmental License Monitoring Forum (Falas)** – the purpose of this forum is to monitor compliance with the determining factors proposed for Samarco. Falas is coordinated by the State Environmental and Water Resources Institute of Espírito Santo (Iema) and its representatives are leaders of the communities neighboring our industrial facilities in Ubu (ES), as well as representatives of non-governmental entities of Guarapari (ES), the municipal governments of Anchieta, Guarapari and Piúma, in Espírito Santo, the Benevente River watershed and the government. Falas meetings are held quarterly
- **Samarco Relationship Center** – access is free, by phone (0800 031 23 03) and at the site www.samarco.com ("Talk to Us").

SOCIAL INVESTMENT

Our social investment actions are channeled through a Social Investment Policy, covering projects and sponsorship. The focus of the projects and the initiatives is on education, on income creation and on entrepreneurship.

We have worked with this focus since the beginning of the 1990s, but the Policy was only launched in 2007.

Through published invitations, we defined the criteria and select the projects prepared by the communities. All proposals for support are evaluated by an internal group; social projects are evaluated by an external commission and by an internal group. For all projects, a cooperation agreement is signed between Samarco and the proposing institution. To encourage self-sustainability of each initiative, the maximum period for support of a project is three years.

In 2009, even against the backdrop of the global economic and financial crisis, the Social Investment Policy was maintained, and 25 projects were supported in Minas Gerais and in Espírito Santo, chosen by a publication asking for social projects by the Company.

In Matipó (MG), where we have a pumping station for the slurry pipelines, a social project was created, with emphasis on culture and sports, through a partnership between Samarco and the local college, to offer cultural workshops and classes in capoeira, dance, soccer, hip hop and literature.



In Espírito Santo, we can highlight the project Momma's Kitchen, developed by the Children's Assistance Center and the Adolescent Queen Esther (Camre), which works to generate income for the families of children who are served at the institution. Free courses are offered in bread-making, pastries and finger food.

Through the Social Sponsorship and Donations Publication, in 2009, we supported 23 initiatives in Minas Gerais and 17 in Espírito Santo.

We also made social investments through programs like Samarco is More Community, which values comments from the local culture and Awaken for Life, which focuses on educating people and raising awareness in the communities regarding topics like promoting civic engagement, human rights, health and sexuality.

■ **Environmental Education**

As part of the Social Investment actions, we maintain the Environmental Education Program (PEA), which seeks to raise environmental awareness and improve attitudes.

One of the focus areas of the program is to create jobs and

The projects and social sponsorship and direct intervention actions received total investment of approximately R\$ 3 million in 2009.



Company visit program – Muniz Freire, ES

income based on the re-use of waste, providing economic opportunities and social inclusion. Residents learn to transform waste into arts & crafts, using materials like PET bottles, wood and Southern cattail. This initiative takes place in the communities of Mariana and Ouro Preto, in Minas Gerais, and in the communities of Anchieta and Guarapari, in Espírito Santo.

We call this type of initiative Environmental Education Programs (PEA) - Community. In 2009, 530 residents were served by the PEA.

The other face of the Program is the Environmental Education Program (PEA) – School. In this program, participating schools receive a travelling library, with books, documentaries, movies, puppets and costumes, all with an environmental theme: the ECOknowledge trunk. During 2009, the Program travelled with four Trunks: two in Minas Gerais and two in Espírito Santo, with the participation of 3,523 students. In 2009, Samarco also offered the MOVIESchool, to encourage the engagement of students' parents in environmental care – 1,143 people participated this year, and the ECOmusic festival, and event focused on students between the 8th and 9th grades, who attended Company presentations on environmental themes, worked in a local campaign and are involved in composing music with an environmental theme (413 students participated).

Also in 2009, the Environmental Education Program (PEA) – Right of Way, dedicated to the communities located close to Samarco's slurry pipelines, benefitted 306 residents of 12 communities in Dores do Rio Preto, Guaçuí, Alegre, Jerônimo Monteiro and Muniz Freire, municipalities in the state of Espírito Santo, which received orientation on sustainability of local agricultural production. In Minas Gerais, 323 people benefitted from presentations and mini-courses on the environment and rural management, in the municipalities of Matipó, Santo Antonio do Grama, Barra Longa, Ponte Nova and Abre Campo.

The results of all these external modalities of the Environmental Education Program are monitored every month by our Community Relationship area.

Finally, we have an Environmental Education Program (PEA) focused on employees. All the important topics related to the environment are covered.

Formal and complementary education

As a formal education initiative, we have the CTS Program (Samarco Technical Training), launched in 2009, which provides 200 scholarships for residents of Anchieta, Guarapari and



ECOmúsica Festival – Anchieta, ES

Piúma, in Espírito Santo, covering up to 80% of tuition costs. In 2008, 238 scholarships were approved.

In terms of complementary education, in 2009 we launched the Citizen of the Future Project, covering 160 students in Mãe-Bá, a community in Anchieta (ES). The project's actions are divided into three main topics: education, sports and culture.

This project is a partnership between Samarco, the Public Prosecutor's Office of the state of Espírito Santo, the municipal governments of Anchieta, Guarapari and Piúma (ES) and the Community Association of the Mãe-Bá District.

INVESTMENT IN PUBLIC HEALTH

In 2009, we invested in improving public health for the population of Anchieta (ES), where the Ubu unit is located. We decided to begin a R\$ 7.5 million real investment project, to ensure that the hospital in Anchieta, the only public hospital in the region, could be renovated and enlarged, in accordance with the determinations of the National Health Surveillance Agency

"We had a very interesting experience last year. The students in the 9th grade at Elson Garcia School were invited to visit Samarco's Community and Environmental Education Center. There, we attended a presentation on the importance of environmental education in the classroom and on awareness about the use of natural resources. We also saw some activities that are done at the center, like the Organic Garden and the rainwater catchment system. Afterwards, my class got together to do a mini-project, with some actions that could be done in the communities where we live. Since we have students that live in Parati, Ubu and Recanto do Sol, we decided to work in these locations.

"The first step was to create a program to clean up the Parati River and Ubu lagoon. We got together a group of 10 people and periodically, with our teacher Carla, we went to pick up garbage along the banks. At first, we felt embarrassed, because a lot of people were looking at us. But we got into the mood of having fun and began to pick up the garbage. We took a lot of pictures. At school, we proposed a garbage collection together with the 7th grade.

"On the day of the ECOmusic festival, our class presented two parodies. I still remember part of one of the songs. It went like this: 'plant, preserve, help nature again, it is calling out to us'. It was a lot of fun. I think the festival activities made us different people, more aware. We learned to work in teams, which rarely happened in the classroom, and to prepare projects and to develop the knowledge we had about ecology and our role in nature. I believe we became better citizens."

Saymon Pereira, age 16

Student at Elson Garcia School – Ubu (ES)

Participant in Samarco's 1st ECOmusic Festival



ECOknowledge Trunk – students from Escola Infantil Professora Bernardina de Queiroz – Ouro Preto, MG

(Anvisa). The work began at the end of 2009 and is expected to be concluded in 2010.

Also in 2009, we built a sewage treatment plant in the community of Mãe-Bá, in Anchieta (ES). See more information on the item on "Investment Plan" of this Report.

VOLUNTEERING

We sponsor three volunteering initiatives on a regular basis, as well as constantly reinforcing the importance of volunteer work. In 2009, a total of 1,939 people participated in our volunteer programs, including Samarco and contractor employees, and family members, friends and other partners, in activities to provide guidance and training in schools or in other initiatives.

■ Junior Achievement

We are sponsors of Junior Achievement (a non-governmental association that is present in several countries, which seeks to awaken the spirit of entrepreneurship in students and to fight truancy through educational programs). The volunteers are employees of Samarco and its contractors, who spend some of their time sharing their experiences with the students. In 2009, 90 volunteers were active in schools in Anchieta, Guarapari and Vitória, in Espírito Santo, and Mariana, Ouro Preto and Matipó, in Minas Gerais

■ Solidary Tax

The Solidary Tax Program allows Samarco employees to direct contributions (donation of part of the Income Tax due) to the Municipal Councils for Children's' and Adolescents' Rights in Anchieta and Guarapari, in Espírito Santo, and Mariana and Ouro Preto, in Minas Gerais. In 2009, 230 employees participated in this program, and directed R\$ 125,707.68 to the Municipal Councils; this was a record in terms of the number of volunteers and the amount raised.

■ V - Day

The traditional V-Day at Samarco, in which teams are formed, once a year, for a variety of actions concentrated in one day, saw the participation of 67 volunteering committees, which benefitted more than 15 thousand people; 1,619 volunteers participated. The actions began in the municipalities of Belo Horizonte, Ouro Preto, Mariana, Catas Altas, Barra Longa, Abre Campo, Espera Feliz and Matipó, in Minas Gerais, and in the municipalities of Anchieta, Piúma, Guarapari, Dorés do Rio Preto and Alegre, in Espírito Santo.



Ailton Francisco de Souza – V-Day Program volunteer – Germano, MG



Paula Gomes Murta – Junior Achievement volunteer – Germano MG

Unions

Our relationship with employee unions is at a mature level, as a result of our posture of transparency and engagement. There are four unions, and collective bargaining covers 100% of the employees. In 2009, there were no cases of violation of the right to join unions.

We guarantee the right of free association and collective bargaining, always from a position of respect and ethics between the interested parties, in accordance with the Code of Conduct.

All the measures adopted in 2009, during the most critical period of the global economic and financial crisis, to prevent layoffs, like collective vacations and paid leaves, were previously informed and discussed with the unions. These actions were divulged ahead of time, in a clear and transparent communications process.

Even in "turbulent" times, we seek to involve the unions and discuss all matters that affect labor relations with them, including matters of Health and Safety.

For example, we can point to the fact that during this year, which was affected by the crisis during the first semester, the Collective Bargaining Agreement was reached in a normal manner.



Government

The guidelines governing our relations with the Government are covered in our Code of Conduct, which establishes principles, positioning, postures and rules in relation to governments and political parties.

We have a policy of respecting the authority of local governments anywhere in the world where we have commercial operations. We also seek to maintain honest and constructive relations with governments and their agencies.

"Our municipal government has an excellent relationship with the business community. Within our partnerships, Samarco stands out due to its readiness to engage in dialogue and cooperation. It is a civic-minded company, attentive to the performance that companies must have today in the social sphere. Samarco creates jobs,

economic resources, taxes, and compensation. When we have a doubt in the fiscal area, we go to Samarco and ask questions, in search of transparent solutions. When we need more support for a given sector, we likewise go to Samarco. This is my third term as mayor, and I have had a good relationship with Samarco, in line with the positive results for both parties, and I believe that Samarco serves as a good example to other companies. In the city of Ouro Preto, Samarco participates in several initiatives and helps us whenever we need it. Our water supply system has received very useful assistance to face unexpected accidents. The support is decisive for the success of the main environmental, educational and cultural programs in Ouro Preto. Thanks to help from the Company, we are building the beautiful Municipal Park of Cachoeira das Andorinhas. It is important to have Samarco as an honorary citizen of Ouro Preto."

Angelo Oswaldo de Araújo Santos, mayor of Ouro Preto



We do not make financial donations to political parties or to candidates for public office in any country, as we are guided by impartiality with regards to political parties.

Since we support social development of the municipalities with which we have relations, we strive to contribute towards the collective construction of public policies. We do this by participating in regional and industry forums (see the "List of "Representations", in Attachment 1 of this Report), with the presence of Company representatives in meetings and debates, in which we reinforce our commitment to sustainable development, which, by definition, covers the interests of all parties.

We consider transparency and ethical conduct to be the essential foundation to establish a positive agenda, capable of achieving balance between economic, social and environmental aspects.

Press

Samarco's relationship with the press follows the same guideline used with all our publics. According to our Values, the Company employs open and transparent dialogue, based on building and maintaining clear and lasting contract with the media, always founded on ethics.

For this reason, we maintain the same relationship with all types of press vehicles, regardless of the size or coverage area.

We have been contacted by both international vehicles, as we are one of the main exporters in Brazil, and one of the main participants in the transoceanic iron ore pellet market, as well as by the national, regional and local press, since we have relationships with all these levels.

Since our two slurry pipelines, which are approximately 400 kilometers long, pass through 25 municipalities in the states of Minas Gerais and Espírito Santo, we have a direct relationship with the press in these locations. Currently, we have relations with some 110 press vehicles located in the cities and districts of the "right of way"; an area 35 meters wide around the slurry pipelines.

According to media analysis studies published in 2009, a total of 744 stories mentioning the Company were published, of which 566 (76%) were in print media and 178 (24%) in electronic vehicles.

"I have been serving Samarco for some four years. What I can say that best characterizes this relationship is that it is conducted in a positive, regular manner, without surprises and with great transparency. This is because Samarco always works within pre-established parameters, both with us and with the competition, and within a "way of being" based on its Values. The treatment is impartial, for us and for other banks, without a run-around or preferential treatment. Requests and requirements are given ahead of time, which enables us to manage the relationship in a stable manner."

Eduardo Megale, Itaú BBA relationship manager

Of all the input received in 2009, 57% communications were classified as positive, which corroborates the strengthening of our image and reputation – one of our strategic objectives.

For purposes of classification, Samarco's press assistants evaluate stories according to four profiles. In addition to the three conventional profiles, positive negative and neutral, we also consider the possibility of working with positive/negative reports. This classification is valid for publications which, in some way, could compromise Samarco's image and reputation, but which also mention positive messages, aligned with our Mission, Vision and our Values.

Of all the stories registered in 2009, 57% were classified as positive reports, which corroborates the strengthening of the Company's image and reputation, which is one of our strategic objectives.

Neutral stories, which only mention or make quotes from the Company, accounted for 34% of all reports about Samarco during the year in question.

Finally, reports classified as negative or negative/positive accounted for only 3% and 6%, respectively. This rate, which was below 10% of the publications on the Company, reflects Samarco's good practices, as well as the good relations we have with the press.

Financial institutions

In our day-to-day activities, we seek to guide our relations with financial institutions in a professional, transparent manner, focusing on our Values.

We understand that the financial system is an important actor in the economic development process in our country, and we use financial products and services in a manner that ensures the most appropriate commercial results.



Preservation of green areas – Samarco's commitment to the environment
Pellet Plant – Ubu, ES



"The Public Attorney's Office of the state of Espírito Santo (MPES) has an ongoing concern over the matter of sustainable economic and social development, a basic condition for employment and income, according to how we think of the future of our planet. Samarco have shown itself to be a partner company, by participating in broad discussions on the environmental impacts caused by its core activity and the mechanisms to reverse and reduce them. Samarco has been recognized for having made great strides in recent years in the search for an ideal sustainability, through joint, conscious and lasting efforts, involving both the MPES and the population of the areas surrounding its plants. Without a doubt, this is an example to be followed."

**Dr. Fernando Zardini Antonio,
State Public Attorney of Espírito Santo**

Public Attorney's Office

We seek to always maintain an open relationship with the Public Attorney's Office, in line with our premise to be transparent in all our relations.

In 2009, even during the economic-financial crisis period, we signed an Environmental Commitment Agreement (TCA), with the state government of Espírito Santo and the Public Attorney's Office, in the total amount of R\$ 150 million.

This amount will be invested in seven commitments that we made in the Agreement, covering improvements to our



industrial process and in the port, in order to reduce atmospheric emissions. The projects related to the TCA are already in effect and will extend to 2011.

To illustrate our relationship with the Public Prosecutor's Office, following is a statement from Dr. Fernando Zardini Antônio, State Attorney General of Espírito Santo.



Pellet Plant - Ubu, ES

RELATIONSHIP CENTER

In order to increase dialogue with government representatives, community leaders and members, owners of land along the right of way of the slurry pipelines, suppliers of material and services, and others, we have a Relationship Center, which makes it possible to interact with us through the Internet (www.samarco.com), in the "Talk to Us" section, and through toll-free calls to the number 0800 031 23 03.

To access the Center, interested parties contact us to make requests, complaints, invitations, praise, and accusations, and these topics are sent to the internal areas responsible for the responses.

All comments are responded to, in accordance with the following criteria: order of arrival; relevance for the Company and for the commenter; and urgency of the situation.

Most comments are related to people looking for jobs and internships, the supply of services and materials, as well as requests for information, orientation and sending proposals for sponsorship of social projects.

The Center is also an important mechanism to receive, send and solve complaints from society and in this case, these are given priority treatment.

As an example, we can mention a comment from a resident of Mãe-Bá, complaining about atmospheric emissions and noise. In the report, the resident said that "a reddish gray smoke covered the entire community of Mãe-Bá, leaving black dust behind on rooftops. He also said that a professional from Samarco had contacted him regarding the substitution of equipment to reduce noise generated by the plant and that he will consider himself to be a friend of the Company when the solutions are implemented.

This fact was reported to the area responsible for community relations, which contacted him and has been keeping him and other

members of the Mãe-Bá community up to date regarding the actions underway by the Company to minimize environmental impacts in the region. These actions include investments in controls and environmental equipment.



In 2009, 4,570 comments were received. Together with the comments "inherited" from 2008, there were a total of 4,640 comments dealt with during the year. 98.6% of the claims were concluded, compared to 98.8% in 2008.



Thus, the "jump" seen from 2007 to 2008 was maintained, as indicated below:

	2007*	2008	2009
Comments begun and not Concluded in previous year(s)	0	715	70
Comments begun this year	8.101	5.581	4.570
Comments awaiting response	8.101	6.296	4.640
Comments concluded during the year	3.543	6.226	4.575
Total comments still pending at the end of the year	-	70	65
Annual Resolution Rate (%)	43,74	98,89	98,60

(*) Year the Relationship Center was opened.

For 2010, the goal is to implement surveys that allow us to evaluate the quality of service from the standpoint of users.



Comments received in 2009	
Information	2.194
Request	2.182
Complaint	105
Invitation	69
Thanks	8
Praise/Statement	5
Accusation	3
Suggestion	3
Emergency Alert	1
Total	4.570



View of pellet plants – Ubu, ES

ENVIRONMENTAL MANAGEMENT

Currently, the environmental discussion is an ever present issue in the life of persons, as a result of climate changes, natural catastrophes, or exposure of this subject by the media and opinion leaders.

Samarco takes this issue very seriously. Thirteen out of 49 subjects covered by our Materiality Matrix are related to the environment (see Attachment 1 herein – item “Materiality Matrix”). In addition, five out of ten subjects considered top priority are also related to the environment. This is a strong evidence of how careful our stakeholders are about this issue.

In line with our Mission, we consider environmental management essential for the consolidation of the Company’s sustainability and maintenance of our activity. Environment preservation is

a constant concern of Samarco and is contemplated in all our business strategies. We believe that a rational and conscientious use of



Businesses should support a precautionary approach to environmental challenges



Undertake initiatives to promote greater environmental responsibility



Encourage the development and diffusion of environmentally friendly technologies

natural resources and the adoption of environmental cares in all our activities make possible to head towards a sustainable development

The Samarco Mission emphasizes this principle. See below:

“We are a Brazilian company that supplies high quality iron ore to the global steelmaking industry. Our efforts aim at improving the living conditions and welfare of people, as well as socioeconomic and environmental development by means of conscientious use of natural resources and creation of long lasting relationships based on value generation”.

In 2009, the total value invested by Samarco in projects and management and environmental protection actions was R\$ 16,188,112.00. In the previous year, the value invested in the environmental management of our operations was R\$16,436,326.00.

Investments in environmental programs and projects		
Year	ES	MG
2007	1.101.000,87	3.295.304,50
2008	1.609.016,00	14.827.310,00
2009	7.568.496,00	8.619.616,00

(R\$ million)

Total investment in environmental programs and projects	
2007	10,2
2008	16,43
2009	16,18

(R\$ million)

Percentage of gross income invested in environmental programs and projects	
2007	0,41%
2008	0,40%
2009	0,57%

We are permanently on alert for the climate change issue and have implemented actions aiming at the reduction of GHG emissions (greenhouse gases) and rational and conscientious use of natural resources.

In 2009, the environmental investments focused on:

- Minas Gerais = biodiversity (especially preservation areas), management of water resources (water catchment, management and recycling) and disposal of solid waste (including tailings and slimes).
- Espírito Santo = biodiversity (especially preservation areas), atmospheric emissions (we operate three pellet plants where several materials are handled), water management and disposal of non-mineral solid waste, such as oil, grease and scrap.

In 2009 we kept on developing the Product Life Cycle Analysis diagnoses and mapping environmental impacts in our Germano (MG) and Ubu (Anchieta, ES) operations.

These procedures are due to be completed in 2010 and 2011, respectively. After their completion our focus will turn to eco-efficiency projects.

Environmental Expenditure		Em R\$
MG	Macacos Dam Spillway	406.306
MG	Materials and drainage structures	308.222
ES	Electrostatic precipitators	2.274.986
MG	Raising of the crest of the Santarem Dam	5.098.895
MG	Water catchment – new plants	264.204
MG	Forest compensation for Germano permanent preservation areas and rainforest (130ha)	438.073
ES	Compliance with Operation Permit constraints applicable to the 1st, 2nd, and 3rd Pellet Plants.	1.737.738
MG	Forest compensation in Permanent Preservation Areas (233ha) – partnership with Terra Institute and compliance with Operation Permit constraints applicable to the second pipeline	632.478
ES/MG	Updating of the gas (GHG) emission inventory of Germano and Ubu/Monitoring of the MDL project	75.401
MG	Maintenance of right of way	1.379.963
ES	WWTP renovation work	839.351
MG	Closure plan	529.548
ES	Conduct Adjustment Agreement (TAC)	2.202.947
Total Investment		16.188.112,00

In parallel, internally, we have also been encouraging pursuit of eco-efficiency in our activities, for the purpose of encouraging the areas to take their own actions in terms of reduction of water and power consumption, use of natural light, use of sustainable construction materials, etc. Thus, some Company areas are developing studies for these purposes.

To reinforce our environmental drive, important action were taken by the company in 2009:

Environmental Management System

Samarco has a certified Environmental Management System, which follows the criteria set forth by Standard ISO 14001 and that contemplates, in a structured manner, plans to identify



Employees hike along trail
Ubu, ES

the key environmental aspects and respective impacts, as well as the implementation of actions required to mitigate these impacts. All actions are stored in databank that can be accessed by all Company areas, thus allowing a constant monitoring of their progress.

All aspects are mapped and classified according to the parameters of Samarco's methodology. Monitoring is by means of internal indicators. Each aspect of significant importance is treated with adequate actions dully planned to minimize it. In case of situations that represent risk of accidents, emergency, contingency or crisis plans are implemented depending on the level of seriousness. These plans contemplate scenarios, risk analysis and corrective measures to be taken, if required.

In the event of Company shutdown or other significant and impacting issues, crisis management is the procedure to be adopted. For such cases, we count on a specific manual and also on a multidisciplinary committee to assess the situation and define whether it is a crisis or not, and the level of criticality.

Permitting

During 2009, all environmental permits relative to the business operation were renewed. Samarco was also granted a Previous Permit for the Third Concentrator of the Germano Unit, in Minas Gerais, which is integral part of the Fourth Pellet Plant Project.

To follow the progress of the permitting procedures in Espirito Santo, we count on Samarco Environmental Permitting Monitoring Forum (Falas), created for the purpose of monitoring the progress of environmental commitments contained in studies and projects analyzed and approved by the State Institute of Environment and Water Resources of Espirito Santo (Iema) during the permitting process, as well as the constraints imposed to the projects.

The Falas board is composed of representatives from Samarco's neighboring communities in Espirito Santo, from NGOs of the Guarapari and Anchieta (ES) area, from the State Institute of Environment and Water Resources of Espirito Santo (Iema), from the municipal administrations of Anchieta, Guarapari and Piuma, in Espirito Santo, and a representative from the Benevente River Hydrographic Basin Committee who meet every two months. Thus, it is possible to follow up the progress of the permitting procedures and, at same time, reinforce our relationship with relevant communities.

Term of Environmental Commitment (TCA)

Even during the 2009 economic-financial crisis, Samarco continued with the scheduled environmental actions and signed, in conjunction with the Public Attorney's Office and the Government of the State of Espirito Santo, a Term of Environmental Commitment (TCA) concerning investments that amounted to R\$150 million, in actions to be adopted until 2011. The State Institute of Environment and Water Resources of Espirito Santo (Iema), the Public Attorney's Office and the involved communities could follow up the entire process. This amount will be invested in seven commitments contained in the Letter, which are already being fulfilled and that contemplate improvements to the industrial and port complex, aiming at reduction of dust emissions and improvement of the environmental monitoring systems, thus benefiting the neighboring communities.

Water and other natural resources

The industrial plants owned by Samarco count on a complete sewage and industrial effluents treatment system, reuse of water

and power generation in the Muniz Freire (ES) and Guilman-Amorim (MG) hydroelectric power plants, which generate 26% of power consumed in Samarco.

Our water resource management is based on three major guidelines:

- a) Decrease fresh water catchment volumes.
- b) Increase water reutilization with respect to discharge of effluents.
- c) Ensure adequate quality of waters to be discharged from the effluent treatment systems.

Water recycling and reuse, 2009			
	Germano (MG)	Ubu (ES)	Total
Total volume of recycled water (m3)	114.065.000	19.855.000	133.920.000
Reuse water / total used water (%)	89,62%	1,06%	90,68%

Total reused water (m3 x 103)		
2007	116.584	95,76%*
2008	138.947	92,23%*
2009	133.920	90,68%*

* Recycling percentage relative to Samarco's total water consumption. Cumulative figure for the last three years.

Our catchment facilities are located in Minas Gerais, Germano industrial unit, and in the municipalities of Mariana, Ouro Preto and Matipó. Water is abstracted from the Piracicaba, Gualaxo do Norte and Matipó Rivers and from the Santarem Dam (where the largest catchment facility is located with highest recycling volume – 2,700m3/h).

In Minas Gerais, granting of water right is required to abstract water from water bodies. After being used for ore classification, part of the water is treated and returns to the rivers, and the remaining part is used in the transportation of ore concentrate, via pipeline.

Fresh water catchment	
2007	5.515
2008	10.860
2009	13.752

(em milhares de m³)

Note: increased water volumes abstracted in 2008 and 2009 are due to the startup of the Third Pellet Plant Project.

Water recirculation	
2007	24.125.992
2008	22.883.426
2009	20.254.685

(m3; Santarem Dam - recirculation)

A grant is an authorization to abstract a certain amount of water from a river, within the limits set forth by the environmental legislation, to be used in the industrial activity, which is our case. With regard to the Samarco grants, we have committed ourselves to use these resources in a rational and conscientious manner.

It is worth emphasizing that this document does not grant users ownership of the water. Catchment activities are monitored by environmental bodies and, in case of diminishing water flow, the grant can be cancelled at any time.

Consequently, we count on six river flow monitoring stations in Minas Gerais.

The use of process water by Samarco has always been conceived in an integrated manner, considering the operation as a whole, from Minas Gerais to Espírito Santo. Water arriving at the Ubu unit (ES) mixed with ore being transported through pipelines is treated and stored in an industrial dam, called North Dam, for subsequent use in the production process. Thus, in the pellet plants, all water consumed in the production process is water that arrives through the pipeline. The surplus water is treated and directed to the Mãe-Bá Lagoon, under controlled monitoring conditions, duly inspected by the environmental body of the State of Espírito Santo (IEMA). In 2009, 2,902,966m3 of water flowed through this process, considering a maximum volume authorized per grant of up to 4,600,000m3/year.



Industrial effluents are directed through the collection system to Thickener 3 and, from there, to the Slurry Basin. Then, the liquid effluents are directed, after being treated, to the North Dam, as described next.

The ore slurry arriving at the Ubu unit (ES) through the pipeline system undergoes a solids/water separation process. The solid fraction (ore) is directed to the production process, while water is piped to the Samarco's Industrial Effluent Treatment System, which comprehends three phases, basically:

Phase 1 takes place in Thickener 3, whose purpose is to enable solid-liquid separation based on the sedimentation rate. During this phase, coagulants are added to allow an adequate aggregation of solids, such to create a clarified overflow that is directed to the second treatment phase.

Phase 2 takes place in the Slurry Basin, whose purpose is to enable a natural settlement of solids. The settled solids are removed from the Basin by means of dredge and taken to Ancillary Basins, for natural drying and subsequent reutilization in the process. The Slurry Basin effluent undergoes the third treatment phase.

Phase 3 (WWTP) is intended to promote settlement of solids suspended in the water that outflows the Slurry Basin, through the coagulation and flocculation phenomenon, which takes place in the flocculation channel. The treated effluent is then directed to the North Dam.

It is worth emphasizing that all water used in the production process is abstracted from the North Dam. Thus, we have a closed circuit of water resources.

Volume of discharged water, 2009

Unit	Volume (m ³)	Destination
Germano (MG)	15.838.080	Rivers and creeks
Ubu (ES)	2.902.966	Mãe-Bá Lagoon

Volume of water discharged over the last three years - Ubu (ES)

Year	Volume discharged (m ³ /year)
2007	1.456.331
2008	3.097.407
2009	2.902.966

Volume of water discharged over the last three years - Germano (MG)

Ano	Volume descartado (m ³ /ano)
2007	9.108.669
2008	17.568.913
2009	15.838.080

Note: in 2008, discharged volumes in the Germano and Ubu units are higher due to rainfall increase.

Total abstracted water, per source, 2007

Abstraction source (m ³ /year)	Piracicaba River	Gualaxo River*	Matipó River	Alegria Wells	Ubu	Total
Surface water	4.959.341	-	556.602	-	N/A	5.515.000
Groundwater	-	-	-	-	N/A	-

(*) Water was first abstracted from the Gualaxo River in 2008.

Total abstracted water, per source, 2008

Abstraction source (m ³ /year)	Piracicaba River	Gualaxo River	Matipó River	Alegria Wells	Ubu	Total
Surface water	4.578.885	3.530.380	613.999	-	N/A	8.723.264
Groundwater	-	-	-	2.137.136	N/A	2.137.136
Total	4.578.885	3.530.380	613.999	2.137.136	N/A	10.860.400

Total abstracted water, per source, 2009

Fonte de retirada (m ³ /ano)	Rio Piracicaba	Rio Gualaxo	Rio Matipó	Poços Alegria	Ubu	Total
Surface water	3.923.704	8.181.607	550.612	-	N/A	12.655.923
Groundwater	-	-	-	1.096.551	N/A	1.096.551
Total	3.923.704	8.181.607	550.612	1.096.551	N/A	13.752.474



- Greenhouse Gases / Atmospheric Emissions

Our Greenhouse Gas Inventory (GHG) has been prepared for three years, comprehending direct and indirect emissions.

In 2009, total emissions amounted to 1,656,238 tons of CO₂e; direct emissions accounted for 1,629,277 tons of CO₂e, corresponding to 98.37% of total tonnage. Indirect emissions, which are related to electric power consumption and diesel oil consumed by outsourced fleets, correspond to 1.63% total tonnage, i.e., 26,961 tons of CO₂e.

Our primary source of emissions is the burning of fossil fuels, such as fuel oil and mineral coal used in the pelletizing process, and diesel oil consumed by off-road trucks in mining activities.

Our 2009 Greenhouse Gas Emission Inventory was audited by an independent institution.

CO₂e emissions in 2009 amounted to 96 kg of CO₂e per pellet ton, against 93 kg of CO₂e per pellet in 2008, an increase of 3.23%. The reason for that was the discontinuity of the production process in the first half of 2009, due to the global financial-economic crisis. The furnaces had to be reheated a number of times, which required higher consumption of fossil fuels, such as mineral coal, petroleum coke and fuel oil.

CO ₂ e emission	
2007	98
2008	93
2009	96

(kg CO₂ /t pellets)

In addition, more greenhouse gas emissions were mapped, thus increasing the research database: 100% of the outsourced fleet rendering services to the Company was accounted for.

In 2009, total Samarco emissions dropped 3.48% in relation to 2008. This result is a reflex both of the international economic-financial crisis that affect the production of the Company, and the energy efficiency measures that were taken, especially in Plant 1, Ponta Ubu, where fuel oil consumption decreased significantly. In Germano (MG), the reduction of fuel oil consumed by off-road fleets also played an important role in emission reduction.

Our 2009 Greenhouse Gas Emission Inventory was audited by an independent institution.		
Sources	Direct	Indirect
Fuels	1.467.178	1.364
Thermal degradation	148.117	0
Reagents	4.615	0
Explosives	391	0
Sanitary effluents	204	0
Solid waste	42	0
Vegetation suppression	7.053	0
Cattle enteric fermentation	1.677	0
Electricity	0	25.596
Total in CO ₂ e tons	1.629.277	26.960
	1.656.238	

With respect to particulate matter emissions in the Ubu unit (ES), the following results were obtained:

Particulate matter emission into the atmosphere is a relevant aspect in our operation and special attention is paid to it by our environmental management area.

Estimated particulate emission x pellet production		
	Production	Particulate emission
2007	14.260	1,022
2008	17.145	1,131
2009	16.051	1,127

Production (x 1,000 t) - Particulate emission (t)

The 2009 reduction resulted from our operations in the plants during the first half of that year, when there was a lower demand for iron ore pellets by the international market.

Specific particulate emission x pellet production	
2007	0,08
2008	0,07
2009	0,07

(kg of particulate matter / ton of pellets produced)

The specific particulate emissions remained stable and did not indicate abnormalities during plant operations, when comparing to previous periods.



Particulate matter emissions were continuously monitored in six principal stacks of pelletizing furnaces in Ubu. In addition to this constant monitoring procedure, periodic gas measurements are taken in the aforementioned stacks and in other emission sources.

Nox, Sox or other types of atmospheric emissions (t)		
	Nox (t)	Sox (t)
2007	9.461	10.247
2008	9.215	8.016
2009	8.403	7.310

The drop is due to the reduction of emissions in pelletizing furnaces.

Air quality in communities – annual geometric mean				
	Mãe-Bá	Ubu	Anchieta	Meáípe
2007	69,6	73	64,5	55,7
2008	73	73	41,4	49,2
2009	61	61,8	38,2	42,3

* TSP concentrations (total suspended particulates) in micrograms per cubic meter ($\mu\text{g}/\text{m}^3$); standard set forth through Resolution of the National Environment Council (Conama) – $80 \mu\text{g}/\text{Nm}^3$

Emission reductions resulted in decrease of particulate matter concentrations, measured at the air quality monitoring stations installed in our neighboring communities, Ubu.

Total production x total emissions			
	2007	2008	2009
Total production (pellets + fines)	15.982.000	18.482.000	17.622.000
Total emissions	1.022,80	1.131,50	1.128,00

(t)

In 2010, with the support of the CDM (Clean Development Mechanism) project validated by the DNV consulting company (a Norwegian certification company) and approved by the Inter-ministerial Commission on Global Climate Change of the Ministry of Sciences and Technology (MCT), the energy matrix of the furnaces is planned to be altered, with fuel oil being replaced with natural gas, a cleaner energy source. This is expected to reduce total emissions by 10% (about 160,000t of CO₂e). In 2010, after this project is implemented, Samarco will be able to trade carbon credits, making an estimated profit of up to US\$ 2 million/year.

Routinely, we also measure emissions from diesel-powered vehicles owned by suppliers. This measurement is taken by contractor employees, by means of a handheld device that uses the Ringelmann Scale, which checks the apparent darkness of smoke emissions.

In 2010, part of our diesel-powered fleet in Germano (MG) will be monitored by means of opacimeters (portable instrument consisting of a optical bank, probe – cable inserted into the exhaust pipe – and a case with cables that is used to measure the amount of black smoke emitted by diesel-powered vehicles); this device has already been used in the Ubu unit (ES).

Another important environmental aspect is fugitive dust. In Germano (MG), we count on a Hi-Vol monitoring station (large volume sampler). At this station, dust is collected 24 hours, every six days, and is retained on the filters. Thus, it is possible to measure local air quality.

EPIDEMIOLOGIC STUDY

In the municipality of Anchieta (ES), to comply with a requirement imposed by the Operation License of the third plant, an epidemiologic study was conducted to evaluate the local air quality and its relationship with the health of the inhabitants of the contour area of our industrial unit. The study was carried out by researchers of the Medical School of the University of São Paulo (USP), in partnership with state and municipal health, environment and education agencies. This was intended to collect information, by means of air quality monitoring, in order to evaluate the effects of concentrations of pollutants emitted by industrial sources and other sources on the population health.

During one year, the USP researchers evaluated air quality levels in neighboring communities. Additionally, other data were required to support the study, such as respiratory tests run on children and teenagers of 8 to 16 years of age and survey of the number of hospitalizations and born-alive infants with the municipal Anchieta and Guarapari Health secretaries.

The field study was completed in May 2009, and the outcomes were presented in January 2010 to communities, NGOs and public agencies. More information on this study can be obtained on Samarco's website (www.samarco.com).

Biodiversity

Brazil is a megadiversity country, and its ecosystems account for 15% to 20% of the total number of species on Earth. Among these ecosystems, the Atlantic Rain Forest stands out as the third largest Brazilian biome, after the Amazon and the Scrublands.

The Atlantic Rain Forest is considered a global top priority in biodiversity conservation, because it shelters high biologic diversity and endemism, associated to a high level of threats.



Cristiano Aparecido Felipe
Alegria Mine – Germano, MG

SMOKE FROM DIESEL-POWERED VEHICLES AND EQUIPMENT

Monitoring of smoke emitted by diesel-powered vehicles and equipment is carried out on a quarterly basis, by all Samarco areas and contractors. The existing standard was updated in 2010 to enable increased control of inspections and sets forth the procedure to describe the monitoring of smoke emitted by mining equipment and other diesel-powered vehicles. It also describes the procedure used to measure smoke emissions using the Ringelmann Scale. Equipment/vehicles that pass the inspection receive a green seal, which allows them to move around the Company areas; equipment/vehicles that fail the inspection must undergo maintenance services, such to meet the parameters required by Samarco and be re-inspected, in order to receive a green seal.

Anaconda – Ubu, ES



We operate in areas characterized by the presence of Atlantic Rain Forest, where we reckon that conservation effort must be consistent and effective. This biome contains one of the richest biodiversities in the world and, currently, only 7% of its original area is preserved.

It is worth emphasizing the following aspects:

A) ESPÍRITO SANTO:

In 2009, in Ubu, in order to meet the requirements of a deed through which an environmental compensation is established (further information is provided in the Environmental Management Chapter), we developed a study that generated a management plan and the reclassification of the conservation unit called Municipal Parrot Sustainable Development Reserve. The objective is to contribute towards ensuring the preservation of the biome – mangrove swamps – and living conditions to crab pickers and fishermen from neighboring communities.

The development phases of the management plan comprehended several discussions with representatives from environmental NGOs, community leaders and representatives from the municipal administration, environmental bodies and other companies involved. Locally, we could identify 58

fish species, 22 amphibian species, 18 reptile species, 111 bird species and 17 mammal species:

1. **Fish** – 58 species/27 families. Total of five endangered species listed by the IUCN (International Union for Conservation of Nature), National Agency and/or State Agency;
2. **Amphibians** – 22 species/3 families. No endangered species;
3. **Reptiles** – 18 species/9 families. No endangered species;
4. **Birds** – 111 species/42 families. No endangered species;
5. **Mammals** – 17 species/13 families. Two endangered species.

Also in Espírito Santo, inserted into the Ubu unit, there is another conservation unit, which is called Sea Turtle Environmental Protection Area, where we could identify 65 fish species, 22 amphibian species, 18 reptile species, 122 bird species and 27 mammal species:

1. **Fish** – 65 species/32 families. No endangered species. A new species was described;
2. **Amphibians** – 22 species/3 families. No endangered species;
3. **Reptiles** – 18 species/9 families. No endangered species apart from three chelonian species that can be observed on the Guanabara beach, while foraging and/or laying eggs;
4. **Birds** – 122 species/44 families. No endangered species;
5. **Mammals** – 27 species/15 families. Three endangered species.

As a final result, the Anchieta conservation units received additional conservation area, were delimited with regard to surface area and buffer zone, became integral part of the Snuc (National System of Conservation Units) – Law 9.985/2000 and, now, management and environmental conservation guidelines will govern the actions of the Anchieta municipal administration that is responsible for the implementation of management programs.

The key attention points with respect to biodiversity in Espírito Santo are habitat loss and fragmentation caused by agribusiness projects, ineffective management of protected areas, fires, poaching and wildlife trade, discharge of effluents and introduction of exotic species.

In order to mitigate these impacts, environmental impact, diagnosis and fauna monitoring studies are carried out in the areas influenced by our operations. Considering that future expansions are likely, we also assess potential impacts on biodiversity, by means of sea turtle management, recovery and/or monitoring programs, monitoring of particulate matter settled on plants, monitoring of fish and ballast water management program, among other actions.

Among the species identified by environmental studies carried out in the Samarco operation area, the reptile species surucucu-pico-de-jaca (*Lachesis muta*), patioba (*Bothriopsis bilineata*) and lagartinho (*Cnemidophorus natio*) were listed as Endangered Species in Espírito Santo by the Environment and Water Resources State Institute (Iema, 2005). Among these species, only lagartinho (*Cnemidophorus natio*) appears in the National List of Endangered Brazilian Species issue by the Ministry of Environment (MMA, 2003). For birds, only mutum-do-sudeste (*Crax blumenbachii*) is considered an endangered species, according to the 2006 IUCN list; the other bird species are not listed (MMA, 2003 list); Iema, 2005 list; IUCN, 2006 LIST).

Four mammal species appear on the 2003 Ibama national list, and five on the state list. Among these species, one is endemic to the Atlantic Rainforest, ouriço-preto (*Chaetomys subspinosus*), which has also been listed by IUCN. Other species are considered vulnerable: *Leopardus tigrinus* (gato-do-mato-pequeno); *Leopardus wiedii* (gato-maracajá); *Leopardus pardalis* (jaguatirica); and *Dasyprocta aguti* (Cutia).

Among the actions required to mitigate these impacts, we defined preventive and management strategies to be applied to our neighboring natural habitats, e.g., Programs for the Rehabilitation of the Sources of the Mãe-Bá Lagoon, close to the Ubu unit (ES). After establishing a partnership with rural producers, 5,332 saplings of 48 native forest species were planted across 26,418 m² of land.



There is also the a program intended to improve the conditions of the Fishery Inventory of the Mãe-Bá Lagoon with the introduction and monitoring of native fish species, aiming at:

Há também o Programa de Reforço do Estoque Pesqueiro na Lagoa de Mãe-Bá, com a introdução e o monitoramento de espécies de peixes nativos, visando:

- increase of natural fish inventories;
- improvement of local conditions for the reproduction of native species;
- production of fingerlings to support a specific program of biodiversity conservation and fishing activities;
- creation of conditions that enable establishing partnerships to fund the research of autochthonous species;
- symbolic fish release and environmental education activities;
- increased fish catch rates in the Mãe-Bá lagoon.

We have also been supporting the sea turtle conservation program since 1995 in Anchieta (ES). This program is inserted into the Tamar Project activities in 22 stations installed across the Brazilian coastline, with more than 1,200 people committed to preserve and protect sea turtle hatchlings. Annually, these people take care of 66 nests and 6 thousand endangered



Release of native fish species in the Mãe-Bá Lagoon (Program for reinforcing fish stocking in Lagoon) – Anchieta, ES

hatchlings and R\$800,000 of funding are expected to be spent over the next three years.

B) MINAS GERAIS:

We conduct permanent programs for the monitoring of fauna species: Avifauna (birds), Mammal fauna (mammals), Ichthyofauna (fish) and Herpetofauna (reptiles). The purpose is to monitor impacts on the fauna in our operation areas.

In compliance with the Brazilian Forest Code, our properties comprehend legal reserve areas totaling 2,028.8 ha, being 972.1 ha in the State of Minas Gerais and 1,056.7 ha in the State of Espírito Santo.

The legal reserve areas were created based on the environmental legislation, for the purpose of meeting the following ecological functions:

1) Sustainable use of natural resources: this notion is linked to clause 225, caput, CF/88, which ensures the right of an ecologically balanced environment to future generations. Thus, sustainable use is understood as the permanence of the attributes of natural resources without

The main points of attention with regard to biodiversity in Espírito Santo are the loss and fragmentation of habitats, caused by farming activities, inefficient management of protected areas, fires, hunting and selling of animal species, discharge of effluents and introduction of exotic species.

causing damage to them, even when these are used.

2) Conservation and rehabilitation of ecological process:

environmental conservation is the use of natural entities or resources such to ensure their renovation or sustainability. Note that the term preservation was not used because it is a term that refers to the protection of the environment in a direct manner and is specified such that its use and management are not allowed.

3) Biodiversity conservation.

4) Shelter and protection to fauna and flora.

Protected areas (ha)				
State	Category	Year		
		2007	2008	2009
Minas Gerais	Legal Reserve	924,5	924,5	972,1
Espírito Santo	Legal Reserve	1.056,7	1.056,7	1.056,7

In addition to maintenance services in legal reserve areas, the amount of money spent with conservation units in 2009 was R\$ 1,141,122.38, broken down as follows:

- Tripui Ecological Station (MG): R\$ 87,460.70;
- Itacolomi State Park (MG): R\$ 314,476.15;
- Nossa Senhora da Lapa Cave (MG): R\$ 29,621.00;
- RPPN Fazenda Bulcão (MG) and Itapina Ecological Station (ES)
- Terra Institute: R\$ 709,564.53.

Finally, with regard to the biodiversity of listed water bodies and habitats affected by water discharges and drainage, in 2009, we retained specialized companies to conducted complete physicochemical and limnological studies in the Mãe-Bá lagoon, comprehending the different biologic compartments of the aquatic ecosystem, such as water and sediment, considering the following organisms: phytoplankton, zooplankton, zoobenthos and fish.



yellow bignonia - Germano, MG

"In a continuous manner, Samarco has taken measures on conservation and management of environmental preservation areas, legal reserves and conservation units in the municipalities where Samarco operations are located. In 2010, the Company will invest, through legal requirements, in the rehabilitation of 59.78ha in the area of the Muniz Freire Hydroelectric Power Plant (ES), expansion of a program intended to rehabilitate sources and riparian vegetation along catchment areas in the State of Espírito Santo and in the conservation and maintenance of legal reserve areas in Minas Gerais and Espírito Santo."



Sandrelly Amigo, Samarco Environment Management.

Waste

Selective waste collection is performed at all units, on a daily basis or on specific days, according to the type of material. The areas pre-defined the waste disposal sites.

All waste materials are adequately disposed of, regardless of their nature – mineral, domestic, technologic or other type of waste.

Examples of waste: scrap iron, rubber, wood, belt conveyor scrap, bronze and copper scrap, lamps, IT equipment and electro-electronic equipment, used oils, grease/oil-contaminated materials, refractories, chemical and clinic waste, domestic waste – organic, recyclable – and others. We do not transport hazardous waste listed by the Basel Convention.

Waste generation – Ubu (ES)/Germano (MG)			
Type of waste	2007	2008	2009
Waste generated – sanitary waste, rubble, domestic and industrial waste (t)	190.252	106.503	9.596
Oils (t)	192,80	261,22	198,25

The high waste generation rate in 2007 and 2008 is explained by the fact that all pellets falling from belts of the Ubu unit were quantified as waste and taken to the screening circuit for reutilization. As this represented an enormous amount of material, the waste indicators were compromised, as the reuse rate was almost 100%. Thus, since 2009, this material has been quantified as product, rather than waste.

Waste destination – Ubu (ES)/Germano (MG)			
Type of waste	2007	2008	2009*
Waste recycled/reused in the process (domestic and industrial waste)	97,49%	97,89%	63,82%
Waste disposed of in landfills (domestic and industrial waste)	0,79%	1,46%	15,76%

(*) The remaining 20.42% refer to stored waste composed of refractory materials.

The methodology adopted by Samarco is based on the safest destination form each class of waste, in conformance with the environmental legislation and such to reduce environmental liabilities, and adopting the following order of priority: reduction, reuse, recycling, treatment and final destination.

Thus, it is possible to note that the waste reuse rate, in 2009, dropped to 63.82%, which is still considered high, with just

15.76% of all generated waste being disposed of in landfills (industrial and domestic waste).

We seek, continuously, new waste reuse alternatives, such as composting of organic waste, recycling of cooking oil and reuse of several industrial waste materials in processes of other companies.

The Germano (MG) and Ubu (ES) units count on a Waste Plant, responsible for the regular collection and storage of industrial and domestic waste.

After being collected, the waste is sorted in the plant, such that each waste type is given the correct destination. Some waste materials are recycled and others are donated, sold, reused, shipped to be used in compost or disposed of in landfills, co-processed in cement plants and even incinerated.

Solid waste undergoes a series of steps required for its correct management: segregation, collection, weighing, intermediate disposal, transportation and final disposal in adequate sites.

Domestic waste, after separation, is donated to associations of garbage pickers, generating occupation and income to the communities. Two associations (Ouro Preto - MG and Guarapari - ES) benefit from this.

Waste that can not be internally treated is directed to companies accredited by Samarco and licensed by an environmental agency, where waste is recycled, reused or treated, as per the classes defined by ABNT Standard NBR10004.

Waste generation (t)	2007	2008	2009	Total generated %, 2007	Total generated %, 2008	Total generated percentage, 2009
Industrial waste - class I	413,14	406,17	414,47	0,22	0,38	4,32
Industrial waste - class II	188.927,47	105.023,26	8.527,32	99,30	98,61	88,86
Domestic waste	912,21	1.073,57	654,88	0,48	1,01	6,82
Total generation of domestic and industrial waste	190.252,82	106.503,00	9.596,66	100,00	100,00	100,00

Waste destination (t)	2007	2008	2009	Total generated %, 2007	Total generated %, 2008	Total generated %, 2009	Disposal
Industrial waste - Class II (reusable)	184.714,82	103.569,90	5.548,78	97,09	97,25	57,82	Recycling
Used and recovered oil (internally and externally to Samarco)	247,12	288,75	326,75	0,13	0,27	3,40	Re-refining
Oil/grease-contaminated waste	173,08	139,51	263,86	0,09	0,13	2,75	Co-processing
Class I hazardous waste, except used oil, oily waste, lamp and clinic waste	37,85	18,58	33,77	0,02	0,02	0,35	Class I landfill or incineration
Fluorescent lamp	0,67	1,02	0,43	0,00	0,00	0,00	Decontamination
Clinic waste	0,27	0,44	0,30	0,00	0,00	0,00	Incineration
Class II industrial waste (non reusable) disposed of in landfill	1.068,10	1.021,14	1.135,23	0,56	0,96	11,83	Industrial landfill
Domestic waste disposed of in landfill	441,48	528,33	377,44	0,23	0,50	3,93	Sanitary landfill
Recyclable domestic waste (plastic cup, paper, etc.)	185,18	212,27	130,87	0,10	0,20	1,36	Recycling
Organic waste	552,47	380,84	117,73	0,29	0,36	1,23	Composting
Total waste sent to destination	187.421,04	106.160,78	7.935,16	98,51	99,68	82,69	

Waste destination (t)	2007	2008	2009	Total generated %, 2007	Total generated %, 2008	Total generated %, 2009
Industrial, domestic and reusable waste	185.699,59	104.451,76	6.124,13	97,61	98,07	63,82
Waste disposed of in landfill (domestic and industrial waste)	1.509,58	1.549,47	1.512,67	0,79	1,45	15,76

Samarco also counts on the 'Blitz' Inspection program that comprehends bi-weekly visits to operating areas that are ranked according to a score based on cleanliness and tidiness conditions and correct waste disposal.

No penalties are applied, because this is not the purpose of the program, but rather to set a positive competitiveness and provide guidance to the sites on whatever is required and observe good practices that can be disseminated to other sites. The program was first implemented in the Germano unit (MG) and, gradually, will be extended to the Ubu unit, in Anchieta (ES), and to administrative units.

Energy efficiency

The pipelines transport the iron ore under low impact and cost conditions. Expenditure with energy is reduced from half of the route, when the iron ore slurry flows by gravity, thus reducing pumping needs.

To improve our energy efficiency, projects involving high energy consumption are reviewed by our power management area.

Moreover, our use of power transmission networks operated by public agencies is continuously monitored, both in Minas Gerais and in Espírito Santo, seeking the best degree of utilization.

Power consumption by Samarco in 2009 was 1.537 GWh, being 402,830MWh (26%) supplied by our two hydroelectric power plants – Muniz Freire and Guilman-Amorim. The remaining 74% was acquired by means of long-term agreements with power generation companies using renewable energy sources, backed by hydroelectric projects. Therefore, 100% of electric power consumed by Samarco is supplied by renewable sources.

Due to the global economic-financial crisis and instability of the iron ore market in early 2009, that year was atypical for our production schedule, with several plant shutdowns. This situation impaired several actions relative to energy efficiency and conservation, as well as their measurement in large scale. The energy efficiency projects were resumed in 2010.



Waste storage center – Ubu, ES

In 2009, Guilman-Amorim achieved an energy generation record, i.e., generation of 274,088 MWh.

Evolution of the power consumption (MWh)			
Indicators	2007	2008	2009
Annual consumption	1.305.343	1.545.869	1.537.616
Acquired from thirds	913.811	1.497.160	1.288.032
Generated by the Company	388.212	371.525	402.830
Energy sold	8.858	289.781	152.522

Evolution of energy production (generation – MWh)		
Year	Guilman-Amorim	Muniz Freire
2007	261.697	126.605
2008	260.919	110.606
2009	274.088	128.742

Note: Samarco has 49% interest in the Guilman-Amorim Consortium.



Muniz Freire Hydropower Plant, ES

Rehabilitation of altered areas

Samarco counts on an Altered Areas Rehabilitation Program that is permanently active.

Annually, the Environment, Mining, Geotechnical & Dam managers meet to map areas subject to rehabilitation. Based on this information, new projects are developed and invitations to bids are forwarded to specialized companies.

The rehabilitation work comprehends not only revegetation, but also mechanisms to attract and monitor the avifauna and mammal fauna in rehabilitation areas, and the introduction of native bees, as well as special care with waters and eventual drainages.

Evolution in hectares		
Year	Altered areas	Rehabilitated areas
2007	80	17
2008	124	10,5
2009	21	18

Note: in 2008, the significant increase of altered areas is a result of the implementation of the Fundão Dam, in the Germano unit (MG).

In 2009, the Closure Plan prepared for Samarco Operational Units was reviewed, as required by stockholders and as

planned by Samarco. This type of plan, which is followed by companies committed to a high level of socio-environmental responsibility, is critical for the business. The Plan is reviewed every three years and takes into consideration the life cycle of the project, resources required, closure strategy and solution to be adopted for the rehabilitation of the affected area, as well as assumptions to be observed, considering the economic, social and environmental dimensions associated to the closure of a mining company. Samarco has an integrated closure plan that contemplates the entire operation.

Along the pipelines, we execute rehabilitation and maintenance work on the right of way, over a stretch of land of about 400km in length, by means of an altered areas revegetation program.

In addition, we are permanently in contact with all landowners positioned in the vicinities of the right of way (more than 900 landowners). Through such dialogue, meetings are frequently held to examine claims, update information, etc.

There are no reports of informal mining activities within the Samarco operational areas.

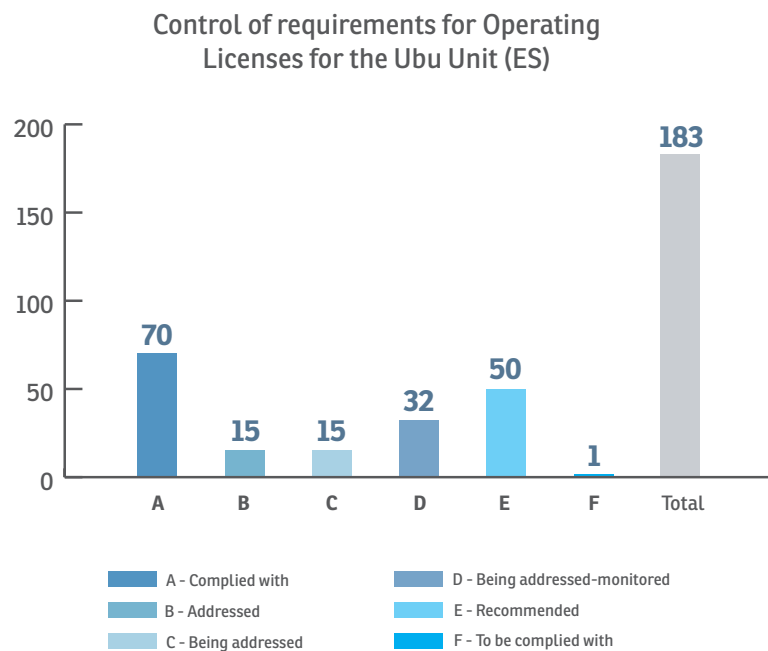
Licensing Requirements/Conduct Adjustment Agreements/Penalties

Environmental permits usually include requirements intended to minimize negative impacts, enhance positive impacts and, where mitigation is not practicable, compensate for any negative impacts.

A) UBU (ES)

In 2009, our operations at Ubu Site (ES) were regularly licensed through Operating Licenses LO 029/05, LO 029/08, LO 068/08, and LO 160/07. These licenses include a total of 183 requirements. Compliance with such requirements is continuously monitored through appropriate worksheets.

The chart below shows the compliance status on the requirements associated with the Operating Licenses for the Ubu Site (ES).



LEGEND:

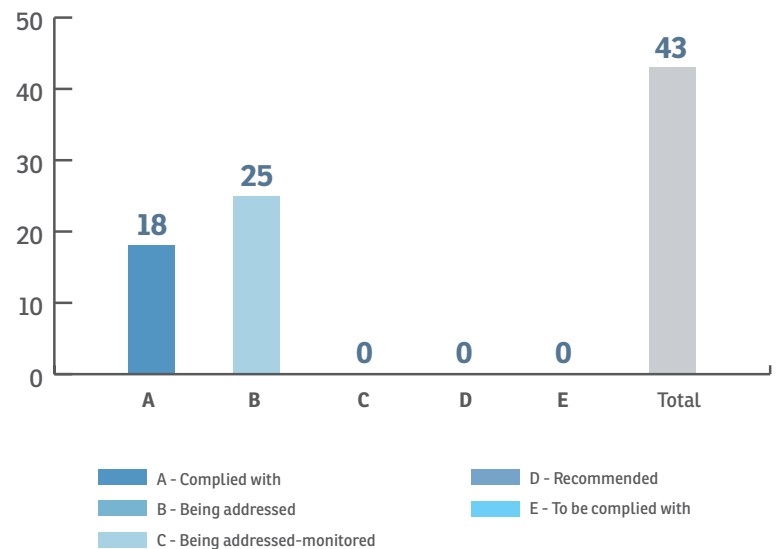
- **Complied with:** when IEMA has found it to be complied with and has informed the Company thereof through a written notice.
- **Addressed:** when compliance supporting documentation has been submitted to IEMA.
- **Being addressed:** when actions related to a project, plan or program are being implemented or performed, or a project/study is being developed.
- **Being addressed-monitored:** when a licensing requirement involves recurrent action.
- **Recommended:** when no document submittals are required.
- **To be complied with:** when the submittal deadline has not passed.

B) GERMANO (MG) AND PIPELINES

Operations at Germano site and the ore pipelines were covered by 11 Operating Licenses in 2009. Compliance with the requirements associated with these licenses is tracked using appropriate software and worksheets.

The chart below shows the compliance status on the requirements associated with the Operating Licenses issued in 2009.

Control of requirements for Operating Licenses for the Germano Unit (MG) and the Pipelines



In 2009, we moved ahead with two Conduct Adjustment Agreements (TAC). To meet our commitments under one of these agreements, we conducted studies to recover and revitalize coastal lagoons in the municipalities of Anchieta and Guarapari, in the State of Espírito Santo, and Mãe-Bá lagoon, located in both municipalities. Based on these studies, we drew up, together with the municipal administrations of Anchieta and Guarapari, the Master Plan for Coastal Lagoons (PDLC), which was initiated in November 2008 and involves the work of 16 professionals, including biologists, engineers, sociologists, and economists. Information has been collected on the water quality, sediments, potential uses of local soils, and fauna and flora biodiversity. Work has also included mapping pollution sources and land use and occupancy around local lagoons. To follow the research and study efforts, a Coastal Lagoon Management Committee was set up consisting of stakeholder representatives. In respect of this Conduct Adjustment Agreement (TAC), initiated in August 2005, Samarco has fully complied with 23 of its 33 commitments.



Germano dam, MG

Other three commitments have been addressed, six are being addressed, an one is being monitored.

IN 2009, ENVIRONMENTAL PENALTIES INCLUDED THE FOLLOWING:

- 1 - Daily penalty charge notice no. 156/09, issued by the Espírito Santo State Environment and Water Resources Institute and received on 19 March 2009, by reason of the "Failure to comply with part of Requirement no. 3, imposed by the appropriate environmental agency as part of the Operating License no. 160/07", in the amount of R\$ 456.45 per day.
Samarco appealed against the penalty and is awaiting a decision.
- 2 - Notice of Infraction (AI) no. 18.380/2009, received on 18 June 2009, by reason of "Causing disturbance to a permanent protection area (APP) – Gualaxo water mains and machinery storage shed", in the amount of R\$ 3,031.83.
Fine paid on 2 July 2009.
- 3 - Notice of Infraction (AI) no. 18.381/2009, received on 18 June 2009, by reason of "Causing disturbance by disposing solid waste (gravel) into a stream", in the amount of R\$ 50,000.00.
On 2 July 2009, Samarco requested the Minas Gerais Water Management Institute (Igam) to issue the relevant payment form, but it has not been received so far.

- 4- Notice of Infraction (AI) no. 726/2009, received on 1 April 2009, by reason of "Building a dyke on Macacos Creek without proper permission", in the amount of R\$ 1,000.00.
Fine paid on 7 January 2010.

- 5 - Notice of Infraction (AI) no. 727/2009, received on 2 April 2009, by reason of "Abstraction of dam water without proper permission – Matipó", in the amount of R\$ 1,000.00.
On 14 August 2009, Samarco requested the Minas Gerais Water Management Institute (Igam) to issue the relevant payment form, but it has not been received so far.

Last year (2008) Samarco received seven penalties related to environmental matters, all issued by the State Environment and Water Resources Institute of Espírito Santo (Iema). Together, they totaled R\$ 1,590,462.19.

In addition, owing to non-compliance with the Conduct Adjustment Agreement (TAC) no 10/2007, dated 14 August 2009, we executed an addendum to said TAC agreement setting new timelines, redefining the terms of previously-agreed clauses – most of them dealing with occupational safety and health (as provided under the Consolidation of Labor Laws - CLT and the regulations issued by the Ministry of Labor and Employment) – and fixing the amount of the fine at R\$ 774,440.00, which may be assigned, through an agreement between Samarco and the Public Prosecution Service, to campaigns and projects geared towards promoting the social dimension of labor.



ATTACHMENT 1





		GRI Framework Application Level					
GRI Application Level		C	C +	B	B +	A	A +
Mandatory	Self-declared		With external check		With external check		
Optional	Checked by others						
	Checked by GRI						

REPORTING METHOD AND GRI FRAMEWORK APPLICATION LEVEL

• Dialogue with Stakeholders and Construction of Materiality Matrix

In order to identify the most significant topics for our internal and external publics (shareholders, employees, clients, suppliers, communities, labor unions, media, public sectors, financial institutions, and the Public Prosecution Service) and, in particular, the main topics to be addressed by our 2009 Annual Sustainability Report, that is to say, material topics that reflect the Company's economic and socio-environmental impacts or that may influence our stakeholders' judgments, behavior and decisions:

• Main external stakeholder representatives were heard.

• A workshop was conducted with the internal public to discuss the materiality of different topics. The workshop was attended by 55 persons, including representatives of employees (47), audit professionals and content and design suppliers.

The results were grouped together into the Materiality Matrix, arranged along two axes: the degree of significance of the various topics to the stakeholders and to the Company.

• Employee Training

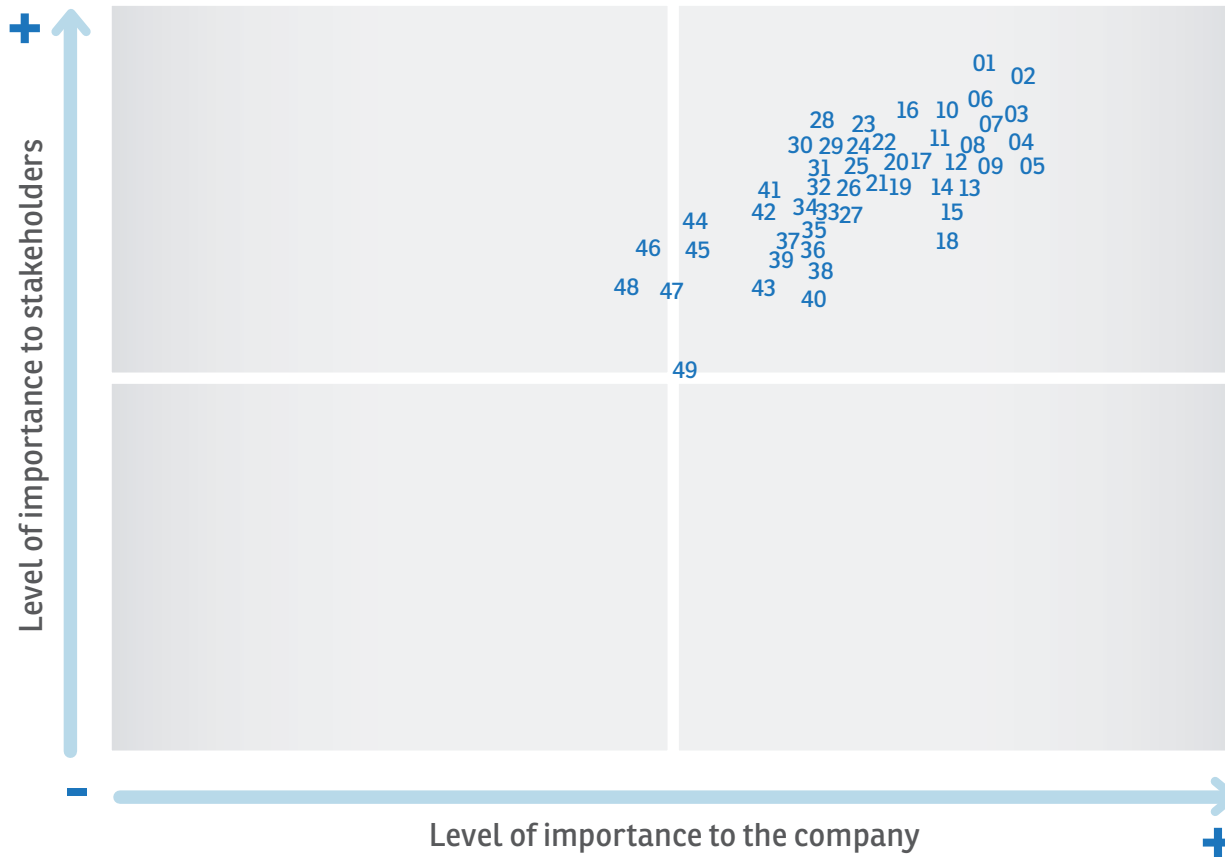
All the employees responsible for the information included in this Report, whether they were managers or not, received training in the GRI methodology.

Training workshops received support from BSD Consulting.

• GRI Framework Application Level

We understand that 2009 Annual Sustainability Report has reached a GRI application level of A+. The external assurance process was conducted by KPMG AUDITORES INDEPENDENTES.

MATERIALITY MATRIX



The following topics were selected during a survey with employees and outside stakeholders.

More than identifying the “preferences” of each group, selected topics serve to point out a direction that should govern our efforts to continuously and effectively improve our management practices, our strategic actions, and our relationship with all publics of interest.

SPECIFIC ISSUES

- 01 - Occupational health and safety
- 02 - Ethics
- 03 - Consumption/conservation of natural resources
- 04 - Commitment to sustainability
- 05 - Water resource management
- 06 - Product quality
- 07 - Transparency/clarity
- 08 - Atmospheric emissions management
- 09 - Socio-environmental impact management
- 10 - Markets and clients
- 11 - Image and reputation
- 12 - Environmental investments
- 13 - Local development
- 14 - Preservation of biodiversity
- 15 - Job and income generation
- 16 - Strategy
- 17 - Quality of life
- 17 - Waste management
- 18 - Socioenvironmental responsibility projects
- 19 - Financial results
- 19 - Rehabilitation of altered areas
- 20 - Professional development
- 21 - Code of Conduct
- 21 - Economic value generated and distributed
- 22 - Mission, Vision and Values

- 23 - Energy efficiency
- 24 - Capacity for dialogue
- 25 - Relationship with government entities
- 26 - Development of products and services
- 27 - Career and succession
- 28 - Product safety
- 29 - Investment projects
- 30 - Governance system
- 31 - Performance indicators
- 32 - Innovation, technology and knowledge
- 33 - Dialogue channels
- 34 - Compensatory and mitigating measures
- 35 - Participation in public policy-making
- 36 - Benefits and remuneration
- 37 - Indirect economic impacts
- 38 - Partnering with local organizations
- 39 - Fines/penalties
- 40 - Investment in local infrastructure
- 41 - Relations with the media
- 42 - Integrated management system
- 43 - Supplier qualification
- 44 - Participative management
- 45 - Diversity
- 46 - Outsourcing
- 47 - Union relations
- 48 - Recognition of suppliers
- 49 - Development of local suppliers

Six of the ten main topics selected by the outside stakeholders are consistent with the topics pointed out by the internal public:

OUTSIDE STAKEHOLDERS

1. Occupational health and safety
2. Ethics
3. Product quality
4. Investment Projects
5. Strategy
6. Consumption/conservation of natural resources
7. Markets and clients
8. Transparency/clarity
9. Commitment to sustainability
10. Governance system
11. Image and reputation
12. Energy efficiency
13. Product safety
14. Mission, vision and values
15. Socio-environmental impact management
16. Environmental investments
17. Atmospheric emissions management
18. Quality of life
19. Professional development
20. Capacity for dialogue
21. Development of products and services
22. Innovation, technology and knowledge
23. Performance indicators
24. Waste management
25. Water resource management
26. Relationship with government
27. Integrated management system
28. Local development
29. Preservation of biodiversity
30. Rehabilitation of altered areas
31. Code of conduct
32. Economic value created and distributed
33. Financial results
34. Dialogue channels
35. Employment and income generation
36. Socio-environmental responsibility projects
37. Compensatory and mitigating measures
38. Career and succession
39. Participation in public policies
40. Media relations
41. Diversity
42. Partnerships with local organizations
43. Participatory management
44. Penalties
45. Indirect economic impacts
46. Outsourcing
47. Benefits and remuneration
48. Investment in local infrastructure
49. Supplier qualification
50. Supplier recognition
51. Labor union relations
52. Development of local suppliers

INTERNAL PUBLIC

1. Water resource management
2. Commitment to sustainability
3. Ethics
4. Consumption/conservation of natural resources
5. Transparency/clarity
6. Occupational health and safety
7. Socio-environmental impact management
8. Atmospheric emissions management
9. Product quality
10. Environmental investments
11. Local development
12. Employment and income generation
13. Markets and clients
14. Socio-environmental responsibility projects
15. Preservation of biodiversity
16. Image and reputation
17. Quality of life
18. Strategy
19. Waste management
20. Professional development
21. Professional development
22. Rehabilitation of altered areas
23. Economic value created and distributed
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INDEX

GRI INDICATORS AND CORRELATION OF REPORT WITH GLOBAL PACT PRINCIPLES

Correlation with the GRI indicators described in this Report can be found either in texts/tables in the relevant sections where these indicators are discussed or in the GRI indicator index below.

PROFILE INDICATORS	PAGE(S) WHERE ANSWER IS FOUND
1. Strategy and analysis	
1.1. Statement on relevance of sustainability for Company	14, 16, 17, 22 e 24 a 33
1.2. Description of main impacts, risks and opportunities	15 a 17, 26 a 39, 70, 71 e 85 a 101
2. Organizational profile	
2.1. Name of the organization	20
2.2. Primary brands, products and/or services	20, 21 e 40 a 45
2.3. Operational structure of organization	20, 21 e 40 a 47
2.4. Location of organization headquarters	20 e 21
2.5. Number of countries where organization operates and has operations relevant to sustainability	20, 21, 69 e 117
2.6. Nature of ownership and legal form	20
2.7. Markets served by organization	20, 21, 69 e 117
2.8. Scale of operation	20, 21, 47, 52 e 53 (total de empregados) e 116 a 122
2.9. Significant changes during reporting period	116 a 122
2.10. Awards and certifications received during reporting period	110
3. Report parameters	
REPORT PROFILE	
3.1. Reporting period	2009
3.2. Date of most recent previous report	2008
3.3. Reporting cycle	Annual
3.4. Contact points for questions on report contents	relacionamento@samarco.com
SCOPE AND BOUNDARIES OF REPORT	
3.5. Process for defining report content	104 a 106
3.6. Boundary of the report	Report covers all Samarco operations and activities
3.7. Statement of any specific limitations on report scope or boundaries	104 a 106
3.8. Basis for reporting	All Samarco operations
3.9. Date measurement techniques and bases of calculations	GRI Index protocol
3.10. Explanation of effects of any restatement of information from previous reports and reasons therefor	None
3.11. Significant changes compared to previous years in terms of scope, boundaries or measurement methods applied in the report	None
GRI CONTENT INDEX	
3.12. GRI table which identifies the location of the information in the report	107 a 109

ASSURANCE		
3.13.	Policy and current practice for outside auditing and assurance	Report audited by KPMG.
Governance, commitments and engagement		
GOVERNANCE		
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4.8	Values, code of conduct and principles of organization relevant for economic, environmental and social performance	14, 16, 17, 24 a 26, 29 a 33, 50 e 51
4.9	Procedures for highest governance body to oversee economic, environmental and social performance	22 a 26
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4.11	Explain if organization applies precautionary principle	42 a 44 e 70
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4.13	Membership in domestic / international associations and/or advocacy institutions to which organization contributes with significant resources and/or deems strategic to its performance	111 e 112
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	- Employees	52 a 68
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	- Suppliers	72 a 75
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	- Public Sector	80
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ECONOMIC PERFORMANCE		PÁGINA (S) ONDE ENCONTRAR
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EC1	Direct economic value created and distributed	47 e 116 a 122
EC2	Financial implications, risks and opportunities for organization activities related to climate change	32 e 33
EC3	Coverage of organization's benefit/ pension plan	63
EC4	Significant financial assistance from government	Samarco does not receive financial assistance from any government body
EC5	Policies, practices and ratio of spending on locally-based suppliers for major operational units	62
EC6	Policies, practices and ratio of spending on locally-based suppliers for major operational units	72
EC7	Contratação local	56, 57, 59 e 72
EC8	Infrastructure investments and support to services of public benefit	75 a 80
EC9	Description of significant, indirect economic impacts	15, 20 e 21
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EN2	Percentage of recycled input materials	75
EN3	Direct energy consumption broken down by source of primary energy	20 e 98
EN4	Indirect energy consumption broken down by source of primary energy	98
EN5	Energy saved due to improvements in conservation and efficiency	No related action taken in 2009
EN6	Initiatives to supply products and services with low energy consumption	No related action taken in 2009
EN7	Initiatives to reduce direct consumption of energy and reduction in demand of energy resulting from these initiatives	No related action taken in 2009
EN8	Total water withdrawal by source	89
EN9	Water sources significantly affected by withdrawal	87 a 89
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EN11	Location and size of area owned	92 a 96
EN12	Description of significant impacts on biodiversity caused by activities, products and services	92 a 96
EN13	Protected or restored habitats	92 a 96
EN14	Strategies for management of impacts on biodiversity	92 a 96
EN15	Number of species included on IUCN's Red List and other lists of endangered species	93 a 95

EN16	Total direct and indirect greenhouse gas emissions, by weight	90 a 92
EN17	Other relevant indirect greenhouse gas emissions, by weight	90 a 92
EN18	Initiatives to reduce emission of greenhouse gases and reductions achieved	90 a 92
EN19	Emissions of ozone-depleting substances by weight	Samarco emits no ozone-depleting substances. It purchases no products other than those complying with Conama's Resolution 267/00.
EN20	NOx, SOx and other significant atmospheric emissions, by weight	91 e 92
EN21	Total water discharge, by quality and destination	89
EN22	Total weight of waste, by type and disposal method	96 a 98
EN23	Number and total volume of significant spills	No significant spills reported at Samarco's Sites in 2009
EN24	Weight of waste transported, imported, exported or treated, deemed hazardous	96 a 98
EN25	Descrição de proteção e índice de biodiversidade de corpos d'água e habitats	92 a 96
EN26	Initiatives to mitigate environmental impacts	35 a 37, 45 e 85 a 101
EN27	Percentage of products and packaging material reclaimed, per product category	Not applicable
EN28	Monetary value of significant fines and number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations	100 e 101
EN29	Environmental impact associated with transportation of products and workers	20, 21, 42, 45, 70 e 92
EN30	Total investments and outlays related to environmental protection	86 e 87
Social performance indicators		
LABOR PRACTICES		
LA1	Total workforce by employment type, contract type and region	52, 53, 60 e 61
LA2	Total number and turnover rate, by age bracket, gender and region	52
LA3	Benefits offered to full time employees which are not offered to part time or temporary employees	63
LA4	Percentage of employees covered by collective bargaining agreements	63
LA5	Types of notices (deadlines and procedures)	80
LA6	Percentage of employees represented on formal health and safety committees	65
LA7	Rates of work-related injuries, diseases, lost days, absenteeism	66 e 67
LA8	Education, training, prevention and risk control programs	65, 66 e 68
LA9	Health and safety topics covered by formal agreements with labor unions	80
LA10	Average of hours of training, per year	57 a 59
LA11	Programs for competency management and continuous learning	55, 56, 57 a 59, 60, 63, 64, 78 e 79
LA12	Percentage of employees who regularly undergo performance analysis	56, 63 e 64
LA13	Composition of groups responsible for corporate governance and proportion of employees per category and gender	22, 23, 53 e 61
LA14	Ratio of basic salary of men to women, by professional category	60 e 62
HUMAN RIGHTS		
HR1	Description of policies and guidelines for managing all relevant human rights aspects	24 a 26, 31, 32, 35, 36, 73, 77 e 78
HR2	Contractors evaluated for compliance with human rights laws and regulations	73

HR3	Policies for evaluating performance and addressing issues relating to compliance with human rights laws and regulations	25, 26, 31, 32 e 73
HR4	Total number of incidents of discrimination and measures taken	61
HR5	Policy regarding freedom of association and its enforcement	80
HR6	Measures taken to help eliminate child labor	25 e 73
HR7	Measures taken to help eliminate forced labor	25 e 73
HR8	Security personnel training policies and procedures related to human rights aspects	26
HR9	Total number of violations involving rights of indigenous people and measures taken	There is no report of indigenous populations in Samarco areas
SOCIETY		
S01	Programs and practices to evaluate and manage impacts of operations on communities	75 a 80
S02	Business units submitted to evaluation of risks involving corruption	25, 26, 31 e 32
S03	Percentage of employees trained in anti-corruption policies and procedures	25, 26, 50 e 51
S04	Measures taken in response to incidents of corruption	25, 31, 32, 50 e 51
S05	Position taken with regard to public policies	81
S06	Policies regarding financial contributions to political parties, politicians or related institutions	81
S07	Total number of lawsuits due to anti-competitive behavior	No such lawsuits in 2009.
S08	Description of significant fines and total number of non-monetary sanctions	100 e 101
PRODUCT LIABILITY		
PR1	Policy for preserving health and safety of its product consumers	70
PR2	Cases of non-compliance associated with impacts caused by products and services	No cases in 2009.
PR3	Tipo de informação sobre produtos e serviços exigida por procedimentos de rotulagem	70
PR4	Cases of non-conformity with voluntary codes and regulations on product labeling	No cases in 2009.
PR5	Customer satisfaction practices, including results of measurement surveys	70 e 71
PR6	Programs for compliance with laws, standards and voluntary codes	Samarco is not a member of any regulatory agencies purporting to regulate competition in international markets. Nor does it observe any voluntary codes and regulations related to marketing, including marketing communications. In Brazil, Samarco abides by the rules issued by the Administrative Council of Economic Defense (Cade).
PR7	Cases of non-compliance associated with publicity and promotion of products and services	No cases in 2009.
PR8	Substantiated complaints related to violation of customer privacy	No cases in 2009.
PR9	Fines related to non-compliance with laws and regulations on the supply and use of products and services	70



SECTORAL INDICATORS		PÁGINA (S) ONDE ENCONTRAR
MM1	Total quantity of land (purchased, leased and managed for the production or extraction activities) disturbed or rehabilitated	21 e 99
MM2	Number/ percentage of identified operations which require biodiversity management plans, and number (percentage) of operations where plans are implemented	92 a 96
MM3	Number of strikes and work stoppages longer than one week, in the country.	21, 40 e 42
MM4	Number of strikes and work stoppages longer than one week, in the country.	No strikes in 2009.
MM5	Total number of operations which take place or are adjacent to indigenous lands, and number and percentage of operations or sites where there are formal agreements in place with indigenous people	There are no reports of indigenous peoples in Samarco areas
MM6	Total number and description of significant disputes/conflicts regarding use of land and common law rights of local communities and indigenous people.	84 e 99
MM7	Extent to which complaint mechanisms have been used to solve disputes/conflicts regarding use of land and common law rights of local communities and indigenous people, and outcomes thereof.	76, 77 e 84
MM8	Number and percentage of operations with small scale and artisanal mining (ASM) activities within or adjacent to the organization's operations; including associated risks and measures taken to manage and mitigate such risks.	No communities in close vicinity to Samarco's sites are engaged in small scale and artisanal mining (Iron Quadrilateral region).
MM9	List of operations involving resettlement, number of homes resettled in each case, and description of how this process affected their living conditions	No activities of this type occurred in 2009
MM10	Number/percentage of operations with closure plans	99
MM11	Programs designed for and progress made on management of ships and unloading operations.	42, 69, 70 e 74

CORRELATION WITH GLOBAL COMPACT

Principle	Pages where related topics are found
1. Companies must respect and support efforts to protect internationally-recognized human rights	14, 24 a 26, 29 a 32, 50, 51, 52 a 64, 65 a 68, 72 a 75 e 84.
2. Companies must make sure they will not get involved in any violations of such rights.	14, 24 a 26, 29 a 32, 50, 51, 52 a 64 e 72 a 75.
3. Support freedom of association and effectively recognize workers' collective bargaining rights.	14, 29 a 32, 50, 51 e 80.
4. Eliminate all forms of forced or compulsory work.	14, 29 a 32, 50, 51 e 72 a 75.
5. Eliminate child labor.	14, 29 a 32, 50, 51 e 72 a 75.
6. Eliminate discrimination in the work place.	14, 26, 29 a 32, 50, 51 e 52 a 64.
7. Support a preventative approach to environmental challenges.	14, 29 a 32, 32/33, 44 a 47, 50, 51, 75 a 80 e 85 a 101.
8. Develop initiatives to promote increased environmental responsibility.	14, 29 a 32, 32/33, 34 a 37, 44 a 47, 50, 51, 52 a 64, 68 a 71, 72 a 75, 75 a 80, 83 e 85 a 101.
9. Encourage development and spread of environment-friendly technologies.	14, 29 a 32, 32/33, 34 a 37, 44 a 47, 50, 51, 68 a 71, 75 a 80, 83 e 85 a 101.
10. Work against corruption in all its forms, including extortion and bribery.	14, 24 a 26, 29 a 32, 50, 51, 52 a 64, 72 a 75 e 81.



Guilherme Dias, at the time Secretary of Development, José Tadeu de Moraes, CEO of Samarco and Paulo Hartung, Governor of Espírito Santo.

AWARDS AND RECOGNITION

Below are listed some major market and society awards received by Samarco in 2009:

- Minas Gerais Quality Award's (PQMG) gold ribbon and trophy. This award recognizes companies that invest to achieve excellence in management practices and is based on the performance of their management models. Award recipients are selected following the criteria laid out by Fundação Nacional da Qualidade (FNQ)..
- Espírito Santo Quality Award's (PQES) gold ribbon, which also recognizes companies that have achieved management excellence. Award recipients are selected following the criteria laid out by Fundação Nacional da Qualidade (FNQ).
- Samarco's Annual Sustainability Report has achieved a GRI application level of A+, the highest rating assigned by GRI (Global Reporting Initiative), the most prestigious organization providing support for sustainability reporting, whose reporting framework is voluntarily used by companies from all over the world.
- Abrasca's Annual Report Award (Associação Brasileira das Companhias Abertas) was given to Samarco in recognition of its Managerial Reports and Annual Sustainability Reports, judged the best among all such reports issued by closed companies.
- In 2009, Samarco had its ISO 14001 certification renewed. It was the world's first mining company to receive the ISO 14001 certification, which covers its integrated operations, from mine to port.

LIST OF SAMARCO REPRESENTATIVES IN TRADE AND OTHER ASSOCIATIONS

Representation in trade and other associations in the State of Espírito Santo

Entity	Representative	Participation
1ª Região Militar – Acquisition and use of chemical products	Anderson Pedruzzi – Process Technician	Samarco representative
	Ramiro Angulo Blacut – Team Leader – Laboratories	Samarco representative
Associação Brasileira de Metalurgia, Materiais e Mineração (ABM)	Ramiro Angulo Blacut – Team Leader – Laboratories	Samarco representative
Associação Brasileira dos Recursos Humanos do Espírito Santo (ABRH/ES)	Juliana Borges Ferreira Souto – Human Resources Development Manager	Member of the Steering Board
	Luciana Lessa Soares – analista de Recursos Humanos	Samarco representative
Associação de Empresários de Guarapari (Aseg)	Márcio Isaías Perdigão Mendes – Sustainable Development General Manager	Samarco representative
Associação de Usuários de Recursos Hídricos do Estado do Espírito Santo (Aurhes)	Márcio Isaías Perdigão Mendes – Sustainable Development General Manager	Samarco representative alternate
	Rodrigo Dutra de Amaral – Environmental Manager	Samarco representative incumbent
Associação dos Práticos do ES (Praticagem)	Alex Sandro da Silva – Head of Port Operations Department	Samarco representative
	Robison Luiz Ramos – Team Leader – Port	Samarco representative
Associação Junior Achievement do Espírito Santo (Ajaes)	Fernando Schneider Kunsch – Communication and Institutional Relations General Manager	Board Member
Câmara de Indústria de Base da Federação das Indústrias do Estado do Espírito Santo (Findes)	Maurício Borloth Monjardim – Technical Coordinator - Special Projects	Samarco representative on Board and in Chamber
Centro de Apoio ao Pequeno Empreendedor do Espírito Santo	José Tadeu de Moraes – CEO	Regional President
Comissão Organizadora do Seminário de Automação da Associação Brasileira de Metalurgia, Materiais e Mineração (ABM)	Renato Guimarães Gonçalves – Expert Engineer	Samarco representative
Comitê de Bacia Hidrográfica do Rio Benevente	Paulo Cezar Silva – Technical Coordinator - Environment	Samarco representative
Comitê de Bacia Hidrográfica do Rio Itapemirim	Paulo Cezar Silva – Technical Coordinator - Environment	Samarco representative
Comitê Gestor de Resíduos Sólidos do Estado do Espírito Santo (Cogeres)	Daniel Pinto dos Santos Júnior – Environmental Analyst	Samarco representative alternate
	Paulo Cezar Silva – Technical Coordinator - Environment	Samarco representative alternate

Comitê Técnico de Minério de Ferro da ISO	Henrique Dias Gatti Turrer – Process Engineer	Samarco representative
	Mauricio Cota Fonseca – Expert Engineer	Samarco representative
	Thiago Marhcezi Doellinger – Process Engineer	Samarco representative
Comitê Técnico do Instituto Brasileiro de Mineração (Ibram)	Ramiro Angulo Blacut – Team Leader - Laboratories	Samarco representative in the Technical Committee
Conselho de Responsabilidade Social (Cores) – Federação das Indústrias do Estado do Espírito Santo (Findes)	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Advisory Board Member
Conselho Municipal de Defesa do Meio Ambiente (Comdema) – Anchieta	Márcio Isaías Perdigão Mendes – Sustainable Development General Manager	Samarco representative, on behalf of the Federation of Industries of Espírito Santo (Findes)
Conselho Regional de Meio Ambiente (Conrema IV)	Paulo Cezar Silva – Technical Coordinator - Environment	Samarco representative, on behalf of the Federation of Industries of Espírito Santo (Findes)
Conselho Regional de Química (CRQ)	Thiago Marhcezi Doellinger – Process Engineer	Board Member
Conselho Regional de Química 3ª Região (CRQ-3)	Ramiro Angulo Blacut – Team Leader - Laboratories	Samarco representative
Conselho Superior de Meio Ambiente (Consuma) da Federação das Indústrias do Estado do Espírito Santo (Findes)	Rodrigo Dutra de Amaral – Environmental Manager	Samarco representative – alternate
	Paulo Cezar Silva – Technical Coordinator - Environment	Samarco representative – incumbent
Conselho Temático de Infraestrutura (Coinfra)	Nélio Rodrigues Borges – Expert Engineer	Vice-president
Diretoria Plenária da Federação das Indústrias do ES (Findes)	Ricardo Vescovi de Aragão – Operations and Sustainability officer	Director
Espírito Santo Unido Contra o Crime (Esucc)	Benedito Waldson Pinto – Human Resources and Administration General Manager	Advisory Board Manager
Federação das Indústrias do Estado do Espírito Santo (Findes)	José Tadeu de Moraes CEO	Director
	Ricardo Vescovi de Aragão – Operations and Sustainability Officer	Instituto Euvaldo Lodi Board Member Master (IEL)
	Fernando Schneider Kunsch – Communication and Institutional Relations General Manager	Director – Southeastern Region
	Maurício Borloth Monjardim – Technical Coordinator - Special Projects	Infrastructure Board member
	Nelson Flávio Nogueira da Silva – Technical Coordinator – Procurement	Samarco representative

Movimento empresarial Espírito Santo em Ação (Mees)	José Tadeu de Moraes CEO	Operational Board Member
	Ricardo Vescovi de Aragão – Operations and Sustainability Officer	Operational Board Member
	Fernando Schneider Kunsch – Communication and Institutional Relations General Manager	Citizenship and Political Action Follow-up Committee Member
	Márcio Isaias Perdigão Mendes – Sustainable Development General Manager	Environmental Chamber
Movimento empresarial Espírito Santo em Ação (Mees)	Maurício Borloth Monjardim – Technical Coordinator – Special Projects	Logistics Board Member
	Nelson Flávio Nogueira da Silva – Technical Coordinator – Procurement	Board Member – Oil and gas group
Órgão Gestor de Mão de Obra (Ogmo)	Alex Sandro da Silva – Head of the Port Operations Department	Samarco representative
Programa de Desenvolvimento de Fornecedores (Prodfor)	Nelson Flávio Nogueira da Silva – Technical Coordinator – Procurement	Strategy Committee Member
Programa de Harmonização dos Portos (Prohage)	Alex Sandro da Silva – Head of the Port Operations Department	Samarco representative
	Robison Luiz Ramos Team Leader – Port	Samarco representative
Sociedade Amigos da Marinha (Soamar)	Alex Sandro da Silva Head of the Port Operations Department	Samarco representative
	Robison Luiz Ramos – Team Leader – Port	Samarco representative

Representation in trade and other associations in the State of Minas Gerais

Entity	Representative	Participation
Associação Brasileira de Comunicação empresarial (Aberje)	Juliana Machado Cardoso Matoso – Corporate Communication Manager	Samarco representative
Associação Comercial de Minas (ACMinas) – Conselho empresarial de Negócios Internacionais	Roberto Lucio Nunes de Carvalho – Commercial and Corporate Services Officer	Samarco representative
Associação dos Exportadores Brasileiros	Roberto Lúcio Nunes de Carvalho – diretor Comercial e de Serviços Corporativos	Samarco representative
Comitê de Bacia Hidrográfica do Rio Piracicaba	Hélio Ferreira – Technical Coordinator – Environment	Samarco representative
Comitê de Bacia Hidrográfica do Rio Piranga	Igor Moreira Malta Environmental Analyst	Samarco representative
Comitê de Bacia Hidrográfica do Rio Doce	Rodrigo Dutra de Amaral Environmental Manager	Samarco representative
Comitê Organizador do Simpósio Internacional de Minério de Ferro	Roberto Lucio Nunes de Carvalho – Commercial and Corporate Services Officer	Samarco representative
Conselho Consultivo do Parque Estadual do Itacolomi e da Estação Ecológica do Tripuí	Igor Moreira Malta – Environmental Analyst	Samarco representative
Conselho de Cidadania empresarial da Federação das Indústrias do Estado de Minas Gerais (Fiemg)	José Tadeu de Moraes – CEO	President
	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Advisory Board Member
Conselho Deliberativo da Rede Cidadã	José Tadeu de Moraes CEO	Steering Board Member

Conselho empresarial de Meio Ambiente (Cema) – Federação das Indústrias do Estado de Minas Gerais (Fiemg)	Rodrigo Dutra de Amaral Environmental Manager	Samarco representative
Conselho Municipal de Conservação e Defesa do Meio Ambiente (Codema)	Igor Moreira Malta Environmental Analyst	Samarco representative
Fundação Gorceix	Roberto Lucio Nunes de Carvalho – Commercial and Corporate Services Officer	Board Member – Curator
Instituto Minas pela Paz	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Audit Committee alternate member
Programa de Desenvolvimento Integrado de Fornecedores (PDF)	Nelson Flávio Nogueira da Silva – Technical Coordinator – Procurement	Steering Board member
Unidade Regional Colegiada Rio das Velhas	Rodrigo Dutra de Amaral – Environmental Manager	Member

Representation in trade and other associations in Brazil

Entity	Representative	Participation
Academia Nacional de Engenharia (ANE) – Comitê de Transporte e Logística	Maurício Borloth Monjardim – Technical Coordinator – Special Projects	Samarco representative
Associação Brasileira de Grandes Consumidores Industriais de Energia e de Consumidores Livres (Abrace)	Nelson Flávio Nogueira da Silva – Technical Coordinator – Procurement	Samarco representative
Conselho Diretor do Instituto Brasileiro de Mineração (Ibram)	José Tadeu de Moraes CEO	President of the Steering Board
Grupo de Trabalho do Pacto Nacional pela Integridade e Combate à Corrupção – Ethos	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Member of Work Group
Grupo Referencial de empresas em Sustentabilidade – Ethos	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Samarco representative
GT empresas pelo Clima – Ethos	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Samarco representative
Ministério da Ciência e Tecnologia	Adriano Smarzarzo Siqueira	Corporate Sector's Representative to the Mining Industry Fund

Representation in trade and other associations abroad

Entity	Representative	Participation
Rede Latino-Americana de Desenvolvimento Comunitário Sustentável da BHP Billiton	Rosângela Maria Ferreira – Technical Coordinator – Sustainable Development	Samarco representative

STAFF

Editorial Coordination

Commercial and Corporate Services Department
Communication and Institutional Relations General
Management

Sustainability Coordination

Operations and Sustainability Department
General Management of Sustainable Development

Suppliers

Independent auditors

KPMG AUDITORES INDEPENDENTES

Materiality and Relata

BSD CONSULTING

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LÁPIS RARO

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Samarco Public Relations Center 0800 031 2303
and/or relacionamento@samarco.com

SAMARCO ADDRESSES IN BRAZIL AND ABROAD

BELO HORIZONTE

- Rua Paraíba, 1122 – 9º e 10º andares
Ed. das Américas – Funcionários
30130-918 – Belo Horizonte / MG
Tel.: +55 (31) 3269-8787 - Fax: +55 (31) 3269-8601
CNPJ: 16.628.281/0001-61 - IE: 062.1154.700029
- Rua dos Inconfidentes, 1190 – 5º e 6º andares
Ed. Inconfidentes – Funcionários
30140-120 – Belo Horizonte / MG
Tel.: +55 (31) 3269-8900 - Fax: +55 (31) 3269-8950
CNPJ: 16.628.281/0004-04

GERMANO INDUSTRIAL UNIT

- Mina de Germano, s/nº
35420-000 – Mariana / MG - Caixa Postal 22
Tel.: +55 (31) 3559-5000 Fax: +55 (31) 3559-5200
CNPJ: 16.628.281/0003-23 - IE: 400.1154.700118

UBU INDUSTRIAL UNIT

- Rodovia ES-060, km 14,4 s/nº - Ponta Ubu
29230-000 – Anchieta / ES
Tel.: +55 (27) 3361-9000 Fax: +55 (27) 3361-9480
CNPJ: 16.628.281/0006-76 - IE: 080.611.35-4

AMSTERDAM

- Samarco Iron Ore Europe BV.
Strawinskylaan 627, WTC Amsterdam Tower B, 6th Floor
1077 XX – Amsterdam / The Netherlands
Tel.: +31 (0) 20 571-2400 – Fax +31 (0) 20 571-2409

HONG KONG

- Samarco Asia Limited
1310,13 / F Lippo Centre Tower Two
89 Queensway – Admiralty / Hong Kong
Tel.: +852 2868-3380 – Fax: +852 2868-3015



ATTACHMENT 2





FINANCIAL STATEMENTS

A - Financial Statements

In compliance with the Federal Accounting Board's Resolution no. 1,179/09, of 24 July 2009, which provides for accounting policies, changes in estimation methods and correction of errors, we decided to adopt the U.S. Dollar as our functional currency instead of Brazil's real, pursuant to Technical Pronouncement CPC 02, and, as a result, restate and re-present the financial statements for the years ended 31 December 2008 and 2007.

Since the issue of CPC 02, we had been engaged in discussions trying to determine which currency was more relevant to the Company's economic context. Owing to the complexity of the matter, compounded by the fact that mixed currency indicators were used and no Samarco's functional currency was evident, we chose to continue using Brazil's real as the functional currency in our financial statements for the years ended 31 December 2008 and 2007, while awaiting conclusion of the appropriate studies.

In 2009, we conducted a more in-depth study on the actual impact of primary indicators (with consideration of external events that influence price formation and, in particular, the

extent to which the global market affects the determination of operating costs) and secondary indicators on our operating activities. In addition to such studies, the currency used by Samarco for managing its financial and operational performance was also taken into consideration.

As a result, the financial statements for the years ended 31 December 2008 and 2007, accompanied by the independent auditors' reports, dated 8 April 2009, confirming that they were free from material misstatement, have been restated to incorporate the effects of the use of the U.S. Dollar as the functional currency on Samarco's balance sheet accounts, income statements and cash flows.

Proper action was taken to re-present these financial statements in order to disclose the Company's actual assets and financial position, based on the accounting practices in use in Brazil at that time.

B – Financial Statements

• Production

In 2009, despite operating sometimes at one third of its nominal capacity, particularly during the second half of the year, because of the world's economic and financial crisis, we achieved our second best result since the commencement of our operations in 1977.

The production of iron ore pellets went down by 6.38% compared to the previous year, reaching 16.051 million tons. In contrast, the production of pellet feed rose 17.5% in the same period.

Samarco's total output reached 17.622 million tons in 2009. This figure is 4.6% lower than the all-time high of 18.484 million tons recorded in 2008.

Year	Pellets	Pellet Feed	Total
2007	14,261	1,721	15,982
2008	17,145	1,337	18,482
2009	16,051	1,571	17,622

(in millions of dry metric tons)

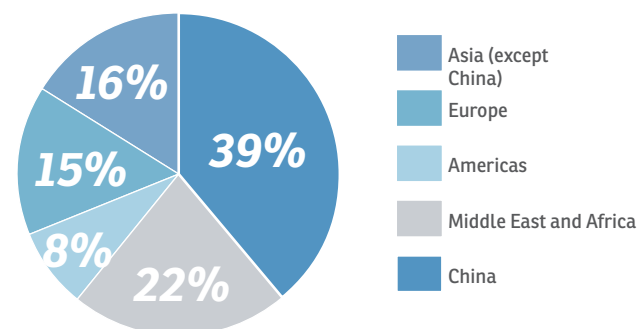
• Distribution of Sales

Among the countries that bought Samarco's products in 2009 are: China, Taiwan, Malaysia, Indonesia, Japan, India, Argentina, USA, Germany, Spain, France, United Kingdom, Turkey, Libya, Saudi Arabia, Egypt, Qatar, Trinidad & Tobago, South Africa, and Arab Emirates. Even though 2009 saw part of our production being sold to domestic clients, Samarco continued to be essentially an export-oriented company.

During 2009, Samarco shipped out 18.5 million tons of both pellets and pellet feed, 16.9 millions tons of which were pellet feeds, hitting a record high in its 32-year history.

Most of its output was sent to the Chinese market, which accounted for 39% of all Samarco's sales in 2009. Its second largest geographic market was Middle East – Africa, with 22% of all sales. Of the remaining production, 16% was sold to Asian markets (except China), 15% to Europe, and 8% to the Americas.

- Distribution of Sales



• Financial Results

Financial Highlights (in R\$ MM)			
	2009	2008	2007
Net Sales	2.813	4.166	2.475
Gross Margin (%)	51,6	62,1	56,8
Net Income	1.474	1.263	1.042
EBITDA	1.268	2.322	1.212
EBITDA Margin (%)	45	56	49
Gross Debt EBITDA	2,0x	1,6x	2,0x

Financial Highlights (in US\$ MM)			
	2009	2008	2007
Net Sales	1.423	2.307	1.280
Gross Margin (%)	50,4	61,5	56,6
Net Income	480	902	520
EBITDA	584	1.332	613
EBITDA Margin (%)	41	58	48
Gross Debt / EBITDA	2,5x	1,2x	2,2x

• Gross Revenue

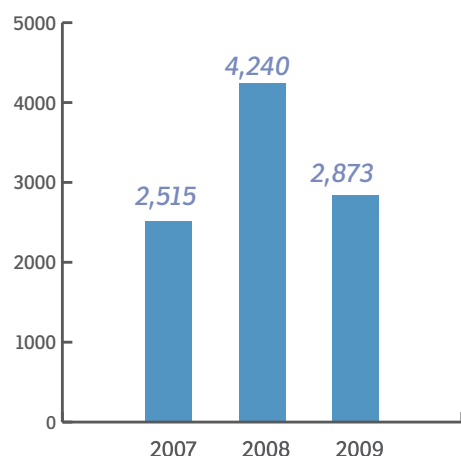
Samarco's gross revenue reached US\$ 1,436 million in 2009, down 38.9% from US\$ 2,349 million in 2008. The main reason for this drop in revenue was the reduction in the price of pellet by 48.3% and pellet feed by 28.2%, as part of the annual negotiations between producers and buyers.

Also outstanding was the negative impact of the decreased share of Direct Reduction – DR in its sales mix (45% in 2009 versus 52% in 2008), which led to a drop in gross revenue.

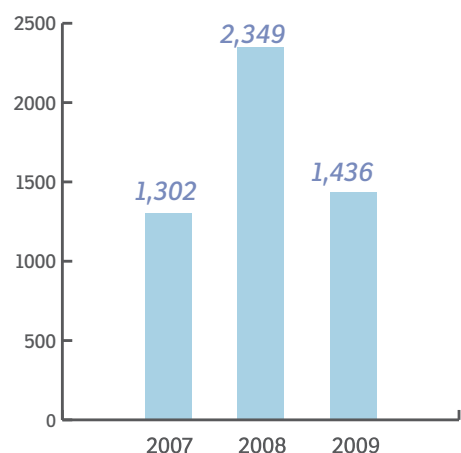
On the other hand, the 4.3% increase in pellet sales (16.9 million tons in 2009 compared to 16.2 million dry metric tons

in 2008), chiefly because of the increasing demand for iron ore in the second half of 2009, which made it possible for Samarco to hit an all-time high in shipments and increase its pellet feed sales, offset some losses.

Gross Revenue R\$ MM



Gross Revenue US\$ MM



• Gross Margin

The 16.9% decline in gross revenue in 2009 (51.6% in 2009 versus 62.1% in 2008), accounted for in Brazilian currency, is due mainly to the drop in gross revenue in Reais (38.9%).

Notwithstanding that, the austerity measures taken since the onset of the economic-financial crisis resulted in a 14.3% reduction in the cost of the products sold, from R\$ 1,362.2 million in 2009 (US\$ 705.9 million) to R\$ 1,580.3 million in 2008 (US\$ 888.2 million), in spite of the increase in total sales in 2009 (9.8%). Also instrumental in mitigating losses in revenue were our operational efforts to develop solutions and buy alternative products for use in

our industrial process, and the price drops of some consumables such as fuel oil (22.9%) and starch (9.9%).

Worth noting is the impact associated with the low capacity utilization rate, amounting to R\$ 117.4 million (US\$ 54.0 million), as a result of the weak demand during the first half of 2009, compared to R\$ 40.0 million (US\$ 17.3 million) in 2008, which was accounted for as operating cost, pursuant to item 13 of CPC 16 - Inventories.

The gross margin in U.S. Dollars dropped by 24.4% (46.5% in 2009 versus 61.5% in 2008), also adversely affected by the appreciation of the Brazilian currency against the U.S. Dollar (25.5%), which had an impact on our production costs.

• Net Income¹

The net income in dollars had a 46.8% decline compared to 2008 (US\$ 480.0 million versus US\$ 902.2 million), chiefly because of the drop to US\$ 884.9 in net revenue.

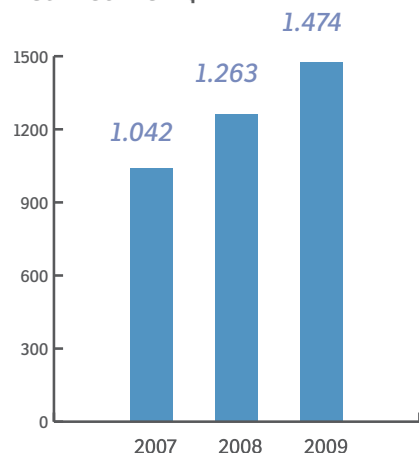
In addition to that, it is important to point out other factors that adversely affected the net income, such as: (i) the adverse impact of the translation¹ of the reserve accounts, in the amount of US\$ 78.0 million, due to the appreciation of the real against the dollar (25.5%), losses in ICMS credits, contingencies, legal obligations, mineral rights and profit sharing; (ii) higher outlays, with low utilization of installed capacity, compared to 2008, amounting to approximately R\$ 77.4 million (US\$ 36.7 million), as a result of the sharp decline in the iron ore market in the first half of 2009; and (iii) the adverse impact on contingencies, compared to 2008, in the amount of US\$ 11.8 million (R\$ 21.7 million), due mainly to the increase in provisions for civil litigations, labor claims and taxes.

With respect to the net income in Reais, the 16.7% increase (R\$ 1,474.3 million in 2009 versus R\$ 1,263.5 million in 2008) is considered the best result in Reais in Samarco's history. Such result is partly due to the positive impact of the exchange rate variation on 2009's result of R\$ 624.7 million, caused by the appreciation of the Real against the Dollar during the year (25.5%) and the positive impact of the Deferred Income Tax, amounting to R\$ 277.2 million, on non-monetary items, such as inventories and fixed assets, even though the exchange rate variation associated with these items is not directly recognized in equity, because of the difference in Functional Currency.

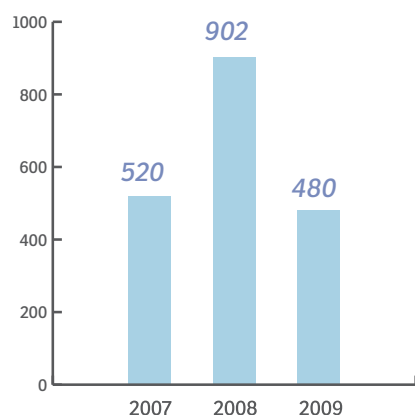
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¹Refere-se ao efeito em função do processo de conversão das demonstrações financeiras da Samarco da sua moeda funcional (Dólares norte-americanos) e da moeda de apresentação (Reais), o qual é denominado variação cambial dos itens monetários.

Net Income R\$ MM



Net Income US\$ MM



• Return on capital employed (ROCE²)

The return on capital employed, in dollars, was 17.0% in 2009, below the 41.8% return recorded in 2008. The variation was the same in Brazilian currency, or 22.2% in 2009 against 31.2% in 2008.

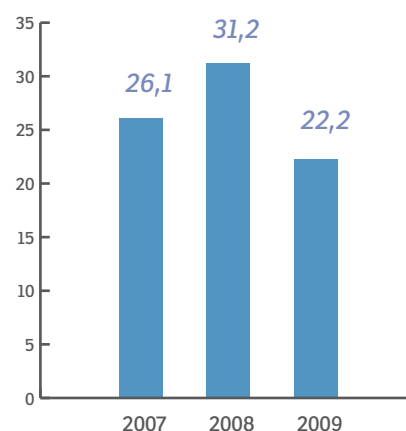
Such decline from previous year is related to a unfavorable operating result in 2010, as discussed in the revenue section, and other impacts dealt with in the gross margin and net income sections.

However, it is important to note that the reduction in asset value to R\$ 1,322.0 billion (US\$ 33.2 million) was caused by the impact of the foreign exchange rate variation on fixed asset accounts, the reduction in receivables to R\$ 241.6 million (US\$ 50.3 million), due to the drop in ore prices in 2009, coupled with

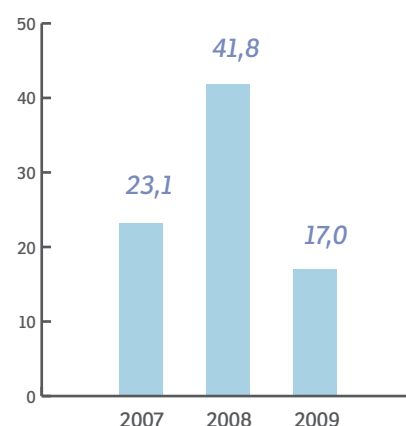
the reduction in inventory to R\$ 179.0 million (US\$ 51.7 million), compared to 2008. As a result of the recovery in the iron ore market, particularly during the second half of 2009, leading to an increase in the Company's sales, some of the ROCE losses ROCE were mitigated.

² - Return on Capital Employed (ROCE) is the rate of return a business is making on the total capital employed, i.e. a tool that measures the efficiency and profitability of capital investments undertaken. Therefore, $ROCE = EBIT / \text{Capital employed}$. The following are taken into account for the calculation of the capital employed: Net fixed assets in operation + inventory + accounts receivable - suppliers - salaries and payroll taxes.

ROCE in Reais (%)



ROCE in US dollars (%)



EBITDA³

The EBITDA in domestic currency in 2009 went down 45.4% to R\$ 1.268 million (US\$ 584 million), from R\$ 2.322 million (US\$ 1.332 million) in 2008, due mainly to the 38.9% decline in gross revenue.

In addition, it is important to note that the higher provisions for

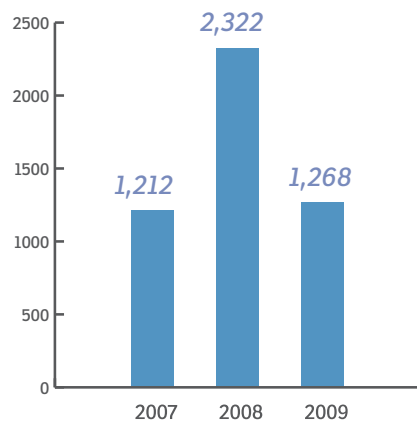
ICMS credit losses and the impact of the costs associated with a lower utilization of concentration and pellet plant capacity, as mentioned in the net income section, had a negative impact on the EBITDA.

On the other hand, lower cash costs, supported by our efforts to improve our processes, including initiatives such as LSS (Lean Six Sigma) which led to a reduction in auxiliary material requirements, coupled with lower expenditures on services hired, due mainly to contract revisions, offset some losses.

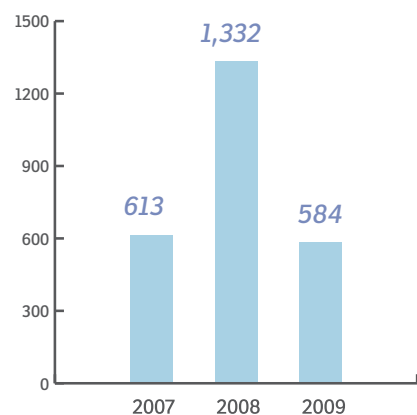
Although the EBITDA, in foreign currency, was 56.2% lower than in 2008, it should be noted that the smaller variation of 45.4% in domestic currency is due to the appreciation of the Real against the Dollar (25.5%). This had a positive impact on our results, as is the case with our cash costs.

³Earnings before interest, taxes, depreciation and amortization (EBITDA) é o lucro antes de juros, impostos, depreciação e amortização. Portanto, EBITDA = receita líquida das vendas + custo dos produtos vendidos + despesas comerciais + despesas administrativas + despesa participação nos lucros - despesa de depreciação/amortização.

EBITDA R\$ MM



EBITDA US\$ MM



• Investments⁴

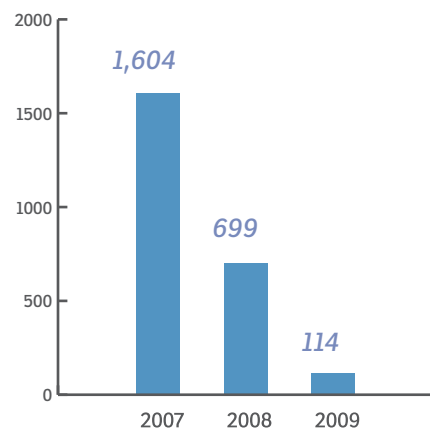
Investments in 2009 totaled R\$ 113.7 million (US\$ 59.5 million), a reduction of 83.7% from R\$ 699 million (US\$ 390 million) recorded in 2008. Most of the investments outlays, or 89.4% (R\$ 101.6 million/US\$ 52.2 million), were allocated to projects and purchases with a view to supporting our operations through operational improvements, replacement of industrial facilities, and investments aimed at promoting sustainable development, while complying with applicable Safety, Health and Environment policies, regulations and laws. The remaining outlays (R\$ 12.1 million/US\$ 7.3 million) were allocated to projects that have helped increase our productive capacity and productivity.

⁴Os valores de investimentos estão representados sob a ótica econômica.

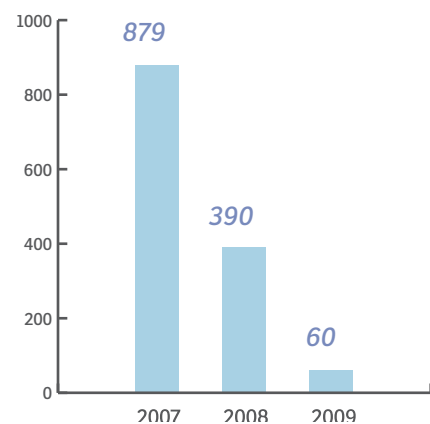
• Main outlays in 2009:

- Rehabilitation and improvements at Fundão Dam (R\$ 10.6 million/US\$ 5.8 million);
- Port dredging (R\$ 6.8 million/US\$ 3.9 million);
- Replacement of refractory lining of induration furnaces (R\$ 4.9 million/US\$ 2.2 million);
- Expansion of the waste dump of João Manoel (R\$ 9.4 million/US\$ 4.9 million), a project that was finished in 2009 and was aimed at expanding the waste dump of João Manoel to meet Third Pellet Plant needs;
- Installation of electrostatic precipitators (R\$ 2.3 million/US\$ 1.4 million), a project begun in 2009 to reduce particulate emissions from Pellet Plants 1 and 2 so they can have the same environmental performance as Pellet Plant 3;
- Adjustments to enable furnaces to work on gas (R\$ 2.5 million/US\$ 1.4 million), a project aimed at fitting the three induration furnaces with a gas firing system and capability to work on different types of fuel, separately or simultaneously, whichever is most cost-effective;
- Fatal risk control protocol (R\$ 5.0 million/US\$ 2.7 million), a project intended to reduce potential fatal hazard levels by enforcing compliance with the risk protocol; and
- Raising of Santarém Dam (R\$ 5.1 million/US\$ 2.5 million), a project intended to allow catchment of sufficient water to supply Concentration Plant 1 and finished in 2009.

Capital Investments in R\$ MM



Capital Investments in US\$ MM



• Indebtedness⁵

Samarco finished out 2009 with a gross indebtedness in foreign currency of R\$ 2,560.0 million (US\$ 1,470.9 million), which represents a decrease of 7.1% in Dollars (US\$ 112.4 million) from R\$ 3,698.9 million (US\$ 1,583.3 million) recorded in 2008. In Reais, the debt dropped 30.8% due chiefly to the impact of the 25.5% appreciation of the Brazilian currency against the U.S. Dollar.

The reduction in indebtedness, as measured in Dollars (US\$ 112.4 million), was supported, specially during the first half of 2009, by our strategic decision to reduce our short-term debt from US\$ 755.0 million, at the end of 2008, to US\$ 508.8 million, at the end 2009, in order to minimize risk exposure.

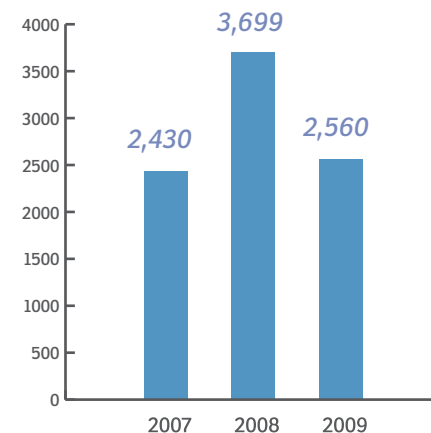
At the end of 2009, Samarco's indebtedness profile was 34.9% short-term debt, including Advance against Exchange Contracts to finance production, and 65.1% long-term debt related to funding for capital investments, a total of US\$ 950 million, through cash in advance for exports.

Under the impact of the crisis that affected global markets, we also adopted the strategy of reducing leverage and avoiding further financial expenses and, in this connection, dividend payments in 2009 were limited to the minimum permitted by our by-laws and the applicable laws, down 36.7% from the amounts paid in 2008 (US\$ 380 million in 2009 versus US\$ 600 million in 2008).

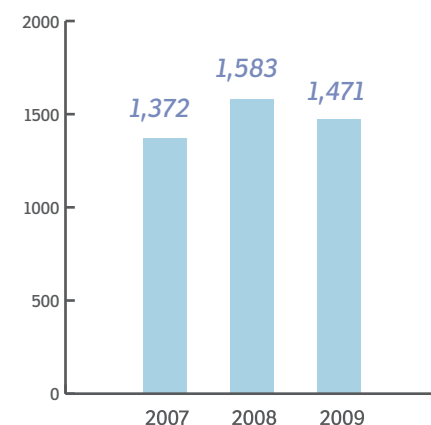
In addition, it is worth noting that the amortization of third-party debts, amounting to US\$ 800 million and relating to funding for the Third Pellet Plant Project, will continue as scheduled under the relevant agreement, with US\$ 200 million payments to become due in 2010, 2011, 2012 and 2013.

⁵The indebtedness data refer to the overall total, thereby including the forecast for charges and interest entered under the corresponding liability accounts.

Gross Debt Profile R\$ MM



Gross Debt Profile US\$ MM



Samarco Mineração S.A.

Statements of added value

Years ended December 31, 2008 and 2007

(In thousands of Reais)

	Consolidated	
	2009	2008
Revenue		
Sales of goods, products and services	2,837,232	4,239,728
Other revenue	2,879	3,703
Construction of Company assets	183,214	584,613
Allowance for doubtful accounts	(201)	(187)
	3,023,124	4,827,858
Inputs acquired from third parties		
Costs of products, goods and services sold	(1,415,477)	(2,052,124)
Material, power, third party services and others	(92,066)	(678,408)
(Loss)recovery of assets values	2,154	6,317
	(1,505,388)	(2,724,215)
Gross value added	1,517,736	2,103,643
Depreciation and amortization	(178,694)	(129,387)
Net added value produced by the Company	1,339,042	1,974,256
Transferred added value		
Equity in income of subsidiaries and associated companies	-	-
Financial income	5,896	23,346
	5,896	23,346
Total added value to be distributed	1,344,938	1,997,602
Distribution of added value	1,344,938	1,997,602
Employees		
Salaries and waves	118,426	103,693
Benefits	35,041	32,543
Severance found (F.G.T.S)	8,866	7,952
Taxes payable		
Federal	279,165	151,467
State	(46,517)	14,282
Municipal	10,059	10,312
Remuneration of third party capital		
Interest (loans, financing and others)	(534,395)	413,866
Remuneration of own capital		
Dividends	1,474,293	1,263,487

See the accompanying notes to the financial statements.

SAMARCO



DESENVOLVIMENTO COM ENVOLVIMENTO