Samarco Mineração S.A.

Financial statements
December 31, 2009 and 2008

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Contents

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(Privately held joint stock corporation under Brazilian Law, registered as a corporate taxpayer with the Ministry of Finance under No. CNPJ/MF nº 16.628.281/0001-61)

Report of Management 2009 - Samarco

To the Stockholders,

We hereby submit to you the Report of Management and Financial Statements of Samarco Mineração S.A. ("the Company", "the Organization", "the Enterprise") for the year ended December 31, 2009, prepared in accordance with accounting principles generally accepted in Brazil (BR GAAP) and examined by KPMG Auditores Independentes.

PRESIDENT'S MESSAGE

Two worlds in 2009 and a promising outlook for 2010

Samarco Mineração's activities are guided by three strategic principles: sustainable growth, operational primacy and managerial excellence, within the context of integrated management. Moreover, permeating throughout this positioning, we are constantly concerned about satisfying our customers and emphasizing the value of life in our relations with employees.

On a day-to-day basis, Samarco's management style is noteworthy for its focus on the development of our nation, on our employees and contractors, on our business model and on our customers.

Everything begins with the reason for our existence. In carrying out our daily tasks, we know that the rational and appropriate use of mineral resources is indispensable for sustaining the process of economic growth, preserving the environment and enhancing the value of life. We firmly believe that it is essential to respect the socio-economic viability of our initiatives and contribute to fostering the development of the communities involved.

Equally important are the offering of quality products tailored to the needs of our customers and the relationship of transparency with all of the many sectors of the public with whom we have contact. These factors round out the background that we consider ideal for our operation and growth plans.

In the first half of 2009, the world crisis affected us considerably. Sales plummeted drastically, causing a drop in the price of products.

Nonetheless, the involvement of people allowed this period of instability to become an apprenticeship for our Organization and for all the sectors of the public with which we relate. Over the course of this past year, we studied all the possible scenarios, cut back our costs and expenses sharply, increased our level of austerity and extended even further our commitments: to the sustainable development of the Company, to the communities where we are involved, to the public authorities, to our suppliers and to our customers. Such adjustments enabled us to adapt ourselves and overcome the international crisis without having to carry out drastic measures.

Even postponing certain scheduled investments, we manage to grant priority to and make the planned investments of funds in health, safety and the environment, reinforcing the coherence of our Values.

We cannot fail to stress the fundamental role played by the face-to-face communication process that kept employees informed about the Company's positioning during every single moment of this highly critical phase. Such initiative went a long way to create an internal environment marked by commitment and to strengthen the bonds of trust and transparency between the Company and its employees and contractors.

In the second half, with the gradual pick-up in the market, we achieved satisfactory levels in terms of results, closing out the year with record output and the best safety indices in the entire 32-year history of the Company.

However, we have to point out that, although we posted significant production figures, we are still a long way from using our entire installed capacity, a situation made worse by the almost 50% drop in the prices of our products.

The outlook for 2010 is much more promising, with the world economy in the process of recovery and credit beginning to flow once again. Backed by our shareholders and together with our employees, contractors, customers, suppliers, communities and the other sectors of the public with whom we relate, we shall struggle mightily to continue growing in a relentless, ethical and sustainable manner.

It is with the involvement of all that Samarco wants to consolidate its growth and brand its development.

José Tadeu de Moraes
Samarco President & CEO

WHO WE ARE

Samarco stands out in its field.

Founded in 1977, Samarco is a Brazilian mining and processing company whose principal product is iron ore pellets that are sold to the world steel industry. With current installed capacity of around 22 million metric tons per year, the Company accounts for approximately 2 thousand direct jobs.

The Company is organized as a joint stock corporation under Brazilian Law ("*sociedade anônima*" or S.A.). It is privately held by two shareholders – Vale and BHP Billiton – who divide ownership equally: each holds a 50% stake.

Samarco has two ore concentrators in the cities of Mariana and Ouro Preto, in the Southeastern Brazilian State of Minas Gerais (MG), that process (beneficiate) the ore and increase its iron content, as well as three pelletizing plants in the town of Anchieta, in the nearby Southeastern State of Espírito Santo (ES).

The two industrial units are connected by two ore pipelines that stretch for almost 400 kilometers and transport the iron ore slurry from Minas Gerais to Espírito Santo, running through 25 municipalities (cities and townships). Samarco pioneered this type of transportation and its two ore pipelines are considered the longest in the entire world.

The Company has its own maritime terminal, located in Ponta Ubu, in Anchieta (ES), through which it outloads production. It also has three sales offices, a domestic one in Anchieta (ES), and two international ones, in Amsterdam (the Netherlands) and Hong Kong (China). Production is chiefly aimed at the foreign market. In 2009, Samarco maintained relations with customers in 19 countries around the globe, located in Europe, Asia, Africa, the Middle East and the Americas. The past year was also noteworthy for the return to orienting part of our production to the domestic market.

The Company also boasts a hydroelectric plant in Muniz Freire (ES) and participates in the Guilman-Amorim hydroelectric power plant consortium in the municipalities of Antônio Dias and Nova Era (MG). Together, the two plants accounts for 26% of the electricity consumed by Samarco.

Based on these activities and operations, the Mission, Vision and Values of the Company represent the essence of Samarco.

Mission:
"We are a Brazilian company that supplies high quality iron ore to the world steel industry. We seek to contribute to improving the living conditions and well-being of people and to social, economic and environmental development through the responsible use of natural resources and the building of long-lasting relationships based on generation of value".

Vision:
"Being the mining company that leads the market in pelletizing, one that is recognized as a world class organization".

Values:

“Our activities are guided by principles of justice, placing value on life, collective well-being, respect for people, commitment and topping expectations in delivering results.

“We establish clear and long-lasting relationships based on ethics and oriented to generation of value for all interested parties.

“Creativity, along with ongoing technological development, allows us to offer quality and reliability in our products and services, aspects that are the key to our perpetuity”.

SCENARIO AND OUTLOOK FOR THE MINING MARKET

Prospects are excellent for the year 2010.

Given its continental size and geological diversity, Brazil occupies a key position due to the widely recognized comparative advantage of its deposits and mines, which are considered world class. Since iron is the chief component of steel – which in turn drives a series of industries (consumer and capital goods, construction, logistics infrastructure, among others) – production thereof depends directly on world GDP growth. In this sense, the performance of the nation’s exports, both with respect to the government as well as companies, largely depends on the expansion of international markets.

In 2009, with the worsening of the economic-financial crisis, chiefly in the first half, the iron ore segment experience a significant cutback in demand, which led to a decline in exports and a 48.3% drop in product prices.

Markets began a recovery process and business picked up once again in the second half of the year. With this, the outlook for the mining industry in 2010 is good, according to industry analysts.

Besides the natural market reinvigoration, propelled by the slow yet but steady recovery, there is a key differentiating factor this time: China, which represents an exception in comparison with the rest of the world. Indeed, it is expected to grow at an annual rate of between 8% and 9% in 2010 and, moreover, its steel output is expected to rise by a very healthy 15%.

In Brazil, according to the Brazilian Mining Institute, the industry will pick up steam this year and, as from 2011, return to the volume of iron ore exports posted prior to the economic crisis.

Overall, then, according to industry analysts, with the recovery of the world economy and increased domestic demand, prospects are optimistic.

4th PELLETIZING PROJECT (P4P)

Expansion studies advance at Samarco.

In line with its growth strategy, Samarco has slated construction of a third ore concentrator at the Germano unit, a third ore pipeline parallel to the two already operating and a fourth pelletizing plant at the Ponta Ubu unit. All told, this expansion project will boost pellet production capacity by 37.5%, up from the current 22.250 million metric tons per year to 30.5 million metric tons per year.

The P4P studies continued even during the world crisis in 2009 and the pre-feasibility phase was concluded. For 2010, the forecast is that the project viability phase will be concluded, with full detailing of the characteristics of the option selected.

Parallel to these studies, the Company has already begun the process for environmental licensing of the undertaking. No fewer than 1,680 people participated at the inquiries and public hearings held in the communities involved in Minas Gerais and Espírito Santo.

At the end of 2009, Samarco obtained the Preliminary License for installation of the Third Concentrator, which will be installed in Ouro Preto, at the Germano unit. Expectations are that the Preliminary and Installation Licenses will be obtained during the course of 2010.

With a view to respecting all the economic and socio-environmental aspects inherent in an expansion process, the 4th Pelletizing Project calls for contracting firms to manage the Health, Safety, Environment and Communities areas. The contracting is the result of our apprenticeship, so to speak, relating to the Company's last expansion project, the 3rd Pelletizing Project in the first half of 2008. This project received the coveted Best Practices rating from the distinguished international institute IPA – Independent Project Analysis.

PRINCIPAL RESULTS AND NUMBERS FOR 2009

- Production

In 2009, even operating at certain times with just a third of our rated production capacity, chiefly in the first half owing to the world economic crisis, Samarco managed to obtain its second best results since it started operations in 1977. In the first six months of the year, the Company made the adjustments and adaptations required to bring its operations into line with the international market situation and saw demand increase abruptly as from July, when it began to operate at full capacity.

Compared with the volume of output achieved in 2008, the production of iron ore pellets in 2009 was down 6.38%, reaching the level of 16.051 million metric tons. By the same token, the production of fines at Samarco for 2009 was up 17.5% over the previous year.

Total Samarco output for 2009 was 17,622 million metric tons. This figure is 4.6% below our all-time record posted in 2008, which was on the order of 18.482 million metric tons. For 2010, Samarco estimates that its output will match the pace of world-wide demand. Everything indicates that the Company will have the opportunity of operating at maximum rated production capacity throughout the entire year.

Year	Pellets	Fines	Total
2005	13.703	1.100	14.803
2006	13.851	1.496	15.347
2007	14.261	1.721	15.982
2008	17.145	1.337	18.482
2009	**16.051**	**1.571**	**17.622**

** millions of dry metric tons*

- Financial Results

- Financial Highlights (in R$ MM)

	2009	2008	2007	2006	2005	2004
Net Sales	2.813	4.166	2.475	2.487	2.469	1.667
Gross Margin (%)	51,6	62,1	56,8	63,5	66,5	54,6
Net Income	1.474	1.263	1.042	983	1.228	630
EBITDA	1.268	2.322	1.212	1.292	1.584	862
EBITDA Margin (%)	45,1	55,7	49,0	51,9	64,2	51,7
Gross Debt / EBITDA	2,0x	1,6x	2,0x	1,3x	0,5x	0,6x

- Financial Highlights (in US$ MM)

	2009	2008	2007	2006	2005	2004
Net Sales	1.423	2.307	1.280	1.143	1.031	572
Gross Margin (%)	50,4	61,5	56,6	63,3	66,6	54,6
Net Income	480	902	520	442	504	206
EBITDA	584	1.332	613	592	655	302
EBITDA Margin (%)	41,1	57,7	47,9	51,8	63,6	52,8
Gross Debt / EBITDA	2,5x	1,2x	2,2x	1,3x	0,5x	0,7x

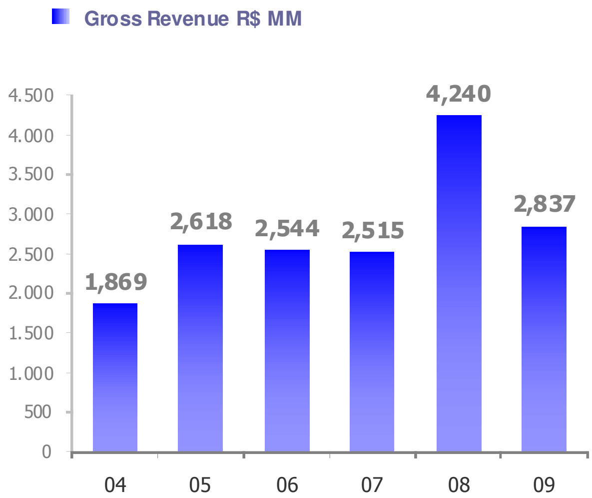
- **Gross Revenue**

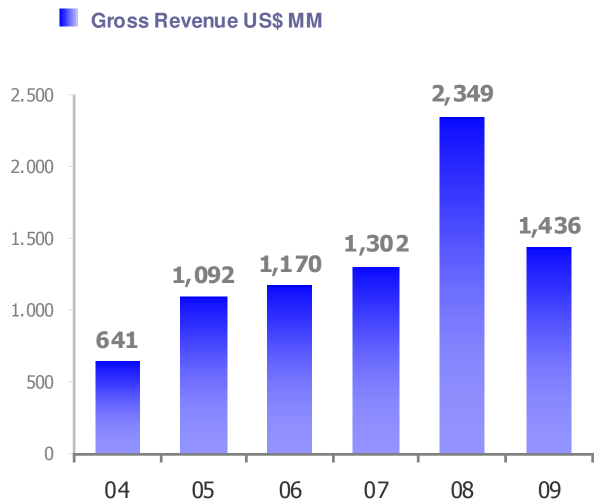
The year 2009 began with a sharp downtown, reflected in the mining and steel industries with production on hold at plants and uncertainties caused by the spread of the effects of the crisis in the international financial system. This scenario of low demand, mainly in the 1st half of 2009, led to a great deal of pressure from the steel industry to cut the price of pellets by 48.3% and fines by 28.2% at the annual benchmark negotiations, taking iron ore prices back to the level of 2006.

According to data compiled by the World Steel Association[1], world production of crude steel was 1,220 million tons in 2009, a drop of 8.0% in relation to 2008 (1,329 million tons). Steel production fell in all major producing countries and regions, including the European Union, North America, South America and the Community of Independent Nations (CEI). Nevertheless, in Asia, particularly in China and India, as well as in the Middle East, there was positive growth in terms of crude steel output in 2009.

As a reflection of the above scenario, Samarco's gross sales in 2009 -- US$ 1,436 million -- represented a sharp drop of 38.9% in relation to 2008 – US$ 2,349 million. Further worth mentioning is the negative impact of the lower share of direct reduction (DR) pellets in the sales mix (45% in 2009 versus 52% in 2008).

Considering the results in Brazilian currency (Reais), the Company wound up the year with billings of R$ 2,837 million, down one third (33.1%) in relation to sales for 2008 (R$ 4,240 million).





Starting in the 2nd half of 2009, rising demand was noted for iron ore, reinforcing the prospect of a return to growth. As a consequence, the 1st half losses were reversed and offset, permitting the volume of pellet sales to exceed by 4.3% the mark of the previous period (16,904,047 dry metric tons in 2009 versus 16.206.315 dry metric tons in 2008), beating the Company's previous record.

Associated with the favorable volume of pellet sales, the increase in the sales of fines propelled total Samarco sales for 2009 to exceed the total volume sold in the previous year by 9.8% (18,513,776 dry metric tons in 2009 versus 16,866,895 dry metric tons in). China accounted for most of this effect on revenues. Moreover, it is important to highlight the recovery of other regions in this recovery, including countries such as Trinidad and Tobago in the Caribbean, Turkey, Egypt and Saudi Arabia in the Middle East and France in Europe. It should further be pointed out that the volume of inventories at the end of 2009 was reduced to 271 thousand tons, whereas the year 2008 wound up with 1.2 million tons of finished products.

[1] http://worldSteel.org – World crude steel output decreases by -8.0% in 2009 - 22 Jan 2010

- **Gross Margin**

The 16.9% decline in gross margin, as measured in Brazilian currency in 2009 (51.6% this past year versus 62.1% in 2008), was principally due to the reduction in gross billings in Reais (33.1%).

Despite this, the austerity measures put into place to curb operating costs since the beginning of the economic crisis, resulted in a 14.3% reduction if the cost of products sold - R$ 1,362.2 million (US$ 705.9 million in 2009 versus R$ 1,580.3 million (US$ 888.2 million) in 2008, even with the higher total sales volume in 2009 (9.8%). Among the factors contributing to mitigating the losses in revenues, we highlight the operating efforts of the Company in developing solutions and acquiring alternative products for our industrial products, besides the reduction in the price of certain raw materials, such as fuel oil (22.9%) and starch (9.9%).

It is valid at this point to highlight the impact of idle capacity of our industrial park -- R$ 117.4 million (US$ 54.0 million), in light of the low demand for our products in the first half of 2009, versus R$ 40.0 million (US$ 17.3 million) in 2008, which were booked as operating expenses in accordance with item 13 of Accounting Pronouncement Committee pronouncement No. CPC 16 - Inventories.

With respect to gross margin as measured in U.S. Dollars, we note a reduction of 24.4% (46.5% in 2009 versus 61.5% in 2008), also unfavorably affected by the appreciation of Brazil's currency compared to the US$ (25.5%) on the Company's production costs.

- **Net Income**

There was a marked drop of 46.8% in net income measured in foreign currency in relation to 2008 results (US$ 480.0 million in 2009 versus US$ 902.2 million in 2008), chiefly due to the reduction in net revenues to the tune of US$ 884.9 million.

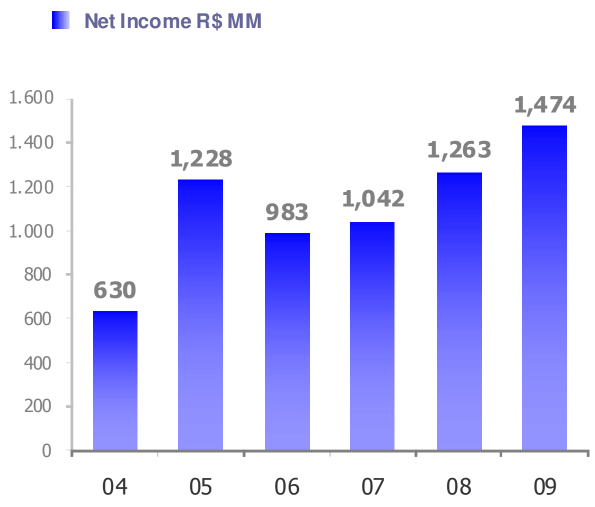
Associated with the above factors, it is important to emphasize others that unfavorably affected net income for the year, such as:

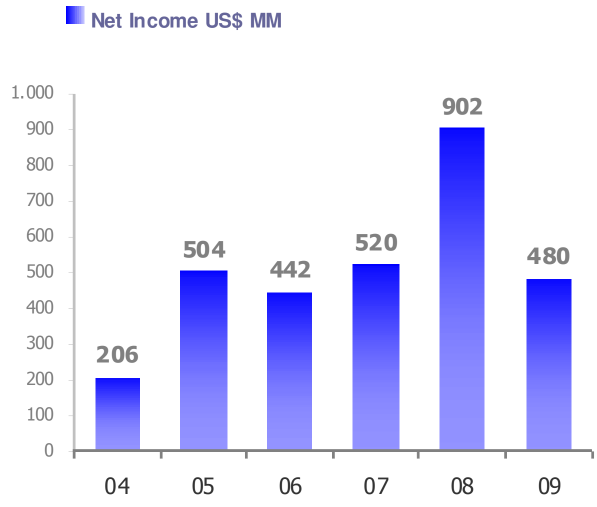
- Unfavorable impact of translation[2] of provisions -- US$ 78.0 million – due to appreciation of the Real against the Dollar by over one fourth (25,5%), such as those for value-added tax (ICMS) credits, contingencies, legal obligations, mining rights and profit and results sharing;
- More disbursements on idle capacity of our industrial plants in relation to 2008, on the order of US$ 36.7 million (R$ 77.4 million), brought on by the major downturn of the iron ore market in the first half of 2009; and
- Unfavorable impact of contingencies, in the amount of US$ 11.8 million (R$ 21.7million) compared with 2008, chiefly caused by the rise in the provisions for civil, labor and tax contingencies.

[2] The effect of exchange correction on provisions is appropriate in their own accounts, provision of results.

Despite the negative results in terms of net income compared with 2008, certain factors prevented greater losses in final results. These include lower financial expenses - R$ 50.5 million (US$ 17.5 million), helped by the drop in the average LIBOR (2009 – 1.9% x 2008 – 3.6%) by the lower average balance of indebtedness -- US$ 239.0 million in 2009 – R$ 2,607.5 million (US$ 1,295.7 million) versus R$ 2,823.5 million (US$ 1,534.7 million in 2008), along with the lower expenditures on planning of projects, mineralogical research and development and R$ 23.1 million (US$ 8.8 million), largely brought on by the cooling off of the market.

Evaluating net income in local currency, however, the 16.7% rise in net income (2009 – R$ 1,474.3 million versus 2008 – R$ 1,263.5 million) is considered the very best in Samarco's history in Brazilian currency. This result was influenced by the positive impact of exchange variation on results in 2009 -- R$ 624.7 million – caused by the appreciation of the Real against the US$ during the year (25.5%) and by the favorable impact of the Deferred Income Tax (R$ 277.2 million) on such non-monetary items as inventories and permanent assets, due to the difference in the functional currency. In 2008, on the other hand, the exchange variation factor resulted in a loss of R$ 273.0 million, added to the negative impact of the Deferred Income Tax (R$ 186.8 million) in that same year.





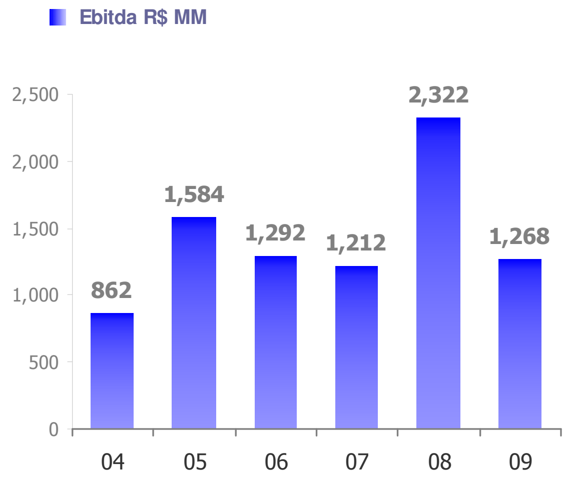
- **EBITDA**

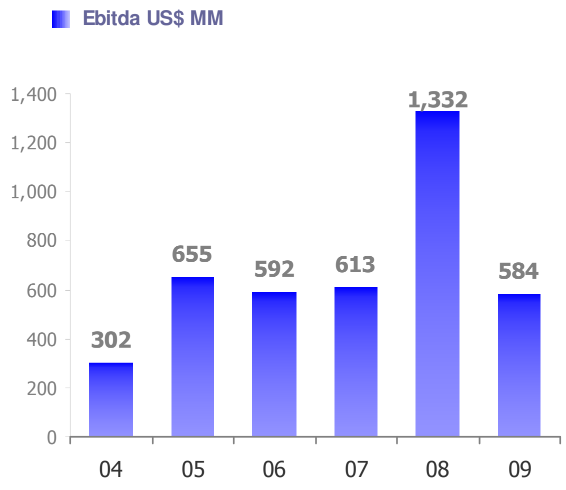
The result of our EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was down by 45.4% compared with 2008 figures, winding up at R$ 1,268 million (US$ 584 million) versus R$ 2,322 million (US$ 1,332 million) for the previous period, chiefly caused by the 33.1% drop in gross billings.

In addition to this, it is important to stress the higher provision for losses on ICMS credits and the impacted of the expenses related to idle capacity at our concentration and pelletizing plants, as mentioned in the section on Net Income, which negatively impacted our results as expressed in terms of EBITDA.

On the other hand, the lower cost of production and Company efforts to improve processes by means of such initiatives as LSS (Lean Six Sigma), which reduced auxiliary materials, besides lower disbursements on contracted services, chiefly due to the renegotiation of certain agreements, offset some losses.

Although the EBITDA result in foreign currency is down 56.2% when compared with 2008, it should be emphasized that the lower local currency variation (45.4%) is derived from appreciation of the Real in relation to the Dollar (25.5%), causing a positive impact on income statement accounts just as in the case of the cost of production.





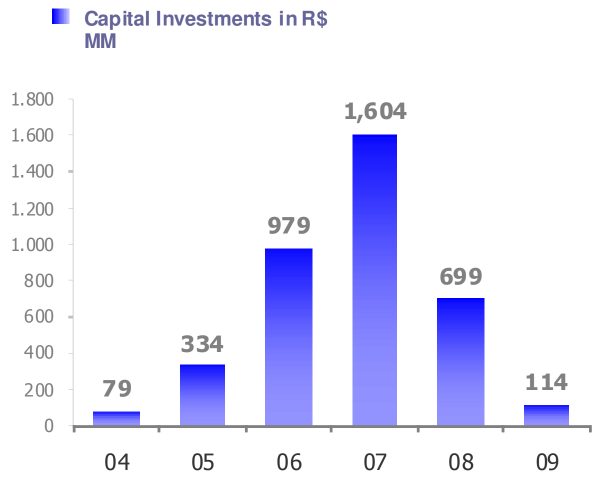
- **Investments**

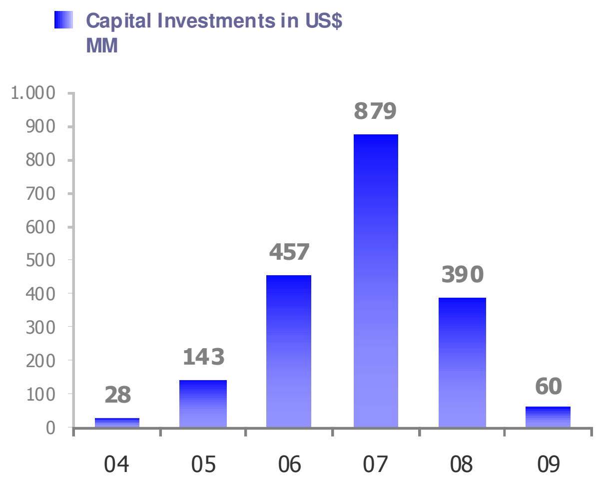
Total expenditures on investment outlays in 2009 were R$ 113.7 million (US$ 59.5 million). The better part of such disbursements -- 89% (R$ 101.6/US$ 52.2 million) -- were invested in projects and acquisitions aimed at supporting the Company's operations through operational enhancements, replacement of equipment at the industrial units, investments oriented to sustainable development pursuant to the norms, policies and legislation relating to the environment, health and safety. The other disbursements (R$ 12.1/US$ 7.3 million) were made for projects that impact on the increased production capacity and enhanced Company productivity.

The following are some of the main investments made in 2009:

- Recovery of and improvements in the Fundão dam (R$ 10.6/US$ 5.8 million);
- Port dredging (R$ 6.8/US$ 3.9 million);
- Furnace firebricks (R$ 4.9/US$ 2.2 million), which involved replacing the lining of the pelletizing furnaces;
- Expansion of the João Manoel heap (R$ 9.4/US$ 4.9 million), a project concluded in 2009, the aim of which was to expand the available area of the existing overburden heap at João Manoel in order to serve the Third Pelletizing Plant;
- Installation of Electrostatic Precipitators (R$ 2.3/US$ 1.4 million), a project begun in 2009 to reduce particle emissions from Pelletizing Units 1 and 2, so they reach the same environmental performance established for Pelletizing Plant 3;

- Adaptation of the furnaces to operate on gas (R$ 2.5/US$ 1.4 million), a project aimed at implementing a natural gas fuel system in the three pelletizing plants and make use of several sources of energy, either individually or simultaneously, according to the best cost/benefit ratio;
- Patterns of risk controls fatal (R$ 5.0/US$ 2.7 million), a project carried out to reduce the risk of potentially fatal activities by adapting activities to the requisites of the risk protocols; and
- Raising of the Santarem Dam (R$ 5.1/US$ 2.5 million), a project concluded in 2009, in order to allow for the volume of water required to sustain supply to Concentration Plant 1.





- **Indebtedness**

Our gross indebtedness wound up 2009 at a total of R$ 2,560.0 million (US$ 1,470.9 million), equivalent to a decrease in US$ terms of 7.1% (US$ 112.4 million) compared to the level of debt at the close of 2008, which stood at R$ 3,698.9 million (US$ 1,583.3 million). Expressed in Reais, Samarco's debt was cut by nearly a third (30.8%), mainly owing to the impact of the appreciation of Brazil's currency against the Dollar by slightly over one fourth (25.5%).

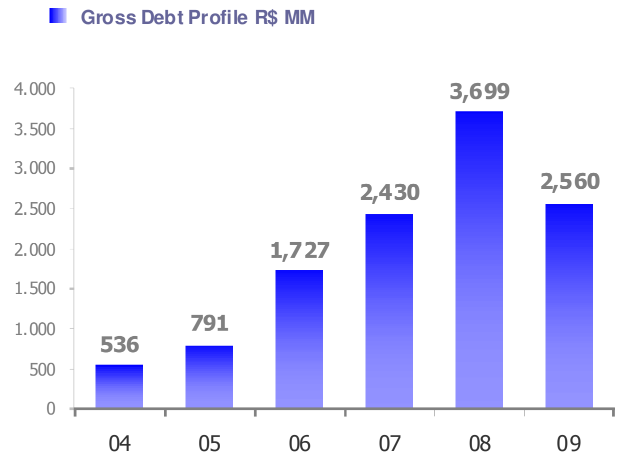
The drop of foreign currency debt (US$ 112.4 million) was achieved through a strategic decision made by the Company, basically in 1st half 2009, to reduce short-term debt from US$ 755.0 million at the end of 2008 to US$ 508.8 million at the close of 2009 in order to mitigate exposure to risk.

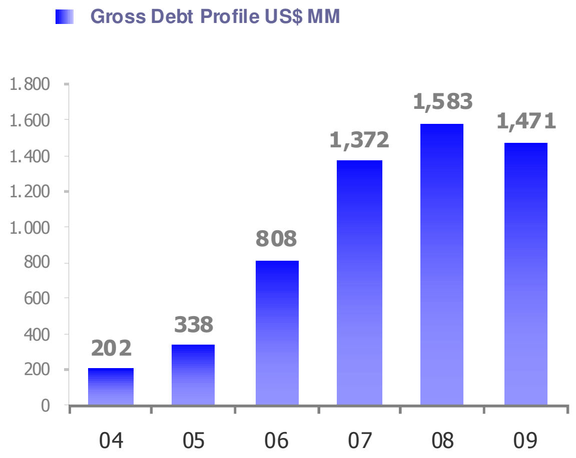
In this regard, we highlight the funding obtained at the end of 2009, US$ 150.0 million from Banco do Brasil S.A. and US$ 150.0 million from BHP Billiton BV in the Netherlands, both through the Export Pre-Payment modus operandi and with bullet maturities[3], that is, payment of the principal in a lump sum at the end of the contract in 2014, while payment of the interest is carried out on a semi-annual basis.

At the end of 2009 the profile of Samarco's debt was divided into slightly more than one third (34.9%) short-term, chiefly Exchange Advance Contracts (ACC's) to finance production, and nearly 65.1% long-term, for capital investments in the total amount of US $950 million through the modus operandi known as Early Payment of Exports.

Still under the effects of the prevailing crisis in world financial markets, it is important to mention that the Company adopted the strategy of reducing leverage and avoid rolling over debt with a high carrying cost, winding up 36.7% below the amount paid in 2008 (2009 – US$ 380 million versus 2008 – US$ 600 million).

Associated with the above, it should be stressed that amortization of third party debt in the amount of US$ 800 million, related to funding for the third pelletizing project, will continue with the contract terms, which are payments of US$ 200 million in 2010, 2011, 2012 and 2013.





Indebtedness

	2009	2008	2007	2006	2005	2004
Gross Debt US$ MM	1,471	1,583	1,372	808	338	202
Net Debt US$ MM	1,290	1,404	1,320	804	332	194

[3] A type of financing in which settlement of the debt is made in a lump sum at the end of the contract.

- **Return on Capital Employed (ROCE)**

Measured in Dollar terms, the return on capital employed was 17.0% in 2009, down from the performance posted in 2008, which was 41.8%. The same fluctuation is observed in domestic currency, 22.2% in 2009 versus 31.2% in 2008.

This decrease in the Company's performance ratio in comparison with the previous year is related to the lower operating results achieved in 2009, as set out in the section on billings and the other impacts dealt with in the sections on gross margin and net income.

Nevertheless, it is important to highlight that the reduction in the asset base of R$ 1,322.0 billion (US$ 33.2 million) was caused by the impact of the exchange variation on the permanent asset accounts, by the reduction in the volume of accounts receivable by R$ 241.6 million (US$ 50.3 million), brought on by the reduction in the price of our products in 2009, associated with a reduction in inventories in the amount of R$ 179.0 million (US$ 51.7 million) compared with 2008. The swift pick-up in the iron ore market in the second half, which increased the Company's sales volume, mitigated some of the losses in the final result of the ROCE.

- Safety Index
Reduction in the Rate of Accidents Reported, from 2.27 in 2008 to 1.17 in 2009, the lowest in the Company's history.

- Number of Company employees
1,987

- Number of employees contracted (outsourced personnel)
Average of 2,200 during the year 2009.

- Number of units
Two (2) industrial units, 2 concentrators, 2 ore pipelines, 3 pelletizing plants, 3 sales office, 2 hydroelectric power plants and 1 maritime terminal.

OTHER HIGHLIGHTS FOR 2009

- Revising our business strategy.
- Signing the Environmental Commitment Accord with the Government of the State of Espírito Santo, the Public Prosecutor's Office and local communities, calling for investments on the order of R$ 150 million over a 3-year period.
- Winning Gold Bands in the Espírito Santo State Quality Prize (PQES) and Minas Gerais State Quality Prize (PMQ), as well as the PMQ trophy granted for the performance presented in the Company's management model.
- Continuing as the largest export company in the State of Espírito Santo.

BUSINESS STRATEGY

The approach chosen by Samarco combines sustainable growth, operational primacy and managerial excellence.

1. Vision of business

At the beginning of 2009, in keeping with our 3-year calendar, the Company's top-echelon management headed up a new Strategy Review Cycle together with our managers and career technical professionals. Three major goals were defined, broken down into strategic challenges, critical success factors and priority programs and projects. The goals are to increase the value of the Company through:

Sustainable growth: expanding production capacity and sales, thus ensuring perpetuity of our business.

Operational primacy: fully using our assets to bolster the efficiency of processes.

Managerial excellence: ensuring employment of best management practices with a view to achieving differentiated results and being recognized as a world class organization.

The new strategic map resulting from this work and imbued with our Corporate Values encompasses the following objectives:

- Value of Samarco
  . Expand revenues
  . Maximize the profitability of our business
  . Guarantee that we keep our positive reputation
- Market and Customers
  . Be the preferred supply option for key customers
- Internal Processes
  . Expand ore reserves
  . Boost production capacity
  . Ensure quality products and services
  . Reduce operating costs
  . Increase the efficiency of production processes
  . Contribute to the socio-environmental development of our area of influence
  . Develop and integrate the management processes
- People and Knowledge
  . Develop a high performance culture
  . Foster a safe working environment

The new Strategy Review Cycle calls for meetings to be held every 4 months for monitoring and critical analysis purposes. The strategy is broken down for the other levels of the Company by means of specific panels through which each team identifies the manner in which it can contribute to the strategy and plans projects and activities to achieve it.

The new strategic direction incorporated the activities required to face down last year's crisis scenario and was fundamental to attenuate the effects of the reduction in prices and demand.

To adapt the business to the crisis scenario, we adopted measures to cut costs and postpone investments, at the same time preserving the investments in Health, Safety and the Environment that are so fundamental for the Company's future plans. Our short-term debt profile was lengthened, in order to mitigate the liquidity risk. Furthermore, there was no reduction in the Samarco headcount, demonstrating the consistency with the premise of the enterprise valuation of life and people.

This strategy paid off, as Samarco returned to using its full production capacity and sold virtually all of its output.

The Company's commercial strategy for market segmentation has been decisive, considering the present geographic distribution.

For 2010, prospects are for an increase in the demand for iron ore pellets, which will contribute toward Samarco selling its entire production capacity (22.250 million metric tons of pellets). This in turn will permit advances in the Company's growth strategy through investments in expansions of production capacity.

2. Vision of sustainability

Our commitment to sustainability is present throughout our business, permeating all activities in cross-wise fashion – in planning, in management, in operations and in Samarco's relations with the strategic sectors of the public with whom we have contact. By including Sustainability as the transverse axis for its strategy, Samarco is seeking to reach beyond the traditional approach aimed at specific business lines of the Company and expand the possibilities of Vision and Mission. Samarco has a Declaration of Commitment to Sustainability is the result of an internal collective building process that presents the set of premises and directives on which Sustainability is based at Samarco, explaining the commitments and indicating its own choices for the information of Interested Parties. Through collective and evolutionary apprenticeships, over the course of the years the Company has been building up a shared Vision regarding the topic of Sustainability in a clear and convergent manner.

The Company believes that sustainable development is an indispensable pillar for the generation of value for its own business, as well as for society at large, through economic, social and environmental development grounded on ethics. Likewise guided by its Code of Conduct that governs the relationships established between Samarco and the public with which it relates, based on mutual respect, emphasizing the value of life and respect for the environment, reflecting this positioning in its efforts on behalf of sustainability.

Samarco strives continuously to inspire and raise the consciousness of its employees and outsourced personnel in these efforts towards sustainability and in handling its business affairs in a responsible manner so as to generate present and future value for all parties. Ethical conduct, transparency, quality products and services and clear and ongoing communication with all the people it relates to are factors that are the hallmarks of the Company's management.

3. Alignment with global commitments

Having been a signatory ever since 2002, in 2008 Samarco reaffirmed its commitment to the Global Compact established by the United Nations Organization (UNO) to foster respect for and active defense of human rights, the rights of working people, protection of the environment and the battle against corruption. All these issues are covered in the Company's Code of Conduct.

In 2006 Samarco also signed the Business Pact for Integrity and Against Corruption, coordinated by the Ethos Institute.

Besides this, the Company backs the Millennium Objectives that encompass eight goals defined by the UNO, covering: the struggle against hunger and misery, quality basic education, reduction in infant mortality, focus on quality of life and respect for the environment, among other important points. Such commitments can be readily seen in the management of our Company management and in the projects we undertake by Samarco.

In 2009 Samarco signed the **Open Letter to Brazil on Climate Change**, together with 21 other Brazilian private entities and companies, taking a firm stand on the issue and committing itself to monitoring and reducing greenhouse gas emissions.

4. Investment plan

For 2010, Samarco is working with a budget that exceeds last year's. The increase is related to the goal of producing and selling its entire rated production capacity, which is on the order of 22.250 million metric tons of pellets per year.

This goal was only not set already in 2009 due to the world economic-financial crisis. For this reason, Samarco postponed certain investments. Even so, the funds budgeted for the Environmental and Health and Safety areas were maintained.

The goals of the Samarco annual budget are derived from the Company's business plan, which is drawn up with a long-term view of 5 years, based on the 15-year Strategic Planning guided by the Organization's Vision.

PRODUCTION PROCESS

Integrated production focused on ongoing improvement keep the Company on the right path.

Samarco has an integrated mine-to-port production process that guarantees productive efficiency and low maintenance cost.

Production encompasses the following stages:

- Mining – Samarco mines low grade Itabirite iron ore (45% iron) at an open-pit mine at the Alegria Mine Complex at its Germano Unit in the municipality of Mariana (MG), which has reserves of roughly 2.6 billion metric tons or iron ore.

- Beneficiation – during which the ore is concentrated to remove impurities and obtain the required chemical and physical specifications.

- Ore pipelines – through which the iron ore slurry is transported to the Ponta de Uba unit (a pioneering process in Brazil).

- Pelletizing – process whereby the ore is transformed into pellets. The Company has three pelletizing plants.

- Port – through the Company's own port terminal, the pellets are outloaded onto ships that head out to customers located all over the planet. In 2009 Samarco replaced the two tugboats it previously used with more modern vessels.

The Company produces and sells two types of iron ore pellets: Pellets for Blast Furnaces – PBF (further divided into three sub-types) and Pellets for Direct Reduction - PDR (also divided into three sub-types). The excess production of iron ore concentrates is sold as concentrated ore fines, sub-divided into Blast Furnace Feed – PFN, Direct Reduction Feed – PFL and Sinter Feed – STF.

In 2009 Samarco continued with its Lean Six Sigma (LSS) program, which is aimed at obtaining enhancements and identifying problems where the cause is not known, based on statistical Fundamentals and quality tools. The LSS program, which began 3 years ago, has begun to bear its first fruits.

RESEARCH AND INNOVATION

Ever since it was founded, Samarco has stimulated process innovation, encouraging and recognizing innovative ideas that its employees come up with.

Innovation is part and parcel of Samarco’s history. The Company was founded in the 1970’s in order to implement an innovative project. Indeed, it pioneered in concentrating Itabirite iron ore through floatation and full integration of its productive chain. The project includes the mining and beneficiation of iron ore, transportation of concentrate (over ore pipelines that cross the mountains of Minas Gerais to reach the southern seaboard of Espírito Santo), the production of pellets and shipment from Samarco’s own port to overseas customers.

Samarco processes low grade ore and adds value for society, turning out pellets that are a high-quality raw material for the steel production process, with the lowest possible socio-environmental impact, creating Jobs and stimulating the economic development of the entire chain.

Insofar as concerns technological development, Samarco acts on three fronts, frequently in partnership with universities, research centers and suppliers:

- Technological enhancements, with focus on development of new technologies for the Company that add value to our business.
- Development of processes, seeking to study and make available new process routes.
- Process engineering applied to projects, where the developments achieved are used in strategic projects guided by our aforementioned principles: sustainable growth, operational primacy and managerial excellence.

Samarco boasts a high level in terms of automation and use of technological resources. Investments in R&D projects in 2009 totaled just R$ 1 million, but will shoot up to R$ 4.5 million in 2010 and, for the coming 5-year period (from 2011 to 2015) will be on the order of R$ 38 million.

Further of tremendous importance is the generation of innovative ideas through the program we have termed “*Campo de Ideias*” (Field of Ideas), which recognizes differentiated suggestions submitted by employees that can be put into practice in the Company’s various processes.

CORPORATE GOVERNANCE

Ethics, transparency, relationship and trust are key words in Samarco's corporate governance.

At Samarco, the foundations of our corporate governance are defined in our Bylaws and reinforced in our Code of Conduct, which focus on equity and appreciation of the various sectors of the public the Company relates to.

Governance is synonymous with the Mission, the Vision, the Values and the institutional positioning of the Company and is in harmony with the type of governance practiced by its stockholders. It is coordinated by the Board of Directors – our highest level of governance. This board is made up of representatives of the two stockholders of Samarco – Vale and BHP Billiton. There are four full members and four alternates whose terms of office last for three years, with re-election permitted. The board determines the overall guidelines for the Company's business and strategy.

Among the powers and duties of the Board of Directors are: orientation/approval of the Company's business plan and budget, including plans for investment, distribution of dividends to stockholders and reinvestments; monitoring of Samarco's results; guaranteeing the integrity of the Company's management; choosing the President & CEO and evaluating the members of the Executive Officers Committee; choosing independent auditors; and deciding on alterations in the Company's ownership structure.

Three committees have been set up to advise the Board of Directors, as follows:

- Finance and Strategy Committee – support for the board on strategic, economic and financial matters.
- Operations Committee – support for the board on matters related to operations ADN technical issues.
- Remuneration Committee – support for the board in defining compensation policies for Samarco's principal executives and general human resource policies.

The relationship between Samarco and all the various sectors of the public it deals with is guided by its Code of Conduct, which presents the guidelines and principal regulations for such relationship. This document is updated whenever the Company identifies opportunities to make its contents more adequate or the need arises to include new directives. All updating processes involve consideration being given to suggestions and contributions made by employees and relationship public. In 2009, all employees received a copy of the fourth edition of the Code of Conduct.

RELATIONSHIP WITH STRATEGIC SECTORS OF THE PUBLIC WE DEAL WITH

The Samarco logo features the new stance we have taken: "Development with Involvement". Only through the interaction and effective participation of all concerned is it possible for the Company to develop and grow in a sustainable manner.

- Stockholders

Samarco's relationship with stockholders is marked by transparency and trust. These relationship bonds are strengthened through periodic review of the structure of our corporate governance, with adoption of best practices.

The Company's stockholders – two of the world's largest mining companies, Vale and BHP Billiton – have equal stakes in Samarco's capital stock (50% each). Even so, Samarco operates as a totally independent concern, with its own obligations and responsibilities and with its own freely adopted strategy for selling its products.

- Customers

Samarco maintains close and transparent ties with its customers.

To guarantee quick and customized services, the Company has sales offices located in Anchieta (ES), Amsterdam (the Netherlands) and Hong Kong (China).

In 2009 Samarco sold products to the all nations, excepted Oceania. Among other countries where the Company has customers, are: China, Taiwan, Malaysia, Indonesia, Japan, India, Argentina, the US, Germany, France, Belgium, England, Turkey, Libya, Saudi Arabia, Egypt, Qatar and Trinidad & Tobago. The year 2009 was also marked by the return to selling part of our production on the Brazilian domestic market, albeit still sticking to our essential characteristic as an export concern.

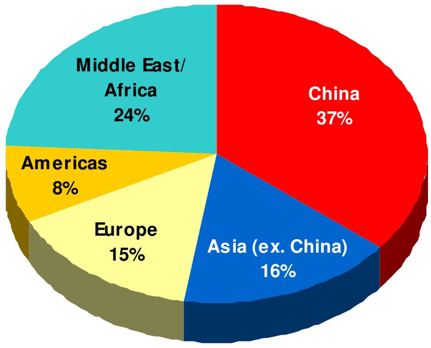
Due to this proximity and transparency in our relations, relationships with customers were actually strengthened by the crisis last year, stimulated by the search for appropriate solutions for all concerned. In the second half, there was a market recovery and pick-up in orders placed, stimulated by the drop 48,3% in product prices.

Over the course of 2009, we shipped out a total of 18,426 million metric tons, including pellets and ore concentrate fines, of which 16,816 million metric tons involved pellet shipments, a record in the 32 years of Samarco's existence.

	Pellets	*Fines*	*Total*
TOTAL (2009)	16,816	1,610	18,426
TOTAL (2008)	16,275	661	16,934
VARIATION YOY (%)	3%	144%	8%

(In million tones)

The highest percentage of this production went to the Chinese market, which accounted for 37% of Samarco's sales in 2009. The second biggest geographic market in 2009 was the Middle East and Africa, with 24%. The rest of our production went to Asian markets (not counting China), with 16%; Europe, with 15%, and the Americas, with 8%.



- Suppliers

When it comes to Supplies, the Samarco strategy seeks to increase the Company's competitiveness by means of negotiations and relationships with those suppliers who are the best qualified and develop the best practices.

During the time of major changes in the world scenario, in 2009 there was a process of renegotiation and reduction in the number of suppliers that work with Samarco, such that we managed to concentrate acquisitions of services and materials with the best qualified companies. Negotiations with such firms were also conducted with total transparency, i.e. in a completely above-board manner, and above all with respect for our employees. Now that this process has been concluded, the Company has around 300 active suppliers.

Moreover, in 2009 inventories of supplies and materials were used to the utmost and raw materials were acquired as opportunities arose in order to prevent work stoppages and guarantee the speedy return of operations.

Samarco is strengthening its policy of placing value on suppliers who are neighbors of its units, for which reason the greater part of them (70%) are located in the States of Minas Gerais and Espírito Santo.

As a means of valuing such relationships, the Company annually awards the Samarco Excellence Prize that recognizes 12 suppliers (distributed among the categories of raw materials, services and back-up supplies), as well as a Safety award. The suppliers are periodically appraised, as spelled out in their contracts with Samarco, with the periodicity of such appraisals varying according to the complexity, weight and quantity of operations with the supplier. All suppliers receive and are required to sign the Samarco Code of Conduct.

In order to stimulate the relationship and propagate our Supplies policies and the management thereof to the supply market, Samarco has a marked presence in major forums related to these issues, namely at the Industrial Federations of the States of Espírito Santo (Findes) and Minas Gerais (Fiemg). Furthermore, it is one of the companies that sponsor the Programs for Development of Suppliers (Prodfor and PDF) in Espírito Santo and the Program for Integrated Development of Suppliers (PDIF) in Minas Gerais.

- Communities

Samarco is present in 27 municipalities (cities and townships) in Minas Gerais and Espírito Santo, a total of 75 communities in all, with an estimated population of 680 thousand.

Relationships with our communities come about by means of several initiatives:

- **Social Investment Policy**

  In 2009, we granted supported 25 projects in the two states that were developed by the communities themselves and selected by means of the Company's Public Notice of Social Projects. The focus of our activities in such projects is education, generation of income and entrepreneurship.

  In Matipó (MG), where Samarco has an ore pipeline pumping station, the local college created a social project that emphasizes culture and sports. It is operated through a partnership between Samarco and he college that offers wide-ranging cultural workshops and classes, all the way from shadow leg-fighting ("*capoeira*"), dance lessons, soccer games and hip hop to literature.

  In Espírito Santo, the Project entitled "*Cozinha da Mamãe*" (Mommy's Kitchen) stands out. It is put on by the Queen Esther Center for Assisting Children and Adolescents (Camre), which is aimed at generating income for the families of the children who pass through the institution. Free courses are offered in making bread, confectionary products such as cookies and candies, as well as sour-dough pastries.

  Through our Public Notice for Social Sponsorships and Donations, in 2009 we supported 23 such initiatives in Minas Gerais and 20 in Espírito Santo.

  Samarco also makes social investments through such Programs as "Samarco is More Community", which encourages expressions of the rich local folklore and "Wake up to Life", aimed at educating and raising the consciousness of local communities with respect to such topics as fostering citizenship, human rights, health and sexuality.

  Os social projects and sponsorships supported and programs developed meant total investment outlays of approximately R$ 3 million in the year 2009.

- **Investment in Public Health**

In 2009 Samarco invested in improving the public health of the population of Anchieta (ES), where the Ubu unit is located. The Company needs to invest R$ 600 thousand in order to comply with a TAC (terms of settlement) previously agreed to, but decided instead to increase the amount of the investment to R$ 7.5 million, in order to guarantee that the Health Center of Anchieta, the only local hospital, remodeled and enlarge, in conformity with the determinations of the National Sanitary Agency (ANVISA). Work began at the end of 2009 and is slated conclusion in 2010.

Also in 2009, Samarco inaugurated a Sewage Treatment Plant (ETE) that was built in the Mãe-Bá community of Anchieta. The investment, on the order of R$ 1 million, began ensuring a higher quality of life (QLI) index for most of the inhabitants of the district neighboring the Company's Ponta de Ubu unit.

- **Social Dialogue**

Dialogue is the key factor in Samarco's relationships with communities. It is on this basis that the Company keeps constantly in touch, shares information and learns of new opportunities to make a contribution. Can be staked out the following initiatives in 2009:

. Encounters with Local Leaders – 34 meetings were held in 2009, featuring the participation of 208 community leaders.
. Encounters with Communities: meetings were held with residents of the communities in the vicinity of the industrial units and in the municipalities along the ore pipelines, with participation of 1,810 people.
. Program for Visits to Samarco's Industrial Units – in 2009 many students, community leaders and residents participated in this program, for a total of 2,879 people.
. Side by Side ("*Lado a Lado*") – a bulletin that deals with maters of interest to the communities, periodically distributed to 3,000 people in schools, town halls, and local agencies.
. Community Relation Committees – in 2009 the number of meetings held and participants at them worked out to 20 and 800, respectively.

. Forum for Following up on Samarco's Environmental Licensing (FALAS): By means of this group, which is made up of representatives of the city halls of Anchieta, Guarapari and Piúma (ES), communities, NGO's, environmental agencies and the public at large can follow up on the compliance with the legal obligations agreed to by the Company during the environmental licensing processes.

In 2009, also as a form of social dialogue, Samarco participated in various events and forums related to this issue, such as the 1st State Community Development Encounter; the Ubu Forum, and Commissions for Monitoring TACs and Environmental Commitments, providing greater transparency and access to information for the communities involved.

- **Formal education**

Based on understandings reached with the Espírito Santo State Public Prosecutor's Office, the result of a TAC, in 2009 Samarco created a CTS (Samarco Vocational Training) Program. All told, 200 scholarships are provided for the residents of Anchieta, Guarapari and Piúma, covering up to 80% of the monthly tuition.

- **Supplementary education**

In 2009 a project entitled "Future Citizen" was launched to provide supplementary education for approximately 160 students of the Anchieta community Mãe-Bá. This project is a partnership between Samarco, the Espírito Santo State Public Prosecutor's Office, the Anchieta City Hall and the Community Association of the Mãe-Bá district. Project activities are divided into three major topics: education, sports and culture.

- **Environmental education**

Samarco has an ongoing Environmental Education Program (PEA) that seeks to raise consciousness and improve environmental attitudes. One of the program's fronts is aimed at generating work and income, based on reuse of residues, providing economic opportunity and social inclusion. Residents learn to transform waste into craftwork, using such materials as PET bottles, wood and other such items.

The schools participating in the Environmental Education Program receive a travelling library containing books, documentaries, films on the environmental topic, among other such materials: it is called the "*Baú ECOconhecimento*" (Trunk of Eco Logical Knowledge). In 2009, the Trunk traveled through 12 public schools in various communities of the cities and towns of Anchieta, Guarapari and Muniz Freire in Espírito Santo, assisting 1,450 children in grade and Junior high schools. In Minas Gerais, the Trunk paid calls on 7 schools in the cities and towns of Antônio Pereira, Monsenhor Horta, Padre Viegas and Mariana, where 1,985 could learn valuable lessons with the neat teaching tools. In the past year, we also sponsored the programs known as "*CINEscola*" (Cinema School) in order to Foster interaction of the students' parents with the level of care required by the environment, and "*ECOmúsica*" (Eco Music), an event aimed at junior high school students who heard Company lectures on environmental topics, work in a local campaign and are involving in writing songs centered around ecological issues.

Further in 2009, the Environmental Education Program – Strip, dedicated to the communities located along the Samarco ore pipelines, benefited 306 residents of 12 communities in the Espírito Santo cities and towns Dores do Rio Preto, Guaçuí, Alegre, Jerônimo Monteiro and Muniz Freire, which received orientation regarding the sustainability of local agricultural production. In Minas Gerais, 323 people benefited from lectures and mini-courses on the environment and rural administration, in the cities and towns of Matipó, Santo Antonio do Grama, Barra Longa, Ponte Nova and Abre Campo.

- **Volunteer Programs**

In 2009, the three volunteer programs promoted by Samarco featured the collaboration of 1,939 people, including direct employees and outsourced service providers, besides family members, friends and other partners who carry out activities intended to orient and train people in schools or get them to participate in other initiatives.

Junior Achievement

Samarco supports Junior Achievement, an NGO present in many countries that seeks through educational programs to awaken the entrepreneurial spirit in students and combat dropping out of school. The volunteers are employed at Samarco and service provider firms and devote part of their time to sharing their experiences with the students. In 2009, there were 90 volunteers in schools in Anchieta, Guarapari, Vitória, Mariana, Ouro Preto and Matipó.

Solidarity Tax

This tax scheme, which allows Samarco employees each year to allot part of the income tax they owe to Municipal Councils for Children's and Adolescents' Rights in Anchieta and Guarapari, Espírito Santo, and Mariana and Ouro Preto, Minas Gerais, was signed onto by 230 employees in 2009, thus allocating R$ 125,707.68 to these Municipal Councils for helping youths.

V Day

Finally, the traditional V Day at Samarco, where teams are formed once a year for a set of actions concentrated in a single Day, featured the participation of 1,619 volunteers, including Samarco employees and outsourced service providers, family members and partners, thus benefiting over 18.8 thousand people. The actions occurred in the cities and towns of Belo Horizonte, Ouro Preto, Mariana, Catas Altas, Barra Longa, Abre Campo, Espera Feliz and Matipó in Minas Gerais, and Anchieta, Piúma, Guarapari, Dores do Rio Preto and Alegre in Espírito Santo.

All these projects, encounters and initiatives at the community level reinforce Samarco's activities and its involvement with the various sectors of the public in the locations where its presence is important.

- Relationship with society

To expand the forms of dialogue with the various sectors of the public with whom we relate, Samarco maintains a Central facility that permits interaction to the Company over the Internet (www.samarco.com) and by calling our toll-free number 0800-031-23-03.

Interested parties (representatives of public agencies and entities, community leaders and common citizens, owners of land where our ore pipelines pass, suppliers of materials and services, among others) get in touch to express their points of view and the issues raised are forwarded the internal areas in charge of responding.

All inquiries, suggestions, complaints, praise – whatever – are handled by order of receipt, the relevance to the Company and for the demonstrator and the urgency of each situation.

In 2009, we resolved almost all pleas, no less than 98.6% (4,575 cases out of a total of 4,640), compared with a similar figure (98.8%) in 2008.

For 2010, our objective is to implement surveys that will allow us to evaluate the quality of the responses from the standpoint of the person originating the on-line or telephone inquiry.

RISK MANAGEMENT

Risk management is more than a defense mechanism, it is a strategic asset.

At Samarco, risk management is closely linked to our business strategy, encompassing strategic risks, report/compliance and operations.

Strategic risks are aimed at evaluating the Company's capacity for achieving long-term results, in order to guarantee our competitiveness and sustainability. Operating risks deal with the continuity of all processes without there being any interruption of activities. Reporting and compliance risks seek to foresee possibilities for errors or fraud in internal processes, assuring the integrity, reliability and qualify of financial statements, good governance practices and transparency in disclosing corporate information. Every year the risks are reappraised by a group of technical specialists and managers of the areas involved. Afterwards, they are evaluated by an internal committee.

In 2009 two plans were drawn up: the Business Continuity Plan for the main operating risks and the Operational Business Continuity Plan for IT (Information Technology) and AT (Automation Technology) risks. The plans call for swift responses for crisis situations, administration of contingencies and return to normality, thus allowing Samarco to always be prepared to continue with its business and protect the interests of the various sectors of the public it deals with. For 2010, the idea is to consolidate all the existing plans in the Organization to facilitate understanding and communication.

Samarco has a Risk Management and Internal Control Committee that is the highest level for making decisions and tracking risks. It meets semi-annually and is presided over by an executive officer. It features the participation of all general managers.

At the Company, the treatment of strategic and operating risks depends on their potential impact (maximum possible loss) and their residual amount that can be classified at five levels, which are set based on impact and probability factors: Very Low, Low, Moderate, High and Extreme.

The risks ranked as Moderate and upwards receive special monitoring by means of a process of internal controls known as CSA (Control Self Assessment) that evaluates the effectiveness of the controls. High and Extreme level risks, as well as all strategic risks, are reported on the Integrated Risk Chart. Reporting and compliance risks are also monitored on an ongoing basis and likewise are part of the scope for follow-up and decision by the Risk Management and Internal Control Committee.

ENVIRONMENTAL MANAGEMENT

Coherent with its Mission, Samarco ranks environmental management as an essential tool for consolidation of Company sustainability.

Preservation of the environment is a constant concern of Samarco and is considered in all business strategies. The Company believes that only with the rational and conscious use of natural resources and adoption of environmental care in all activities is it possible to more ahead forward on the path to sustainable development.

The Company's very Mission emphasizes this position, as we can see in the bold-faced phrase in the text below:

"We are a Brazilian company that supplies high quality iron ore to the world steel industry. We seek to contribute to improving the living conditions and well-being of people and to social, economic and environmental ***development through the responsible use of natural resources*** *and the building of long-lasting relationships based on generation of value".*

To buttress this strategic direction, important actions were carried out Samarco in 2009:

- Even in the midst of a world-wide economic crisis that severely affected its business, Samarco held steadfast to its planning in relation to activities in line with its philosophy of respect for the environment and signed a TCA (Environmental Commitment) with the Federal Prosecutor's Office and the Government of the State of Espírito Santo, in the amount of R$ 150 million, to finance activities through the year 2011. This amount will be invested in enhancements in the industrial and port complex with a view to reducing atmospheric emissions.

- Over the course of 2009, all the environmental licenses required for continuity of our business were renewed. We also obtained the Preliminary License for the 3rd Concentrator at the Germano unit, an integral part of the 4th Pelletizing Project.

- Samarco's industrial plants feature total sewage treatment, reuse of water and generation of renewable energy through the Muniz Freire and Guilman Amorim hydroelectric Power plants. The percentage of water recycling at the Company is on the order of 91.03%.

- Water is obtained in Minas Gerais by means of concessions for impoundment of waterways, which after use in ore separation is partly treated and returned to the rivers, with the other part used for transporting the concentrate through the ore pipelines;

- The pipelines transport the ore with low impact and at low cost. The expenditure on energy is reduced as from roughly halfway over the pipeline route, when the iron ore slurry is carried forward with the aid of gravity, decreasing the need for pumping.

- Selective waste collection and recycling is carried out at all units.

- There is concern too with the environmental preservation of the mines and the destination of the exhausted mines. In the communities where Samarco is present, educational activities are in place aimed at ecological consciousness-raising and preservation of biodiversity. Initiatives to replant native vegetation are also carried out.

- Also in 2009, the Plan for Closing of the Samarco Operational Units was revised, a requirement of the stockholders and is a practice common in companies that have a refined sense of their socio-environmental responsibility. This plan considers the closing strategy, the useful lifespan of the project, the resources required and the strategy to be adopted.

- Further this past year, the Company continued with its diagnoses for Analysis of Product Life Cycle, mapping the environmental impacts at the Germano unit (MG), with conclusion slated for 2010, and at the Ubu unit in Anchieta (ES), where conclusion is scheduled for 2011. Eco-efficiency projects will be conducted after conclusion of these studies.

- Samarco is constantly alert to the issue of climate change and for this reason has undertaken initiatives to reduce its emissions of greenhouse gases, make rational and conscious use of water and energy and carry out good waste management practices (all waste having an appropriate destination), regardless of whether they are ore residues, technological residues or other material in the form of waste.

These initiatives had incredible results, for whereas 106,239 tons of industrial and household waste were generated in 2008, just 9,596 tons were generated in 2009.

- Selective waste collection and recycling is carried out at all units.

The greenhouse gas inventory has been taken for two years now, covering direct and indirect emissions. For 2010, this inventory will begin to be certified.

In terms of water and energy consumption, the Company's statistics are broken down as follows:
. New water = 11,880,000m3 in 2008 and 13,202,000 m3 in 2009.
. Reused water = 138,947,000m3 in 2008 and 133,920,000 m3 in 2009.
. Electric power = 1,545,869 MWh in 2008 (of which 1,497,160 MWh was acquired from contractors) and 1,537,616 MWh in 2009 (of which 1,288,032 MWh was acquired from contractors).

Between 2008 and 2009, the index that measures the emission of carbon gas produced by Samarco rose by around 4% in comparison with the previous year. For each ton produced by Samarco in 2009, 96 kg of CO_2 were generated, compared with an average of 93 kg of CO_2 in 2008. The reason for this growth was the discontinuity of the production process brought on by the world economic crisis, which caused constant re-hookups at the pelletizing furnaces at our Ubu industrial unit, demanding increased consumption of fossil fuels such as coal, petroleum coke and fuel oil. Another reason that contributed to the rise in the index was expansion of the mapping of greenhouse gas emissions, upping the basis on which the measurements were taken. Today 100% of the outsourced fleet that performs transportation services for the Company is counted, which will permit actions to reduce such emissions in the future.

For 2010, a Clean Development Mechanism (CDM), validated by the DNV Veritas consulting firm, is scheduled for exchanging the energy matrix of the furnaces, such that we will no longer use fuel oil and will replace it with a cleaner energy source, natural gas. The forecast is that this will cut down total emissions by 10%. In 2010, with implementation of this project, Samarco will be able to sell carbon credits.

Also under study is industrial reuse of rejects from the manufacture of tiles, bricks and other such materials.

MANAGEMENT OF SAFETY, HEALTH AND QUALITY OF LIFE

The Company achieved an historical market in terms of Safety, which proves we got our strategy right in favor of valuing life.

Valuation of Life is one of the principal Values of Samarco. Based on this Value, and in order to achieve our strategic objective of providing a safe environment for all, the Company has undertaken a series of activities that aim to preserve the health and Safety of its employees and outsourced personnel. Samarco has implemented a Health and Safety Management System based on OHSAS 18001 (the international norm that certifies administration systems oriented to occupational health and safety), which has been certified since 2000.

Furthermore, the tremendous commitment on the part of Company leaders and the ongoing consciousness-raising of our own employees as well as outsourced personnel is well known. As a result of this work, the Company has identified in recent years a steady reduction in the index of accidents reported. This index measures the frequency of accidents at the Company, regardless of whether they are characterized as involving CPT (With Loss of Time), SPT-AR (Without Loss of Time – but with Restriction of Activity) or SPT – TM (Without Loss of Time – just for medical treatment), at all Company units, considering both our own employees and contracted help. From 2005 to 2009, the index dropped from 6.48 to 1,17 (rate of accidents reported per 1 million hours worked), the very best rate in the entire 32-year history of Samarco, comparable to the good results achieved by our stockholders and other leading world-wide companies.

This positive result is the consequence of the involvement of everyone at Samarco. Besides committees, inspections and audits carried out by our leaders, top-echelon management, as represented by our President & CEO, executive officers and general managers, carry out Daily Safety Dialogues (known here as DDS's) twice a year. At these sessions they talk directly with the other employees about various topics related to Health and Safety.

Among the outstanding actions undertaken in 2009, there was creation of a specific competence relating to Health and Safety, inserted in the performance evaluation process for all employees. Also carried out was the development of employees in Health and Safety through Apprenticeship Charts. This methodology, combining interactive training and collective knowledge building, allowed our employees and outsourced personnel to go into greater depth in reflecting on the 12 processes that comprise it.

One of these processes calls for identification of the risks, which permits greater control and, as a result, reduction and even elimination. In managing this process, the Company was able to count on the support of IT tools through the SAP EH&S (Environment, Health and Safety) system).

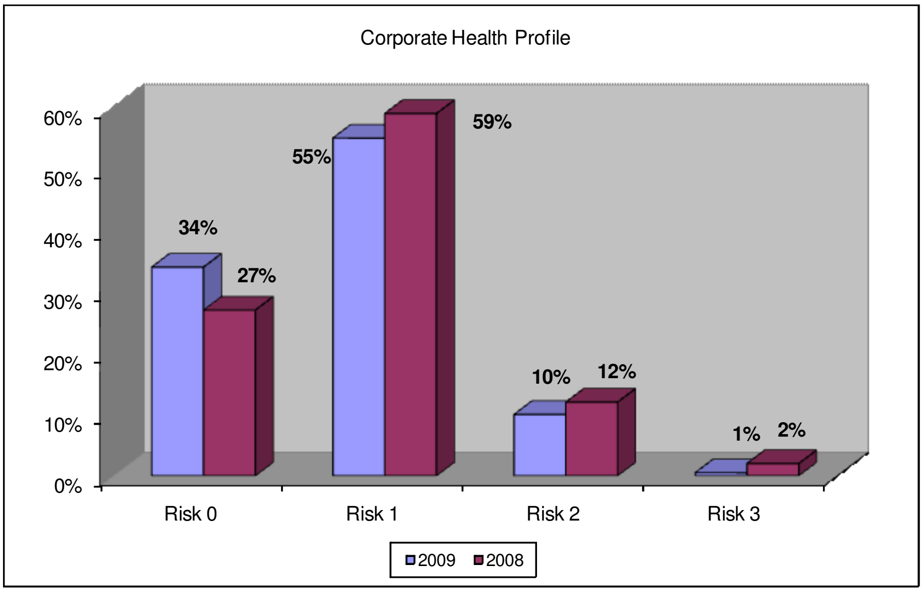
Year	**Rate of Accidents Reported**
2009	1.17
2008	2.27
2007	2.83
2006	6.50
2005	6.48

Also in 2009, the Company began implementation of Fatal Risks Control Standards, with investments on the order of R$ 6 million By 2011, R$ 25 million in investments are slated for improving equipment and systems focusing on Safety.

In terms of Quality of Life, Samarco encourages employees and the members of their families to practice sports regularly. It sponsors activities such as "*Enduro a Pé*", (enduring on foot), races, specific events oriented to women's health and, for employees nearing retirement age, the Company has Getting Ready for Retirement Program.

Samarco directs its actions for enhancement of the health of its employees based on the Health Profile index, obtained from the results of periodic medical exams conducted. In 2009, 89% of our employees had their health ranked at Risk 0 and Risk 1 levels, showing improvement over 2008 (see chart on the next page).

Among the factors considered in the Health Profile are tobacco usage, arterial hypertension, obesity and sedentary lifestyles. Besides these periodic exams, the Company further offers nutritional guidance and monitoring, dental care programs and other such supports. In 2009 the Company developed the EAC (Exam of Concentrated Attention). This exam checks up on whether people are focused on their work or if their attention is scattered, which may lead to lack of concentration and greater propensity to get hurt in or cause accidents.



HUMAN RESOURCES MANAGEMENT

More than quality of life or well-being, Samarco esteems life itself, for nothing is more important than the life of people.

- Training and Development (T&D)

One bit of data calls our attention when we analyze Samarco's relationship with its employees and proves the importance of the internal public for the Company: our monthly turnover is less than 1%.

This demonstrates a two-way process. It means that people are committed to and engaged in the positioning and Values adopted by the Company, yet at the same time the Company also recognizes the commitment and competences of its employees.

During the most critical period of the crisis last year, for instance, were entitled to paid collective unscheduled vacation time and leaves of absence.

In 2009, our T&D policy was rethought to focus on the quality of our investments in people, instead of the quantity. Priority was placed on topics that were relevant and strategic for the Company today, considering sustainability of our business and the strengthening of our professionals to face the challenges ahead. Even so, the quantity of training sessions for employees passed the mark of 100 thousand hours (102,878.64 hours to be precise). Moreover, 100% of Samarco's employees were included in some kind of training (1,987 all told). The highlights for the year included revision of the Personnel Management Model based on Competencies, technical training courses and qualifications regarding Health and Safety, based on the Apprenticeship Chart.

Besides the training sessions where their presence was required, employees could also train themselves through the “Click for Knowledge”, e-learning tool. In 2009, all employees and directly outsourced personnel used this method.

In terms of education, Samarco maintained its policy of supporting employees, subsidizing 80% of undergraduate and graduate programs, besides master’s and doctorate degrees where the Company covers fully 100% of their tuition. Samarco believes that education is the true social transformer.

The Company further features a Trainee Program – in 2009 49 of our trainees became employees (89% of the class started in 2008) – and also a Field of Ideas (“*Campo de Ideias*”) Program, which encourages and recognizes contributions in the form of ideas that employees submit to benefit the Company and can be feasibly implemented.

In 2009, 1,898 ideas were generated in the Field of Ideas Program, considerably up over the 1,231 generated in 2008 (667 ideas more). In other words, there was a 35% jump in the number of ideas registered. Out of this total for 2009, 1,181 were approved (62%) and 838 (44%) have already been implemented. Sisty-four (64) high impact ideas (3%) were awarded prizes for making substantial contributions to the Company.

In Espírito Santo, the Apprentice Program oriented to young people up to the age of 24 requires Samarco to have 23 apprentices, on a mandatory basis. Nonetheless, the Company is presently working with 50 apprentices. All of them live in communities surrounding Samarco’s facilities.

The Company has stuck with its policy of granting priority to hiring employees who live in the nearby communities. For the operation of the third pelletizing plant, inaugurated in the first half of 2008, about 90% of the jobs were filled by people from local communities. This is also the guideline when it comes to outsourced personnel.

In 2009, we achieved the legal quota for hiring the handicapped to be part of our staff, hiring 25 handicapped employees. Moreover, in the programs offered to surrounding communities, Samarco reserved 5% of the jobs exclusively for the handicapped.

To evaluate our internal climate and contribute as a valuable management tool, the Samarco Climate Survey was conducted at the end of 2009 among Company employees. The results were released as from February 2010. The percentage of employee participation was 77%. The Survey identified an opportunity to find out what employees’ perceptions were and to identify room for improvements, with a view to balancing the Company’s needs with employee satisfaction, considered as a critical success factor in Samarco’s strategy.

For 2010, the priorities are training professionals for the 4th Pelletizing Project, investing in training that focuses on aligning competences to the Company’s strategies, drawing up charts of the knowledge that provides competitive differentiation (critical knowledge management), reinforcing the leadership development program and implementing the “Business Value” Program which is specific for technical career professionals.

The Succession Committees Program will also begin in 2010 in order to identify replacements for all managerial positions as from the mid-management level.

It is important to mention further that the Cycles of Culture Project, which deals with the re-significance and reinforcement of the Company's Values, will be extended to the operational technical level in 2010. To such end, our leaders will get involved in a major way as agents of change. The process will be reinforced with respect to the other sectors of the public, involving them in discussions regarding practices, policies and behaviors that reflect the Values of Samarco.

- Labor Relations

Samarco wound up the year 2009 with 1,987 employees, down just slightly compared with the 2,032 on board in 2008.

Even with the serious crisis last year, the Company maintained its functional staff. No one was laid off in order to cut costs. The tiny decrease in the number of workers from 2008 to 2009 is a consequence of already scheduled termination up of some temporary work contracts, departure of personnel when they reached the age of 60 (due to retirement; Samarco has a Getting Ready for Retirement Plan to support employees who are about to retire) and the normal turnover in a company of our size.

To avoid having to cut the workforce, Samarco implemented a series of adjustments and internal measures to preserve people's jobs. All such steps, involving a process of face-to-face and transparent communication, were discussed beforehand with and indeed approved by the employees at meetings, with high percentages of acceptance.

Among the measures adopted were collective vacations to 321 employees and paid leaves of absence for just 30 days for around 300 employees.

Also noteworthy in terms of labor relations in 2009 were maintenance of the performance evaluation process and employee approval of the profit and results sharing (PLR) program, as well as the Salary Agreement with the trade category, with a real raise of 2.02%, which reinforces the relationship of trust that has been built up between the Company and its employees.

INFORMATION NOT EXAMINED BY INDEPENDENT AUDITORS

The Report of Management includes financial information related to Projected Investments; Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA); and Return on Capital Employed (ROCE). It also contains operating data regarding Environmental Management; Safety, Health and Quality of Life Management; Human Resources Management; and Volumes of Production and Ore Reserves. None of this information or data has been examined by our current independent auditors. In addition, the Company's financial and accounting data for the years 2004 to 2006 was examined by other independent auditors.

RECOGNITION

In 2009 Samarco won a series of important awards and other forms of recognition from the market and society:

- Minas Gerais Quality Prize (PMQ), which recognizes companies that invest in managerial excellence with respect to their activities, based on the criteria set by the National Quality Foundation (FNQ).

- Espírito Santo Quality Prize (PQES), which likewise recognizes companies with excellence in management. This prize also follows the criteria of the FNQ.

- Samarco's Annual Sustainability Report obtained a grade of A+, the highest on the scale of points ranked by the GRI (Global Reporting Initiative), the most prestigious organization supporting the development of sustainability reports voluntarily used by companies all over the globe.

- The Annual Report Prize of the ABRASCA (Brazilian Association of Publicly Listed Companies) recognized the set of Samarco reports – Report of Management and the Annual Sustainability Report – as the best among Brazilian privately held companies.

- In 2009 Samarco obtained new ISO 14001 re-certification. The Company was the very first mining company in the entire world to attain ISO 14.001 for its integrated port-to-mine operations.

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Independent auditor's report

To
The Board of Directors and Shareholders
Samarco Mineração S.A
Belo Horizonte - MG

1. We have examined the accompanying balance sheets of Samarco Mineração S.A. ("the Company") and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity, statements of cash flows and added value for the years then ended, which are the responsibility of its Management. Our responsibility is to express an opinion on these financial statements.

2. Our audit were conducted in accordance with auditing standards generally accepted in Brazil and included: a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Samarco Mineração S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2009 and 2008, and the result of its operations, the changes in its shareholders' equity, and its cash flows and added value for the years then ended, in conformity with accounting practices adopted in Brazil.

4. As mentioned in note 2, in January 2010 the Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis – CPC) reviewed some technical pronouncements previously issued, among these, the CPC 02 – The Effects of Changes in Foreign Exchange Rates and Translation of the Financial Statements, which is applicable to the Company and has determined that the foreign subsidiaries operation that does not characterize as an independent entity shall be treated as a business extension of the reporting entity, not being presented the separate financial statements of the Company. In the review of the mentioned CPC 02, the treatment of the business extension of the reporting entity would be optional to the entities that must have to present the separated financial statement. The Company's management opted for the presentation of the separated financial statements.

Belo Horizonte, April 30, 2010

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-MG

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

Samarco Mineração S.A.

Balance sheets

as of December 31, 2009 and 2008

(In thousands of Reais)

		Parent Company		Consolidated	
Assets	Note	2009	2008	2009	2008
Current assets					
Cash and cash equivalents	3	231,610	357,231	243,596	376,267
Financial investments	4	-	-	70,904	42,974
Trade accounts receivable	5	457,582	739,523	362,476	604,090
Inventories	6	153,367	299,145	170,183	349,185
Taxes recoverable	7	125,109	156,325	125,134	156,408
Deferred income tax	18	35,028	14,986	35,346	24,352
Prepaid expenses		506	880	673	991
Other accounts receivable	8	6,122	7,530	6,012	7,130
		1,009,324	1,575,620	1,014,324	1,561,397
Noncurrent					
Long term assets					
Court deposits		134	950	134	950
Taxes recoverable	7	149,315	222,902	149,315	222,902
Deferred income tax	18	137,173	117,552	137,173	117,552
Other accounts receivable	8	19,890	18,052	19,890	18,074
		306,512	359,456	306,512	359,478
Investments	9	19,439	33,308	-	-
Property, plant and equipment	10	3,610,269	4,919,966	3,610,291	4,919,996
Intangible	11	25,124	37,436	25,128	37,438
		3,961,344	5,350,166	3,941,931	5,316,912
		4,970,668	6,925,786	4,956,255	6,878,309

		Parent Company		Consolidated	
Liabilities	Note	2009	2008	2009	2008
Current					
Accounts payable to suppliers:					
Domestic		90,474	100,176	90,521	100,227
Foreign		1,153	4,166	1,274	4,294
Exchange contract advances	12	537,425	1,763,831	537,425	1,763,831
Loans and financing	13	348,080	-	348,080	-
Financial charges		21,145	66,070	21,145	66,070
Payroll and payroll charges		47,808	42,317	48,527	43,321
Taxes and contributions payable		7,051	11,026	7,094	11,072
Provision for income tax		29,717	15,220	31,589	16,930
Dividends payable	16	1,635,663	899,335	1,635,663	852,274
Deferred income tax	18	-	6,313	-	7,683
Other liabilities	15	105,809	99,329	97,587	91,417
		2,824,325	3,007,783	2,818,905	2,957,119
Noncurrent liabilities					
Loans and financing	13	1,653,380	1,868,960	1,653,380	1,868,960
Provision for contingencies and legal obligations	14	206,603	213,177	206,603	213,177
Deferred taxes	18	10,989	242,377	10,989	242,377
Other liabilities	15	66,554	41,346	66,554	41,346
		1,937,526	2,365,860	1,937,526	2,365,860
Shareholder's equity	16				
Capital		297,025	297,025	297,025	297,025
Capital reserve		2,476	2,476	2,476	2,476
Profit reserves		294,549	294,549	292,277	294,549
Equity valuation adjustment		(385,233)	958,093	(391,954)	961,280
		208,817	1,552,143	199,824	1,555,330
		4,970,668	6,925,786	4,956,255	6,878,309

See the accompanying notes to the financial statements.

Samarco Mineração S.A.

Statements of income

Years ended December 31, 2009 and 2008

(In thousands of Reais, except for net income per share)

	Note	Parent Company		Consolidated	
		2009	**2008**	**2009**	**2008**
Gross revenue		2,779,519	4,319,950	2,837,232	4,239,728
Deductions		(24,531)	(73,503)	(24,531)	(73,503)
Net revenue		2,754,988	4,246,447	2,812,701	4,166,225
Cost of good sold		(1,342,859)	(1,618,109)	(1,362,155)	(1,580,278)
Gross profit		1,412,129	2,628,338	1,450,546	2,585,947
Operating income (expenses)					
Sales		(91,236)	(99,263)	(88,583)	(94,142)
General and administrative		(34,826)	(30,890)	(34,826)	(30,890)
Other net operating expenses	17	(324,959)	(341,883)	(325,584)	(342,808)
Equity in income of subsidiaries and associated companies	1 e 9	(13,869)	14,213	-	-
Income from operations before financial results		947,239	2,170,515	1,001,553	2,118,107
Financial result	24				
Financial income		7,038	23,473	5,896	23,346
Financial expenses		(90,330)	(140,855)	(90,346)	(140,873)
Exchange variation		624,808	(273,098)	624,741	(272,993)
Operating profit		1,488,755	1,780,035	1,541,844	1,727,587
Income tax					
Current		(336,476)	(284,057)	(344,776)	(277,302)
Deferred		277,225	(185,673)	277,225	(186,798)
	18	(59,251)	(469,730)	(67,551)	(464,100)
Net income for the year		1,429,504	1,310,305	1,474,293	1,263,487
Net income for the year per shares - R$		272.63	249.90	281.18	240.97
Number of shares at year end		5,243,306	5,243,306	5,243,306	5,243,306

See the accompanying notes to the financial statements.

Samarco Mineração S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2009 and 2008

(In thousands of Reais)

			Capital reserves			Profit reserves					
	Note	**Capital**	**Inflation adjustment for property, plant and equipment**	**Premium on subscription of shares**	**Tax incentive**	**Incentived depletion**	**Legal reserve**	**Profit retention**	**Equity valuation adjustment**	**Retained earnings**	**Total**
Balances at December 31, 2007 - consolidated		297,025	785	1,681	10	1,517	59,404	15,982	107,093	446,576	930,073
Reclassification for presentation of reviewed CPC 02 - Income tax		-	-	-	-	-	-	-	-	(23,763)	(23,763)
Net income		-	-	-	-	-	-	-	-	1,263,487	1,263,487
Distribution of net income:											
Distribution of dividends (R$117.56 per common share and R$129.31 per preferred share)	16	-	-	-	-	-	-	-	-	(616,380)	(616,380)
Proposed dividends (R$123.42 per common share and R$135.76 per preferred share)	16	-	-	-	-	-	-	-	-	(647,107)	(647,107)
Proposed dividends on retained earnings (R$39.13 per common share and R$43.04 per preferred share)	16	-	-	-	-	-	-	-	-	(205,167)	(205,167)
Reclassification of profit retention reserve	16	-	-	-	-	-	-	217,646	-	(217,646)	-
Cumulative translation adjustment	16	-	-	-	-	-	-	-	854,187	-	854,187
Balances at December 31, 2008 - consolidated	2.2.b	297,025	785	1,681	10	1,517	59,404	233,628	961,280	-	1,555,330
Reclassification for presentation of reviewed CPC 02 - Parent company	2.1	-	-	-	-	-	-	-	-	47,061	47,061
Distribution of net income:		-	-	-	-	-	-	-	-	1,429,504	1,429,504
Net income:											
Proposed dividends on net income for the year (R$281.61 per common share and R$309.77 per preferred share)	16	-	-	-	-	-	-	-	-	(1,476,565)	(1,476,565)
Cumulative translation adjustment	16	-	-	-	-	-	-	-	(1,346,513)	-	(1,346,513)
Balances at December 31, 2009 - parent company		297,025	785	1,681	10	1,517	59,404	233,628	(385,233)	-	208,817

See the accompanying notes to the financial statements.

Samarco Mineração S.A.

Statements of cash flows

Years ended December 31, 2009 and 2008

(In thousands of Reais)

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash flows from operating activities				
Net income before income tax	1,488,755	1,780,035	1,541,844	1,727,587
Adjustment to reconcile net income tax to net cash provided by operating activities:				
Depreciation and amortization	178,786	129,266	178,694	129,387
Allowance for doubtful accounts	27,249	187	27,249	187
Provision for inventory obsolescense	253	111	253	111
Provision for tax recoverable realization	67,280	101,091	67,280	101,091
Reversal of provision for other assets realization	(1,274)	(5,629)	(1,274)	(5,629)
Provision for contingencies	27,890	41,989	27,890	41,989
Reversal (recognition) of provision for others liabilities	(42,166)	14,096	(42,166)	14,096
Loss on sales of property, plant and equipment and intangible assets	1,308	457	1,308	457
Loss of property, plant and equipment and intangible assets	1,602	28,598	1,602	28,598
Equity adjustment	13,868	(14,213)	-	-
Financial charges (income) on exchange variation	(835,298)	857,054	(835,476)	857,054
	928,253	2,933,042	967,204	2,894,928
(Increase) decrease in operating assets:				
Financial application	-	-	(27,931)	(2,429)
Trade accounts receivable	254,819	(305,774)	214,492	(260,573)
Inventories	98,319	(157,343)	131,737	(188,144)
Recoverable taxes	37,384	(350,823)	45,120	(360,113)
Court deposits	39	11,904	816	11,904
Prepaid expenses	374	1,132	318	1,111
Other accounts receivable	24,779	(20,634)	24,511	(20,156)
Increase (decrease) in operating liabilities:				
Trade accounts payable	(13,479)	(19,606)	(13,490)	(18,006)
Taxes payable	(29,944)	7,856	(29,947)	7,702
Payroll and payroll charges	5,492	4,322	5,206	4,467
Income tax paid	(321,979)	(291,937)	(330,117)	(283,472)
Others	2,216	2,658	1,129	(5,976)
Other translation adjustment	(4,685)	113	(14,510)	3,439
Net cash provided by operating activities	981,588	1,814,910	974,538	1,784,682
Cash flow from investing activities				
Purchase of property, plant and equipment	(114,842)	(595,941)	(114,842)	(595,941)
Received on sale of property, plant and equipment	553	205	553	205
Net cash used in investing activities	(114,289)	(595,736)	(114,289)	(595,736)
Cash flows from financing activities				
Borrowing - third parties	1,453,826	1,350,375	1,453,826	1,350,375
Payment of loans and financing	(1,752,998)	(1,124,228)	(1,752,998)	(1,124,228)
Payments of dividends and interest on shareholders' capital	(693,176)	(1,091,665)	(693,176)	(1,091,908)
Net cash provided (used) in financing activities	(992,348)	(865,518)	(992,348)	(865,761)
Effect of exchange variation on cash and cash equivalents	(572)	1,459	(572)	1,459
Increase (decrease) in cash and cash equivalents	**(125,621)**	**355,115**	**(132,671)**	**324,644**
Cash and cash equivalents at beginning of year	357,231	2,116	376,267	51,623
Cash and cash equivalents at end of year	231,610	357,231	243,596	376,267
	(125,621)	**355,115**	**(132,671)**	**324,644**

See the accompanying notes to the financial statements.

Samarco Mineração S.A.

Statements of added value

Years ended December 31, 2008 and 2007

(In thousands of Reais)

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Revenue				
Sales of goods, products and services	2,779,519	4,319,950	2,837,232	4,239,728
Other revenue	2,879	3,703	2,879	3,703
Construction of Company assets	186,563	584,610	183,214	584,613
Allowance for doubtful accounts	(201)	(187)	(201)	(187)
	2,968,760	4,908,076	3,023,124	4,827,858
Inputs acquired from third parties				
Costs of products, goods and services sold	(1,401,382)	(2,093,466)	(1,415,477)	(2,052,124)
Material, power, third party services and others	(87,077)	(689,763)	(92,066)	(678,408)
(Loss)recovery of assets values	2,154	6,317	2,154	6,317
	(1,486,305)	(2,776,912)	(1,505,388)	(2,724,215)
Gross value added	1,482,455	2,131,164	1,517,736	2,103,643
Depreciation and amortization	(178,786)	(129,266)	(178,694)	(129,387)
Net added value produced by the Company	1,303,669	2,001,898	1,339,042	1,974,256
Transferred added value				
Equity in income of subisidiaries and associated companies	(13,868)	14,213	-	-
Financial income	7,038	23,473	5,896	23,346
	(6,830)	37,686	5,896	23,346
Total added value to be distributed	1,296,839	2,039,585	1,344,938	1,997,602
Distribution of added value	1,296,839	2,039,585	1,344,938	1,997,602
Employees				
Salaries and waves	116,570	100,864	118,426	103,693
Benefits	34,308	31,882	35,041	32,543
Severance found (F.G.T.S)	8,866	7,952	8,866	7,952
Taxes payable				
Federal	278,435	149,934	279,165	151,467
State	(46,425)	14,383	(46,517)	14,282
Municipal	10,059	10,312	10,059	10,312
Remuneration of third party capital				
Interest (loans, financing and others)	(534,478)	413,953	(534,395)	413,866
Remuneration of own capital				
Dividends	1,429,504	1,310,305	1,474,293	1,263,487

See the accompanying notes to the financial statements.

Samarco Mineração S.A.

Notes to the financial statements

Years ended December 31, 2009 and 2008

(In Reais, except as indicated otherwise)

1 Business context

Samarco Mineração S.A. ("Samarco" and/or "Company"), is a privately held joint stock corporation organized under Brazilian Law that operates an integrated enterprise that encompasses the mining and concentration of low-grade iron ore (Germano/Alegria, Mariana, in the State of Minas Gerais - MG), as well as the hauling of such ore through an ore-duct and exportation thereof through a maritime terminal (Ponta Ubu, Anchieta, in the neighboring state of Espírito Santo - ES). Production is basically sold on the foreign market.

- The geological iron ore resources that can be mined by the currently employed process technology, which was a mining concession of Vale, were transferred to the Company and are estimated at around 5.7 billion tons[1] (certified by international audit). The production of concentrated iron ore in the year 2009 was 18.3 million dry metric tons (2008 – 18.4 million dry metric tons)[1].

- As of December 31, 2009 and 2008, the Company's held equity stakes in the following companies and their respective activities are as follows:

    - Samarco Iron Ore Europe B.V. (direct stake of 100%) – commercial representation abroad.

    - Samarco Asia Ltd. (indirect stake of 100%) – commercial representation abroad.

    - Samarco Finance Ltd. (direct stake of 100%) – resale of iron ore purchased from the Company to designated customers and funding on the international market for subsequent transfer to the Company.

[1]Information not examined by independent auditors

2 Presentation of the financial statements and significant accounting policies

Authorization for conclusion of these financial statements was granted by the Executive Board on April 26, 2010 and approval by the Board of Directors is being granted at the Annual General Meeting of Shareholders on April 30, 2010.

2.1. Presentation of the financial statements

The individual and consolidated financial statements have been prepared and are being presented in accordance with accounting practices adapted in Brazil required for the years ended December 31, 2009 and 2008, which encompass the provisions contained in the Brazilian Corporate Law (Law No. 6.404/76), as altered by Laws Nos. 11.638/07 and 11.941/09 (corporate legislation), in the pronouncements, guidelines and interpretations of the Committee for Accounting Pronouncements (CPC), ratified by the appropriate regulatory agencies.

Management has analyzed the revision issued by the CPC, CPC 02 R1 (the effects of changes in Foreign Exchange Rates and Translation of the Financial Statements), and decided not to book the assets, liabilities and results of its foreign operation record in the parent company's financial statements as an extension of its activities, early adoption of which is supported by Resolution No. 1.164/09 of the Federal Accounting Council (CFC). The Company recognized the amount of R$47,061 due to the procedures mentioned above.

For purposes of comparability of the financial statements, the effects of the early adoption of CPC 02 R1 were reflected in the financial statements of the previous period presented, which have been restated and represented based on the identification of an error in the financial statements in conformity with Brazilian Accounting Standard No. NBC T 19.11 – Changes in Accounting Practices, in Estimates and Correction of Errors, which was approved by Resolution No. 1.087/06 revoked by Resolution No. 1179/09 of the CFC.

2.2. Description of significant accounting policies

The following are the significant accounting policies adopted by the Company in the financial statements:

(a) Foreign currency

(i) Functional currency

After analyzing Samarco's operations and businesses with respect to the applicability of Technical Pronouncement No. CPC 02 ("CPC 02"), chiefly regarding the factors for determination of the Company's functional currency, Management has concluded that it is the United States Dollar (US$). This conclusion is based on the combined analysis of the following indicators prescribed in CPC 02.

Primary indicators:

- Currency that most influences the prices of goods and services;
- Currency of the nation whose competitive and regulatory forces are the most influential in determining the sale prices of its products and services;
- Currency that most influences manpower, material and other costs for supply of products or services;

Secondary indicators:

- Currency in which the funding for financial activities is substantially obtained;
- Currency in which the amounts received from operating activities are normally accumulated.

(ii) Currency in which the financial statements are presented

The financial statements have been translated from the functional currency (US$) to Reais (R$), which is the reporting currency and also the currency of the official, bookkeeping and legal records where the company is organized and established, as well as the currency for presentation of the financial statements of companies set up in Brazil.

Transactions in foreign currency, that is, all those that are not carried out in the functional currency, are translated at the Exchange rate in effect of the dates of each transaction. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate as of the balance sheet date, with US$ 1.00 being equivalent to R$ 1.7404 as of December 31, 2009 (US$ 1.00 equivalent to R$ 2.3362 as of December 31, 2008). Gains and losses on variations in the exchange rates on monetary assets and liabilities are recognized in the income statement. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated at the exchange rates in effect on the dates of the transactions or on the dates of fair market appraisal when such is used, since the changes in the exchange rates have little or no direct effect on the current and future cash flows from operations, being thus booked in a specific account under shareholders' equity denominated "Equity valuation adjustments".

The following, expressed in thousands, are the individual and consolidated balance sheet and income statements in our functional currency translated to the reporting currency:

Assets	Consolidated 2009		2008	
	US$	R$	US$	R$
Current Asset				
Cash and cash equivalents	139,966	243,596	161,059	376,267
Marketable securities	40,740	70,904	18,395	42,974
Trade accounts receivable	208,272	362,476	258,578	604,090
Inventories	97,784	170,183	149,467	349,185
Taxes recoverable	71,900	125,134	66,950	156,408
Deferred income tax	19,841	35,346	10,424	24,352
Prepaid expenses	387	673	424	991
Other current assets	3,454	6,012	3,052	7,130
	582,344	1,014,324	668,349	1,561,397
Noncurrent Assets				
Long-term assets:				
Deposits court	77	134	407	950
Taxes recoverable	85,793	149,315	95,412	222,902
Deferred income tax	78,740	137,173	50,317	117,552
Other assets	11,428	19,890	7,736	18,074
	176,038	306,512	153,872	359,478
Property, plant and equipment	2,074,403	3,610,291	2,105,982	4,919,996
Intangible assets	14,438	25,128	16,026	37,438
	2,264,879	3,941,931	2,275,880	5,316,912
	2,847,223	4,956,255	2,944,229	6,878,309

Liabilities and Equity	Consolidated 2009		2008	
	US$	R$	US$	R$
Current Liabilities				
Account Payable to Suppliers				
Domestic market	52,012	90,521	42,902	100,227
Foreign market	732	1,274	1,838	4,294
Advances on exchange contracts	308,794	537,425	755,000	1,763,831
Loans and financings	200,000	348,080	-	-
Financial charges payable	12,150	21,145	28,281	66,070
Salaries, provisions and social contributions	27,883	48,527	18,543	43,321
Taxes payable	4,076	7,094	4,739	11,072
Provision for income tax	18,150	31,589	7,247	16,930
Dividends proposed	575,552	1,635,663	648,369	852,274
Deferred income tax	-	-	-	7,683
Other current liabilities	56,071	97,587	39,131	91,417
	1,255,420	2,818,905	1,546,050	2,957,119

Noncurrent Liabilities				
Loans and financings	950,000	1,653,380	800,000	1,868,960
Provision for contingencies and legal obligations	118,710	206,603	91,249	213,177
Deferred income tax	-	10,989	-	242,377
Other noncurrent liabilities	38,241	66,554	17,698	41,346
	1,106,951	1,937,526	908,947	2,365,860
Shareholders' Equity				
Capital stock	409,774	297,025	409,774	297,025
Capital reserves	1,619	2,476	1,619	2,476
Revenue reserves	92,645	292,277	97,025	294,549
Equity valuation adjustments	(19,186)	(391,954)	(19,186)	961,280
	484,852	199,824	489,232	1,555,330
	2,847,223	4,956,255	2,944,229	6,878,309

Samarco Mineração S.A.

Notes to the financial statements

(In Reais, except as indicated otherwise)

	Consolidated			
		2009		2008
	US$	R$	US$	R$
Gross sales revenues	1,435,868	2,837,232	2,348,678	4,239,728
Deductions from gross revenues	(13,314)	(24,531)	(41,253)	(73,503)
Net operating revenues	1,422,554	2,812,701	2,307,425	4,166,225
Cost of goods sold	(705,917)	(1,362,155)	(888,187)	(1,580,278)
Gross profit	716,637	1,450,546	1,419,238	2,585,947
Operating revenues (expenses)				
Selling expenses	(47,294)	(88,583)	(51,167)	(94,142)
General and administrative expenses	(17,758)	(34,826)	(16,767)	(30,890)
Other operating expenses, net	(236,350)	(325,584)	(113,864)	(342,808)
Operating income before financial results	415,235	1,001,553	1,237,440	2,118,107
Financial results				
Financial income	2,543	5,896	14,955	23,346
Financial expenses	(50,445)	(90,346)	(67,947)	(140,873)
Exchange variation, net	269,010	624,741	(140,657)	(272,993)
Operating income	636,343	1,541,844	1,043,791	1,727,587
Income tax	(156,585)	(67,551)	(141,630)	(464,100)
Net income	479,758	1,474,293	902,161	1,263,487

(b) Consolidation

The Company's consolidated financial statements, which include the financial statements of its subsidiaries, have been prepared in accordance with applicable consolidation practices and legal provisions. Accordingly, reciprocal equity stakes and the balances of unrealized accounts, revenues, expenses and income between companies have been eliminated.

The shareholders' equity and results for the years shown as of and for the years ended December 31, 2009 and 2008 by the parent company and consolidated are different from those presented in the consolidated financial statements due to the unrealized income on sales operations carried out by the parent company to a subsidiary. Pursuant to CFC Resolution No. 1.240/09, the results arising from intra-group transactions that are recognized under assets, such as inventories or property, plant and equipment, should be eliminated.

The reconciliation of the shareholders' equity and results of the parent company and consolidated as of December 31, 2009 and 2008 is shown as follows:

	Shareholders' equity		**Income**	
	2009	**2008**	**2009**	**2008**
Parent Company	208,817	1,552,143	1,429,504	1,310,305
Unrealized income on inventories	(8,993)	3,187	44,789	(46,818)
Consolidated	199,824	1,555,330	1,474,293	1,263,487

In January 2010, the Accounting Pronouncements Committee (CPC) issued a revision of previously approved Technical Pronouncements, among which was the modification in CPC 02, which applies to the Company.

Among the modifications carried out, there was a change made specifically to item 4 of CPC 02, which deals with foreign operation that are not characterized as independent entities. The standard in question excluded the mandatory integration of subsidiary companies in the assets, liabilities and results of the balance sheet of the parent company in Brazil.

(c) Statement of income

Revenues from sale of products and their respective costs are recognized in the income statement when all the risks and benefits inherent in the products are transferred to the customer. Income is not recognized if there is significant uncertainty regarding its realization.

Other costs, expenses and revenues are recorded under the accrual accounting method.

(d) Accounting estimates

The preparation of financial statements in accordance with accounting practices generally adapted in Brazil requires Management to use its judgments in the determination and booking of accounting estimates. Assets and liabilities subject to such estimates and premises include the residual value of property, plant and equipment, the provision for the reduction in the recoverable value of assets, the allowance for doubtful accounts, the provision for the reduction in sale price, the provision for loss of materials, deferred taxes, the provision for contingencies, the measurement of financial instruments and assets and liabilities related to employee benefits. The settlement of the transactions involving these estimates may result in amounts that are difference from the estimated amounts due to the impreciseness inherent in the process of their determination. The Company's Management reviews the estimates and premises at least once a year.

(e) Financial instruments

The financial instruments are only recognized as from the date on which the Company becomes party to the contractual provisions of the financial instruments. Upon recognition, they are initially booked at their fair value plus the transaction costs that are directly attributable to their acquisition or issue (when applicable).

Non-derivative financial instruments include investments in marketable securities, trade and other accounts receivable, including receivables relating to cash and cash equivalents, loans and financings, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at their fair value through income, any directly attributable transaction costs. Subsequent to the initial recognition, the non-derivative financial instruments are measured as described below:

- *Financial instruments at fair value through income*

  An instrument is classified at fair value through income if it is held for trading, that is, designated as such upon initial recognition. Financial instruments are designated at fair value through income if the Company manages these investments and makes the call and put decisions based on their fair value according to the investment and risk management strategy documented by the Company. After initial recognition, attributable transaction costs are recognized in results when incurred. Financial instruments at fair value through income are measured according to their fair market values and fluctuations therein are recognized in results.

- *Instruments held to maturity*

  These are non-derivative financial assets with fixed or determinable payments with defined maturities and for which the Company has the positive intention and capacity to hold the respective debt instruments to maturity, for which reason it classifies them as instruments held to maturity. Investments held to maturity are measured at the amortized cost using the effective interest rate mate, less any reductions in their recoverable value based on impairment testing.

- *Instruments available for sale*

  The Company's investments in equity instruments and certain assets relating to debt instruments are classified as available for sale. Subsequent to the initial recognition, they are appraised at their value values and their fluctuations, except reductions in recoverable value, and the differences in foreign currency of these instruments, are recognized directly in shareholders' equity, net of tax effects. When an investment is no longer recognized, the accumulated gain or loss in shareholders' equity is transferred to results.

- *Loans and receivables*

  Loans and receivables are measured at their amortized cost by using the effective interest rate method, less any reductions in the recoverable amount based on impairment testing.

- *Derivative financial instruments*

  The Company employs derivative financial instruments to hedge against risks relating to foreign currencies and interest rates.

  The derivatives are recognized initially at their fair value; attributable transaction costs are recognized in results as incurred. Subsequent to the initial recognition, the derivatives are measured at their fair value and the alterations are booked in results, except in the circumstances described below for booking hedge operations.

- *Cash flow hedges*

  Alterations in the fair value of a derivate instrument designated as a cash flow hedge are recognized directly under shareholders' equity to the extent that the hedge is considered effective. If the hedge is considered ineffective, the alterations in fair value are recognized in results.

  If the hedge instrument no longer meets the criteria for hedge accounting, or if it expires or is sold, terminated or exercised, the booking of the hedge operation is discontinued on in advance. The accumulated gain or loss previously recognized in shareholders' equity remains there until the forecast transactions occur. When the hedged item is a non-financial asset, the amount recognized in shareholders' equity is transferred to the value of the respective asset when the latter is recognized. In other cases, the amount recognized in shareholders' equity is transferred to results in the same period in which the hedge item affects results.

(f) Current and noncurrent assets

- Cash and cash equivalents: these current assets are recorded at cost plus yields accrued through the balance sheet dates, adjusted to fair value, when applicable. They include the balances of cash, banks and investments in marketable securities with immediate liquidity whose maturities as of the effective date of the investment are equal to or less than 90 days and pose insignificant risks of change in fair value, being classified as “held for trading”.

- Marketable securities: these current assets are recorded at cost plus yields, which are recognized in results and have liquidity terms of more than 90 days. They too post an insignificant risks of change in fair value and are classified as “held for trading”.

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

- Inventories: these assets are appraised at average cost of purchase or production, which does not exceed their market or net realizable value.

  Samarco employs the cost by absorption method. Direct costs are appropriated by means of objective pointing and indirect costs are prorated based on normal production capacity.

- Other assets are shown at their realizable amounts, including when applicable the yields or monetary and exchange variations accrued or, in the case of prepaid expenses, at cost.

(g) Investments in subsidiaries

Investments in subsidiaries that essentially represent an extension of the Company overseas have been included, line for line, in the consolidated financial statements. The subsidiaries have the same functional currency as the Parent Company, that is to say the United States Dollar.

Other permanent investments are recorded at acquisition cost, lees a provision for loss on investments, when applicable.

(h) Property, plant and equipment

Fixed assets are booked at cost of acquisition, formation or construction and the capitalized financial charges are depreciated considering the same criteria determined for the fixed item into which they were incorporated.

Depreciation and amortization of property, plant and equipment is calculated considering the years described in Note 10, based on the units produced method for the items directly related to the respective productive areas and based on the straight-line depreciation and amortization method for the rest.

(i) Intangible assets

Intangible assets acquired separately are measured upon initial recognition at their acquisition cost and, subsequently, less the accumulated amortization and impairment losses, when applicable.

The amounts of the intangible assets that cannot be measured and when the price is not fixed or determined are recorded as operating expenses under results for the year.

Intangible assets generated internally are recognized in results for the year in which they arise, excluding the capitalized amounts expended on product development, which feature the following aspects:

- Technical feasibility to conclude the intangible asset;
- Intention to conclude the intangible asset and to use or sell it;
- Capacity to use or sell the intangible asset;
- Demonstration of the existence of a market or other means of accruing the respective economic benefits;

- Availability of financial technical resources; and
- Capacity to safely measure the expenditures attributable to the intangible asset during its development.

Intangible assets with a defined useful life span are amortized according to their estimated economic lives, as per Note 11, and when indications of impairment are identified, they are submitted to impairment testing. Intangible assets with undefined useful life spans (if applicable) are not amortized, though they are submitted to annual impairment testing.

(j) Impairment testing

Each year Management reviews the net book value of assets in order to evaluate events or changes in economic, operating or technological circumstances that may indicate impairment or loss of their recoverable amount. When such change is identified and the net book value exceeds the recoverable amount, a provision for impairment is set up to adjust the net book amount to the recoverable amount.

(k) Other current and noncurrent assets and liabilities

An asset is recognized in the consolidated balance sheet when it is probable that its future economic benefits will be generated in favor of the Company and its cost or value can be safely measured. A liability is recognized in the balance sheet when the Company has a legal obligation or one that has been constituted as the result of a past event and it is probable that economic resources will be required to settle it. When applicable, the corresponding charges and monetary variations are added. Provisions are recognized based on Management’s best estimates of the risk involved. Assets and liabilities are classified as current it probable that realization or settlement will occur in the next 12 months. Otherwise, they are classified as noncurrent.

(l) Adjustment of assets and liabilities to present value

Monetary assets and liabilities are adjusted to their present value when the transaction is originally recorded, taking into account the contractual cash flows, the explicit and in certain cases implicit interest rate of the respective assets and liabilities and the rates charged on the market for similar transactions. Subsequently, such interest is re-allocated to the financial expense and revenue lines in the income statement by using the effective interest rate method in relation to the contractual cash flows.

(m) Income tax

The Company calculates income taxes based on currently effective legislation, considering the legally prescribed additions and exclusions. Deferred tax credits are calculated on temporary additions that will become deductible when realized and tax losses. The Company has a tax benefit related to its exportation activities that refers to reduction of income tax based on calculation of its adjusted operating income. Deferred tax charges are also set up on temporary exclusions that will be taxed when the conditions that make them presently non-taxable cease.

The Company has a final court decision in its favor which considers that the Social Contribution on Net Income ("CSLL") is unconstitutional and recognizes its right not to pay over such contribution.

(n) Statements of cash flows and value added

The statements of cash flow under the indirect method are prepared and presented in accordance with accounting pronouncement No. CPC 03 – Statement of Cash flows, issued by the Accounting Pronouncements Committee ("CPC"). The statements of value added are prepared in accordance with accounting pronouncement No. CPC 09 – Statement of Value Added, likewise issued by the CPC.

(o) Earnings per share

Calculated on the basis of the total number of shares as of the balance sheet dates, irrespective of the classification between common and preferred shares.

(p) Contingent assets and liabilities and legal obligations

Applicable Brazilian accounting practices for recording and disclosing contingent assets and liabilities and legal obligations are the following:

- Contingent assets are recognized only when there are tangible guarantees or final favorable decisions in court cases. Contingent assets ranked as probable are only disclosed in a note to the financial statements;

- A provision is set up for contingent liabilities when losses are ranked as probable and the amounts can be measured with reasonable security. Contingent liabilities ranked as possible losses are only disclosed in a note to a financial statements, while contingent liabilities classified as remote losses are neither provided for nor disclosed; and

- Legal obligations are booked as liabilities, regardless of the probability of success in cases in which the Company has questioned the constitutionality of taxes.

(q) Benefits for employees

The costs of sponsoring the employee pension plan and any plan deficits (surpluses) are recorded pursuant to accounting standard No. NPC 26 issued by the Brazilian Institute of Independent Accountants IBRACON.

When the benefits of a plan are increased, the portion of the increase in the benefit related to past service of employees is recognized in results in accordance with the straight line method during the average period until the benefits become vested. If the criteria for obtaining these benefits are met immediately, the expenditure is immediately recognized in results.

(r) Accounting pronouncements with impact in 2010

Over the course of the year 2009 the Accounting Pronouncements Committee – CPC issued various pronouncements that have to be implemented, on a mandatory basis, for the year 2010, but which are merely optional for the year 2009.

The Company's Management elected not to carry out early adoption of any of these accounting pronouncements, being observed eventual revision of applicable CPC to the Company. Upon preparation of the financial statements for the year ended December 31, 2010, the 2009 financial statements herewith presented shall be adjusted with a view to comparability between years, as required by the accounting practices adopted in Brazil.

3 Cash and cash equivalents

The balances of the Company's cash and cash equivalents as of December 31, 2009 and 2008 é were as follows:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash and banks:				
Domestic	309	743	309	743
Foreign	223,729	228,225	223,968	228,846
Short-term investments in marketable securities	7,572	128,263	19,319	146,678
	231,610	357,231	243,596	376,267

Short-term investments in marketable securities refer to operations available for trading, recorded at their fair value through income. They are highly liquid, readily convertible into a known amount of cash and subject to an insignificant risk of a change in value, being broken down as follows:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Interest-earning current accounts abroad	-	93,448	11,747	111,801
Financial investment fund	7,572	34,815	7,572	34,815
Other short-term investments	-	-	-	62
	7,572	128,263	19,319	146,678

The interest-earning current account abroad is denominated in US$. This account earns interest at the Fed Fund Rate.

The financial investment fund corresponds to certificate of deposit operations with interest linked to the rate known in Brazil as the Certificate of Interbank Deposit - CDI, varying between 99% and 100% of the CDI and featuring immediate liquidity.

4 Financial investments

		Parent Company		Consolidated	
	Notes	**2009**	**2008**	**2009**	**2008**
Financial investments:					
Restricted cash	(a)	-	-	70,904	42,974

(a) The Company has cash restricted at its subsidiary Samarco Finance Ltd. That refers to the collection account maintained owing to the operation for prepayment in the amount of US$ 800 million for the project for expansion of the third plant (P3P), which is withheld 180 days before each debt installment becomes due. The amount is limited to 120% of the value of each installment. This account is managed by Citibank, administrator of the consortium of banks participating in the financing operation and the amounts maintained are invested in the US$ Liquid Reserves Fund - Admin Shares at Goldman Sachs Bank.

5 Trade accounts receivable

The balances of trade accounts receivable as of December 31, 2009 and 2008 are broken down as follows:

	Notes	Parent Company		Consolidated	
		2009	**2008**	**2009**	**2008**
Domestic customers	-	10,707	15,749	10,707	15,749
Foreign customers	(a)	476,004	725,654	380,898	590,221
Allowance for doubtful accounts	-	(2,080)	(1,880)	(2,080)	(1,880)
Provision for price reduction	(b)	(27,049)	-	(27,049)	-
		457,582	739,523	362,476	604,090

(a) Of the amount of trade receivables from foreign customers roughly R$ 190,513 (R$ 170,185 in 2008) are guaranteed by letter of credit.

(b) The market reference price for iron ore is normally defined between the months of March and April and, hence, all agreements are complemented with a side letter, informing the new annual price. Exceptionally, due to the world crisis, the 2009 world market price was not defined during the customary period. Therefore, sales were carried out based on 2008 prices. The 2009 reference price dropped by approximately 48% in relation to 2008 and it was necessary to refund the overbilled amounts to customers.

The Company's trade accounts receivable as of December 31, 2009 and 2008, classified by aging, are as follows:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Falling due	480,407	497,002	386,533	406,214
Overdue up to 30 days	3,955	158,713	3,182	129,721
Overdue from 31 to 60 days	-	82,525	-	67,450
Overdue from 61 to 90 days	1,665	114	1,340	93
Overdue more than 90 days	684	3,049	550	2,492
	486,711	741,403	391,605	605,970

The allowance for doubtful accounts is set up for bills overdue for more than 60 days, considering the individual analysis of each customer.

6 Inventories

The balances of inventories as of December 31, 2009 and 2008 are broken down as follows:

	Parent Company		**Consolidated**	
	2009	**2008**	**2009**	**2008**
Finished products	9,413	82,289	26,229	132,329
Products in process	34,725	37,965	34,725	37,965
Production and maintenance supplies	108,862	174,526	108,862	174,526
Provision for loss of materials	(386)	(133)	(386)	(133)
Advances to suppliers	753	4,498	753	4,498
	153,367	299,145	170,183	349,185

In December 2008, due to the world economic crisis, the operations of certain production processes were halted, resulting in the stoppage of plants 1 and 2, which generated idle capacity for the Company. Accordingly, the fixed costs relating to plants 1 and 2 were considered as costs of idle capacity and recorded directly under Other operating expenses, net (see Note 17) in the amount of R$ 117,422 (R$ 41,548 in 2008).

Loss provisions have been set up for determined obsolete or slow-moving items.

7 Taxes recoverable

The balances of taxes recoverable as of December 31, 2009 and 2008 are as follows:

		Parent Company		**Consolidated**	
	Nota	**2009**	**2008**	**2009**	**2008**
ICMS – MG	(a)	186,502	163,814	186,294	163,814
Provision for losses on ICMS – MG	(a)	(64,523)	(53,176)	(64,523)	(53,176)
ICMS – ES	(b)	279,094	223,161	279,094	223,161
Provision for losses on ICMS – ES	(b)	(279,094)	(223,161)	(279,094)	(223,161)
PIS and COFINS	(c)	139,738	257,183	139,738	257,183
Other taxes recoverable		12,707	11,406	12,732	11,489
Total taxes recoverable		274,424	379,227	274,449	379,310
Current assets		(125,109)	(156,325)	(125,134)	(156,408)
Noncurrent assets		149,315	222,902	149,315	222,902

(a) The increase in value-added taxes recoverable from the State of Minas Gerais (ICMS – MG) was mainly due to the acquisitions of fixed assets for the third pelletizing plant project (see Note 10).

The Company intends to realize the ICMS credits by transferring them to third parties, as permitted by current legislation. The provision for losses on these credits was set up based on the discount expected upon transfer of the credits to third parties and on the period that Management believes will be required to transfer all of them. Hence, the provision set up corresponds to the expected percent discount and the difference between the cost and present value of these assets.

It should be pointed out that the Company received a tax assessment and then a foreclosure notice from the Minas Gerais State Treasury Secretary's Office, in relation to which legal counsel have ranked the risk of loss as possible (see Note 14, item c.3). In the event the loss in such case should materialize, Management may be able to realize the credits mentioned in the previous with the debts incurred as a result of such assessments.

Changes in the provision for losses on the Minas Gerais VAT case (ICMS – MG) can be summarized as follows:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Balance at beginning of year	53,176	13,128	53,176	13,128
Provision set up for losses	11,347	40,048	11,347	40,048
Balance at end of year	64,523	53,176	64,523	53,176

(b) In view of the history of non-realization of value-added tax credits with the State of Espírito (ICMS – ES), the Company elected to set up a provision to cover 100% of such credits.

Changes in the provision for losses on ICMS - ES can be summarized as follows:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Balance at beginning of year	223,161	162,118	223,161	162,118
Provision set up for losses	55,933	61,043	55,933	61,043
Balance at end of year	279,094	223,161	279,094	223,161

(c) The PIS and COFINS credits chiefly relate to the acquisition of material , power energy, and fixed assets for the third pelletizing plant (see Note 10), appropriation of which is taking place at the rate of 1/48 per month, as determined by Laws Nos. 10.637/02 and 10.833/03. Up to May 2008, the acquisition of fixed assets shall be appropriated in 1/12 per month, as determined by Law No. 11.774/08. Realization of these credits will occur monthly through offset against other federal taxes and contributions due, especially Corporate Income Tax (IRPJ) payable.

8 Other assets

		Parent Company		Consolidated	
	Note	**2009**	**2008**	**2009**	**2008**
Current:					
Advances to employees		3,612	3,545	3,608	3,813
Other		2,510	3,985	2,404	3,317
		6,122	7,530	6,012	7,130
Noncurrent:					
COHESA	(a)	15,584	15,406	15,584	15,406
Adjustment to present value – COHESA	(a)	(1,318)	(1,880)	(1,318)	(1,880)
Other		5,624	4,526	5,624	4,548
		19,890	18,052	19,890	18,074

(a) The Company passes on funds to COHESA (the Samarco Employees Housing Cooperative) on the basis of an arrangement for implementation of a housing plan signed March 1, 1994, aimed at financing the purchase of housing by the employees, with terms varying from 8 to 12 years. The amounts are updated according to the collective salary adjustment indices granted by the Company and will be received in full upon termination of the Samarco Housing Plan - PHS, that is, upon settlement of the financing by the employees. The COHESA balances are adjusted to present value in conformity with Accounting Policy Pronouncement No. CPC 12.

9 Investments in subsidiary and associated companies

a) Parent companys' information:

	Samarco Finance Ltd.	**Samarco Iron Ore Europe B.V.**	**Total**
Number of shares or ownership units:			
2009	50,000	18,000	-
2008	50,000	18,000	-
Share in capital stock - %			
2009	100	100	-
2008	100	100	-
		R$	
Capital stock (R$ thousands):			
2009	97	57	-
2008	97	57	-
Shareholders' equity			
2009	13,705	5,734	-
2008	27,750	5,558	-
Net income for the year:			
2009	(6,967)	1,593	-
2008	3,291	4,821	-

b) Breakdown of the investments:

Amounts on December 31, 2007	18,537	558	19,095
Equity results	9,213	5,000	14,213
Amounts on December 31, 2008	27,750	5,558	33,308
Equity results	(14,045)	176	(13,869)
Amounts on December 31, 2009	13,705	5,734	19,439

10 Property, plant and equipment

The breakdown of balances of the Company's fixed assets is as follows as of December 31, 2009 and 2008:

			Parent Company				Consolidated			
					2009	2008			2009	2008
	Notes	Depreciation (in years)	Cost	Depreciation Accumulated	Net	Net	Cost	Depreciation Accumulated	Net	Net
Lands			20,108	-	20,108	26,208	20,108	-	20,108	26,208
Industrial installations (buildings, machinery and equipment)		23 to 43	3,512,037	(1,100,105)	2,411,932	3,175,107	3,512,037	(1,100,105)	2,411,932	3,175,107
Ore-duct and correlated systems		20 to 43	1,404,164	(374,868)	1,029,296	1,393,913	1,404,164	(374,868)	1,029,296	1,393,913
Electronic data processing equipment		5	17,850	(8,938)	8,912	16,692	18,034	(9,102)	8,932	16,715
Plant decommissioning		32	32,647	(888)	31,759	6,157	32,647	(888)	31,759	6,157
Furniture and fixtures		10	26,276	(11,259)	15,017	27,243	26,440	(11,421)	15,019	27,250
Vessels		9 to 26	5,991	(3,761)	2,230	3,237	5,991	(3,761)	2,230	3,237
Vehicles		4 to 25	40,383	(34,381)	6,002	5,563	40,383	(34,381)	6,002	5,562
Tools		25	7,508	(3,496)	4,012	4,736	7,508	(3,496)	4,012	4,736
Rotating assets		25	24,889	(1,646)	23,243	14,085	24,889	(1,646)	23,243	14,085
Mass assets		5	1,696	(510)	1,186	2,060	1,696	(510)	1,186	2,061
Construction in progress	(a)		52,304	-	52,304	138,461	52,304	-	52,304	138,461
Construction in progress – 3rd pelletizing plant	(a)		-	-	-	96,413	-	-	-	96,413
Advances to suppliers – 3rd pelletizing plant	(a)		4,268	-	4,268	10,091	4,268	-	4,268	10,091
			5,150,121	(1,539,852)	3,610,269	4,919,966	5,150,469	(1,540,178)	3,610,291	4,919,996

(a) The construction in progress and advances to suppliers refer mainly to expenditures on the Fundão dam (Germano/MG), the refractory units of plants 1, 2 and 3 (Ubu/ES), overhaul of the MS01 mill framework (Germano/MG), among other routine expenditures at the Germano and Ubu units. It should be mentioned that the project for the third pelletizing unit was concluded and capitalized in 2008.

The changes in the balances of cost and depreciation of property, plant and equipment in the year 2009 are as follows:

Changes in cost:

	Parent Company and Consolidated						
	Opening balance 12/31/2008	Equity appraisal adjustment	Additions	Transfers Entries	Transfers Exits	Write-offs	Final balance 12/31/2009
Lands	26,208	(6,879)	-	779	-	-	20,108
Industrial installations (buildings, machinery and equipment)	4,502,865	(1,178,949)	-	834,380	(644,286)	(1,973)	3,512,037
Ore-duct and correlated systems	1,816,117	(467,511)	-	294,431	(238,687)	(186)	1,404,164
Electronic data processing equipment	25,819	(6,694)	-	1,956	(3,033)	(14)	18,034
Plant decommissioning	6,695	(5,125)	-	31,077	-	-	32,647
Furniture and fixtures	46,313	(15,674)	-	3,283	(7,297)	(185)	26,440
Vessels	8,042	(2,051)	-	-	-	-	5,991
Vehicles	52,044	(13,907)	-	2,797	-	(551)	40,383
Tools	8,599	(2,244)	-	1,175	-	(22)	7,508
Rotating assets	15,390	(5,493)	-	14,992	-	-	24,889
Mass assets	2,289	(582)	-	-	(11)	-	1,696
Construction in progress	138,461	(26,877)	139,086	-	(196,764)	(1,602)	52,304
Construction in progress – 3rd pelletizing plant	96,413	(2,219)	5,159	-	(99,112)	(241)	-
Advances to suppliers – 3rd pelletizing plant	10,091	(7,737)	13,694	-	-	(11,780)	4,268
Total Consolidated	6,755,346	(1,741,942)	157,939	1,184,870	(1,189,190)	(16,554)	5,150,469
Cost booked by subsidiaries	(446)	(2)	-	2	99	(1)	(348)
Total Parent Company	6,754,900	(1,741,944)	157,939	1,184,872	(1,189,091)	(16,555)	5,150,121

Changes in depreciation:

	Parent Company and Consolidated						
	Opening balance 12/31/2008	Equity appraisal adjustment	Additions	Transfers Entries	Transfers Exits	Write-offs	Final balance 12/31/2009
Industrial installations (buildings, machinery and equipment)	(1,327,758)	339,768	(113,398)	(20,753)	21,136	900	(1,100,105)
Ore-duct and correlated systems	(422,204)	99,213	(47,532)	(10,500)	6,149	6	(374,868)
Electronic data processing equipment	(9,104)	2,640	(3,281)	(39)	668	14	(9,102)
Plant decommissioning	(538)	207	(557)	-	-	-	(888)
Furniture and fixtures	(19,063)	7,063	(2,908)	(4)	3,351	140	(11,421)
Vessels	(4,805)	1,296	(252)	-	-	-	(3,761)
Vehicles	(46,482)	12,318	(768)	-	-	551	(34,381)
Tools	(3,863)	1,067	(713)	-	-	13	(3,496)
Rotating assets	(1,305)	416	(757)	-	-	-	(1,646)
Mass assets	(228)	99	(383)	-	2	-	(510)
Total Consolidated	(1,835,350)	464,087	(170,549)	(31,296)	31,306	1,624	(1,540,178)
Depreciation booked by subsidiaries	416	2	(93)	-	-	-	326
Total Parent Company	(1,834,934)	464,089	(170,642)	(31,296)	31,306	1,624	(1,539,852)

Acquisition of assets and rights to be booked as fixed assets, as well as expenditures related to intangible assets, are booked under construction in progress and, when they enter into production, are transferred to the appropriate lines of PP&E and intangible assets, according to their nature.

As of December 31, 2009 the Company had posted assets in guarantee of court cases in the approximate amount of R$ 136,410 (R$ 132,947 in 2008).
Capitalized interest relating to the third pelletizing plant corresponded to the amount of R$ 15,909 in 2008.

As shown below, in June 2009 the Company carried out reclassifications of items under fixed assets - cost and depreciation accounts (industrial installations, buildings, machinery and equipment, electronic data processing equipment and furniture and fixtures). These reclassifications were related to the capitalizations of the third pelletizing plant that occurred in October 2008, which were done in the wrong group of accounts upon original capitalizations.

	Transfers			
	Cost		**Depreciation**	
	Entries	**Exits**	**Entries**	**Exits**
Cost - Buildings	224,086	246,995	8,710	10,857
Cost - Machinery and equipment	423,560	357,824	11,861	8,857
Cost – Industrial systems and installations	198,887	238,687	5,940	6,149
Cost – Electronic data processing equipment	176	2,991	39	668
Cost - Furniture and fixtures	31	301	3	33
	846,740	846,798	26,553	26,564

In 2009 and 2008 the items shown below were fully depreciated:

	2009		**2008**	
	Cost	**Accumulated depreciation**	**Cost**	**Accumulated depreciation**
Buildings	2,123	(2,123)	2,123	(2,123)
Vessels	98	(98)	98	(98)
Machinery and equipment	8,796	(8,796)	5,051	(5,051)
Systems	3,471	(3,471)	3,350	(3,350)
Electronic data processing equipment	4,358	(4,358)	3,545	(3,545)
Furniture and fixtures	1,635	(1,635)	1,405	(1,405)
Vehicles	14,696	(14,696)	15,208	(15,208)
Tools	708	(708)	707	(707)
Totals	35,885	(35,885)	31,487	(31,487)

During the year ended December 31, 2009, the Company appraised the existence of indicators that determined assets of its PP&E might be booked in amounts above their recoverable amounts. No assets were identified with amounts booked above their recoverable amounts.

11 Intangible assets

The changes in the balances of costs and amortization of intangible assets in 2009 are set out below, along with their defined useful life span, and it should further be mentioned that there are no items with undefined useful life spans:

		Parent Company				Consolidated			
				2009	2008			2009	2008
	Depreciation (in years)	Cost	Amortization Accumulated	Net	Net	Cost	Amortization Accumulated	Net	Net
Rights of way	38	6,486	(1,849)	4,637	6,437	6,486	(1,849)	4,637	6,437
Mining rights	38	22,016	(13,666)	8,350	11,884	22,016	(13,666)	8,350	11,884
Other rights	15	1,001	(1,001)	-	-	1,005	(1,001)	4	2
Application systems	5	36,445	(24,308)	12,137	19,115	36,445	(24,308)	12,137	19,115
		65,948	(40,824)	25,124	37,436	65,952	(40,824)	25,128	37,438

The changes in the balances of costs and amortization of intangible assets between December 31, 2008 and 2009 are shown as follows:

Changes in cost	Opening balance 12/31/2008	Equity valuation adjustment	Transfers Entries	Transfers Exits	Write-offs	Final balance 12/31/2009
Rights of way	8,706	(2,220)	-	-	-	6,486
Mining rights	29,552	(7,536)	-	-	-	22,016
Other rights	1,347	(342)	-	-	-	1,005
Application systems	44,245	(12,023)	4,232	(9)	-	36,445
Total Consolidated	83,850	(22,121)	4,232	(9)	-	65,952
Cost booked at subsidiaries	(3)	3	(4)	-	-	(4)
Total Parent Company	83,847	(22,118)	4,228	(9)	-	65,948

Changes in amortization

	Opening balance 12/31/2008	Equity valuation adjustment	Amortization for the period	Transfers Entries	Transfers Exits	Final balance 12/31/2009
Rights of way	(2,269)	520	(100)	-	-	(1,849)
Mining rights	(17,668)	4,376	(374)	-	-	(13,666)
Other rights	(1,345)	344	-	-	-	(1,001)
Application systems	(25,130)	8,503	(7,670)	(13)	2	(24,308)
Total Consolidated	(46,412)	13,743	(8,144)	(13)	2	(40,824)
Amortization booked at subsidiaries	1	(1)	0	-	-	0
Total Parent Company	(46,411)	13,742	(8,144)	(13)	2	(40,824)

As shown below, in June 2009 the Company carried out reclassifications of items under intangible assets - cost and depreciation accounts (software application systems). This reclassification was related to the capitalization of the third pelletizing plant that occurred in October 2008, which was done in the wrong group of accounts upon original capitalization.

	Cost		**Amortization**	
	Entries	**Exits**	**Entries**	**Exits**
Software application systems	67	(9)	(13)	2

The items described below were fully amortized in 2009 and 2008:

		2009		**2008**
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
Other rights	557	(557)	557	(557)
Software	17,114	(17,114)	5,240	(5,240)
Totals	17,671	(17,671)	5,797	(5,797)

During the year ended December 31, 2009, the Company the appraised the existence of indicators that determined assets might be booked in amounts above their recoverable amounts. No assets were identified with amounts booked above their recoverable amounts.

In November 1989 Samarco and Vale signed an agreement for transfer of mining rights for iron ore deposits whereby Vale undertook to assign and transfer to Samarco prospecting rights with respect to its ore reserves. The value of the contract considered the payment of the following amounts for mining rights: (i) Payment of a fixed/determined amount equivalent to R$ 19,972, and (ii) Variable payments corresponding to 4% of the dividends paid by Samarco to its shareholders through depletion of the reserves. The price agreed to in the agreement is not fixed, and nor was it determined as being established as a percentage of the gross dividends paid out. For the year ended December 31, 2009 payments totaled R$ 23,158 (R$ 43,676 in 2008).

12 Exchange contract advances

Advances on exchange contracts (ACC) commonly involve short-term loans and thus are intended for financing the Company's working capital. Maturities thereof as of December 31, 2009 are scheduled for the period from January through December of 2010, settlement of which will come about through linkage of amounts relating to exports of the Company's products. Such financings are denominated in U.S. Dollars and are subject of interest rates varying between 0.40% and 8.30% per annum (3.25% and 5.95% p.a. in 2008) with varying effective periods. The variation in the interest rates mentioned is due to effects arising on the domestic and international financial markets over the course of the period. The interest is pre-fixed at the moment of funding and established based on the LIBOR in effect on the funding date plus the bank spread (the so-called "All In Rate").

Exchange contract advance

		Parent Company		Consolidated	
	Interest rate	2009	2008	2009	2008
Extange Contract Advance					
ABN	-	-	22,661	-	22,661
BNP Paribas	-	-	139,238	-	139,238
Bradesco	0.83 - 1.84	54,678	88,822	54,678	88,822
Brasil	0.40 - 3.47	286,632	915,487	286,632	915,487
Citi	1.45 - 2.00	11,514	-	11,514	-
Deustche	1.54 - 1.80	62,773	-	62,773	-
Itau	8.3	121,828	262,682	121,828	262,682
Santander	-	-	141,737	-	141,737
Unibanco	-	-	176,850	-	176,850
Votorantim	-	-	16,354	-	16,354
Total		537,425	1,763,831	537,425	1,763,831

13 Loans and financings in foreign currency

			Parent Company				Consolidated	
	Note	Interest rate	Current	Noncurrent	Total 2009	Total 2008	2009	2008
Early payments of exports								
Citibank N.A	(a)	1,41 - 1,66	348,080	1,044,240	1,392,320	1,868,960	1,392,320	1,868,960
Banco do Brasil S.A. - NY Branch	(a)	3,14 - 3,94	-	348,080	348,080	-	348,080	-
BHP Billiton Finance B.V	(b)	3.14	-	261,060	261,060	-	261,060	-
Total			348,080	1,653,380	2,001,460	1,868,960	2,001,460	1,868,960
Current			348,080	-	(348,080)	-	(348,080)	-
Noncurrent			-	1,653,380	1,653,380	1,868,960	1,653,380	1.868.960

(a) Early payments of exports

Funding between August 2006 and June 2007, through an early export payment operation, in the amount of US$ 800 million, was obtained by the Company (through Samarco Finance Ltd.) to finance part of the third pelletizing plant project, representing about 70% of the total investment. Such operation was divided into 2 tranches in the same amount, US$400 million each, with final maturities in 5 and 7 years, considering the respective 3- and 5-year grace periods. The funding is subject to interest corresponding to the variation in the LIBOR plus a margin of 0.50% and 0.75% p.a. for each tranche, paid semi-annually.

Funding in June 2009, through an early export payment operation, in the amount of US$ 50 million, was obtained by the Company to finance its routine production activities. Such operation has final maturity of 2 years without Grace period. It is subject to interest corresponding to the variation in the LIBOR plus a margin of 3.50% p.a., paid semi-annually.

(b) Funding in December 2009, through 2 (two) early export payment operations, in the amount of US $150 million each, was obtained by the Company (through Samarco Finance Ltd.) to finance routine production activities. Such operations have final maturities in 5 years each, without grace periods. They are subject to interest corresponding to the variation in the LIBOR plus a margin of 2.70% p.a. for each, likewise paid semi-annually

Guarantees and obligations

The financings are guaranteed by promissory notes.

The financings obtained by the Company through Samarco Finance Ltd. feature restrictive covenants requiring adherence mainly to indebtedness ratios (Total Debt/EBITDA).
As of December 31, 2009 and 2008, Company Management has confirmed compliance with all such contractual obligations.

14 Provision for contingencies and legal obligations

The Company and its subsidiaries are party to lawsuits and administrative proceedings before courts and governmental agencies that arise out of the normal course of its business operations and mainly involve tax, civil, labor and environmental issues.

Based on the appraisal of its internal and external legal counsel, Management has set up a provision for contingencies in amounts considered sufficient to cover cases covered as probable losses and legal obligations.

Changes in the Company's provision for contingencies and legal obligations are as follows:

Parent Company and Consolidated	**12/31/2008**	**Additions**	**Reversals**	**Used**	**Charges**	**12/31/2009**
Legal obligations and tax contingencies	250,490	-	(4,736)	(20,783)	24,336	249,307
Deposit of taxes in court	(70,184)	(12,701)	-	-		(82,885)
Civil contingencies	32,762	1,299	-	-	3,633	37,694
Labor contingencies	157	3,357	-	-		3,514
Labor deposits in court	(157)	(979)	-	-		(1,136)
Environmental contingencies	109	-	-	-	-	109
	213,177	(9,024)	(4,736)	(20,783)	27,969	206,603

The breakdown of the provisions for contingencies and legal obligations is presented in the following table:

Parent Company and Consolidated		2009			2008		
	Note	**Provision**	**Deposits in court**	**Net**	**Provision**	**Deposits in court**	**Net**
Tax legal obligations							
IRPJ – Summer Plan	(a.1)	9,403	-	9,403	8,957	-	8,957
IRPJ – Real Plan	(a.2)	40,167	-	40,167	38,741	-	38,741
IRPJ – CMB	(a.3)	27,659	-	27,659	26,177	-	26,177
ECE - ES	(a.4)	15,089	(15,089)	-	15,089	(15,089)	-
ECE - MG	(a.4)	12,547	(12,547)	-	12,547	(12,547)	-
ICMS - TUSD - MG	(a.5)	52,094	(52,094)	-	39,394	(39,394)	-
PIS – Law No. 9.718/98	(a.6)	12,580	(2,244)	10,336	14,749	(2,243)	12,506
Fine - ES	(a.7)	-	-	-	20,783	-	20,783
IRPJ – Tax Loss - PAES	(a.8)	26,043	-	26,043	24,911		24,911
Other obligations		15,696	(911)	14,785	11,776	(911)	10,865
		211,278	(82,885)	128,393	213,124	(70,184)	142,940
Provision for tax contingencies:							
ICMS - Fine - Muniz Freire - ES	(b.1)	10,240	-	10,240	8,502	-	8,502
IRPJ - IRRF	(b.2)	18,120	-	18,120	17,408	-	17,408
Attorneys' fees	(b.3)	9,318	-	9,318	11,105	-	11,105
Other cases		351	-	351	351	-	351
		38,029	-	38,029	37,366	-	37,366
Total provision for tax contingencies and obligations		249,307	(82,885)	166,422	250,490	(70,184)	180,306
Provision for contingencies – Other cases:							
Civil cases	(b.4)	37,694		37,694	32,762	-	32,762
Labor cases		3,514	(1,136)	2,378	157	(157)	-
Environmental cases		109	-	109	109	-	109
		41,317	(1,136)	40,181	33,028	(157)	32,871
Total provision for contingencies and legal obligations		290,624	(84,021)	206,603	283,518	(70,341)	213,177

(a) Legal obligations recognized by the Company:

(a.1) IRPJ – Summer Plan – Protected by a lawsuit, the Company decided to maintain its procedure of deducting the amounts relating to depreciation, depletion and write-off of fixed assets from taxable income for purposes of the Corporate Income Tax (IRPJ), by applying the variation in the consumer price index (IPC) from January 1989. The Company continues to record the respective liability relating to this case until such time as it is finally concluded.

(a.2) IRPJ – Real Plan - The Company is claiming in court that in calculating the IRPJ it can apply the variation in the general market price index (IGP-M) for the months of July and August 1994 (with ramifications on the following years) in deducting the amounts relating to depreciation, depletion and write-offs of fixed assets. The Company continues to record the respective liability relating to this case until such time as it is finally concluded.

(a.3) IRPJ - CMB (Balance Sheet Monetary Restatement) – Protected by a lawsuit, the Company decided to maintain its procedure of monetarily restating (i.e. indexing for inflation) the amounts relating to depreciation, depletion, amortization and write-off of fixed assets from taxable income for IRPJ purposes, even after enactment of Law No. 9.249/95, which called for suspension thereof. The Company continues to record a liability for this case until such time as it is finally concluded.

(a.4) ECE (Emergency Capacity Charges) - ES and MG - The Company is claiming in court that the requirement of these two states for pay over charges and acquire electric power on an emergency basis is unconstitutional and illegal, owing to the existence of technical defects when these charges were instituted. Samarco continues to record the respective liability for this case until such time as it is finally concluded.

(a.5) ICMS -TUSD (Tariff for Use of Electricity Distribution Systems) - MG - The Company is questioning in court the legality of this state levying ICMS on the right to use electric power transmission lines, and in this case too the Company continues to record the respective liability until a final decision is reached.

(a.6) PIS – Law No. 9.718/98 - The Company has been questioning in court the constitutionality of Law No. 9.718/98, which called for increasing taxable revenues for calculation of the federal contributions known as the Social Security Finance (COFINS) and Social Integration Program (PIS) contributions, among other hikes.

The Company thus records a provision for the obligations relating to the PIS, since there has been no final decision in this specific case. In 2005 the Company obtained a favorable final decision as regards the COFINS levy.

(a.7) Fine - ES - The Company received tax assessment and foreclosure notices from the Espírito Santo State Treasury Secretary's Office (SEF-ES), respectively, for allegedly booking receiving documents on magnetic means not in accordance with legal standards. The Company records the respective liability relating to this case until such time as it is finally concluded.

In July 2009 the Company signed on for the benefits instituted by State Law No. 9.080/2008 and finalized processes relating to the levying of a fine for failure to comply with accessory obligations imposed by the SEF-ES. The transaction in question encompasses the benefit payment in the amount of R$ 970 and reversal of the provision in the amount of R$ 19,403.

(a.8) IRPJ – Tax Loss - PAES – By virtue of the Company's exclusion by the Brazilian Federal Treasury Attorney's Office (PGFN) from the benefits of the Special Program for Payment of Back Taxes in Installments (PAES) instituted by Law No. 10.684/2003), the PGFN filed for recommencement of the suspended tax foreclosure proceedings and claimed other foreclosures besides, all relating to the full offset of income tax without adherence to the 30% annual limit.

Due to the fact that it was excluded from the PAES through a discrepancy between the amounts declared and consolidated by the Federal Revenue Service (RFB) and the PGFN, the Company adjusted the amounts booked in its accounting records to reflect such exclusion, eliminating the benefits of the reduction in fine and updating at the Long-Term Interest Rate (TJLP) and plus the charges due.

(b) Provisions for contingencies set up by the Company:

(b.1) ICMS - Fine - Muniz Freire - ES - The Company was assessed for ICMS due on operations for transfer of electricity from the power plant known as PCH Muniz Freire, which it owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failure to issue invoices on such operations.

In relation to the levying of the ICMS, the cases continue to run their course, with the updated amount of the respective assessments as of December 31, 2009 corresponding to approximately R$ 32,004 (R$ 26,018 in 2008). Based on its appraisal that the chances of loss in the case are ranked as merely possible, the Company did not set up the respective provision for contingencies.

(b.2) IRPJ - IRRF – On December 22, 2005 the Company received assessment notices from the RFB, with the respective amount, including principal, fine and interest as of December 31, 2009 being approximately R$ 382,603 (R$ 374,905 in 2008), already considering the isolated fine of approximately R$ 53,679 (R$ 53,323 in 2008), covering several alleged infringements of tax legislation with respect to fiscal years 2000 to 2003.

Some of the issues dealt with in the assessment notices related to cases already underway to which the Company is party, such as the tax deductibility of depreciation, depletion, amortization and write-offs of fixed assets relating to the Summer and Real Plans and Balance Sheet Monetary Restatement, the amounts of which are covered in items (a.1), (a.2) and (a.3) above, respectively.

In addition, other matters are covered in these assessments, such as (i) disallowal of determined operating expenses; (ii) levying of IRPJ on credits received in operations for assignment and transfer of ICMS; (iii) reflexes of items (i) and (ii) on taxable income for CSLL and IRPJ purposes; and (iv) alleged incorrect use of the profit earned on exports benefiting from tax incentives.

Based on the analyses of its internal and external legal counsel, Management has set up a provision of R$ 17,864 (R$ 17,408 in 2008), an amount it considers sufficient to cover the potential losses on the varoius matters involved in these assessments.

(b.3) Attorneys' fees - The Company has set up a provision related to future disbursements to its legal counsel considering forecasts of winning the respective cases they are handling (success fees).

(b.4) Civil suits – Based on the analysis of its internal and external legal counsel, Management has set up a provision in the amount considered sufficient to cover potential losses on civil cases relating to indemnities to third parties in ICMS credit transfer processes.

(c) Other material cases underway:

The Company is party to other cases for which Management, based on the appraisal of its internal and external legal counsel, has not set up a provision for contingencies, since expectations for loss have been ranked as possible. The main such cases are described below:

(c.1) CSLL - The Company received tax assessment and foreclosure notes relating to the alleged failure to pay over the Social Contribution on Net Income (CSLL) in fiscal years 1991, 1992, 1995 to 1998, 2000 to 2003 and 2004 to 2006. The updated amount of these cases as of December 31, 2009 corresponds to approximately R$ 1,367,421, including principal, fine and interest, already included the isolated fine of approximately R$ 192,373.

The cases relating to CSLL cited in this item constitute a new attempt by the Federal Government to levy the same contribution, hence disregarding the legal principal of *res judicata* (i.e. final decision), inasmuch as the Company already obtained favorable decisions in a suit for declaratory judgment regarding the non-existence of such tax obligation and in a suit to overrule such final decision filed by the government.

(c.2) CFEM - The Company was served an assessment notice by the National Mineral Production Department (DNPM) for alleged underpayment of the Financial Compensation for Exploration of Mineral Resources (CFEM) [see item (b.4)]. As of December 31, 2009, this contingency amounts to approximately R$ 568,740, already including legal increases.

Parallel to this, the city government of Mariana has filed suit against the Company, based on the same legal grounds as put forth by the DNPM in its administrative proceedings. The Company believes that the suit filed by the city authorities of Mariana constitutes an overlapping of the case initiated by the DNPM.

(c.3) ICMS – Transfer of iron ore - The Company received tax assessment and foreclosure notices from the offices of the State Treasury Secretaries for Minas Gerais and Espírito Santo, respectively, relating to alleged failure to pay over ICMS upon transfers of iron ore between its units - from Germano to Ponta Ubu, respectively located in MG and ES, in the period from January 2000 to March of 2008. The amount of the principal, fine, interest and updating still being discussed in relation to these proceedings as of December 31, 2009, corresponds to approximately R$236.914. The Company obtained favorable decisions in the administrative sphere with respect to its position regarding the levying of the fine and interest.

(c.4) PIS on Billings - The Company received tax foreclosure notices regarding the timeliness and respective amounts of the amounts of PIS paid over on a semi-annual basis in the periods from September 1989 to August 1994. As of December 31, 2009, the updated amount of these cases, including interest and fine, amounts to approximately R$ 21,138.

(c.5) INSS – Profits or Results Sharing and "*Campo de Idéias*" Prize - The Company was served notice by the RFB for social contributions supposedly due by Samarco to the Social Security Institute (INSS) based on payments made to its covered employees by way of Profits or Results Sharing and the "*Campo de Idéias*" (Field of Ideas) Prize awarded to them for coming up with good ideas.

Moreover, other levies were covered by these assessment notices, such as (i) social contributions allegedly due to the National Development Fund (FND) on such payments; (ii) fine for failure to pay over social contributions; and (iii) fine for incomplete information in declaration forms known as GFIP's. The updated amount relating to these notices as of December 31, 2009 corresponds to roughly R$ 18,667, including principal, fine and interest.

(c.6) ICMS - ECE - ES - The Company received an assessment notice drawn up by the SEF-ES for alleged lack of ICMS payment relating to the portion of the calculation basis known as ECE. The updated amount relating to this assessment as of December 31, 2009 corresponds to approximately R$ 26,694, including principal, fine and interest.

(c.7) ICMS – Interstate Acquisition of Electric Power - ES - The Company received an assessment notice from the SEF-ES for failure to pay over the ICMS purportedly due on acquisitions of electric power in interstate operations.

In July 2009 the Company signed on to the benefits instituted by State Law No. 9.080/2008 and finalized the above-cited process. The transaction in question encompasses the subsidized payment of the amount of R$ 17,621 corresponding to the updated amount due of R$ 32,127.

15 Other liabilities

		Parent Company		Consolidated	
	Note	**2009**	**2008**	**2009**	**2008**
Benefits to employees	20	-	1,133	-	1,133
Provision for obligation to demobilize assets	(a)	66,554	36,708	66,554	36,708
Provision for mining rights	11	46,836	28,722	46,836	28,722
Provision for electric power		26,929	23,865	26,929	23,865
Demurrage payable		17,765	10,300	17,765	10,300
Accounts payable – financial agreement	(b)	-	17,663	-	17,663
Provision for purchase of iron ore		1,786	7,089	1,786	7,089
Other	-	12,493	15,195	4,271	7,283
		172,363	140,675	164,141	132,763
Current		105,809	99,329	97,587	91,417
Noncurrent		66,554	41,346	66,554	41,346
		172,363	140,675	164,141	132,763

(a) Provision for obligation to demobilize assets

(b) In 2006 the Company renegotiated the commercial agreement signed with a determined customer whereby the supply of ore was interrupted in 2004 and it was agreed that Samarco would pay such customer by way of compensation the amount of US$ 30,000 by 2008, with extension of the period for supply. Such payments have been made by means of discounts on amounts receivable arising from the sale of iron ore to this customer.

As of December 31, 2009 the provision for obligations to demobilize assets corresponds to the amount of R$ 66,554 (R$ 36,708 in 2008).

		Parent Company		**Consolidated**	
		2009	**2008**	**2009**	**2008**
Provision at beginning of year		36,708	25,365	36,708	25,365
Increase in provision	(c)	31,077	-	31,077	-
Financial settlement in current period		(5,869)	8,803	(5,869)	8,803
Estimated revisions in cash flows		4,638	2,540	4,638	2,540
Provision at end of year		66,554	36,708	66,554	36,708

(c) In June 2009 the Company revised its conceptual plan to close operating units in order to diagnose the environmental situation of the areas, subsidize the appraisal of the environmental impacts and risks upon closing, establish measures to reduce any risks potential sources of contamination for stabilization of potential environmental liabilities and estimate the closing costs according to the phase of the plan. This plan will be reviewed every three years.

The increase in the provision is mainly due to the construction of the second concentrator, second ore-duct and third pelletizing plant that entered into operation during the year. In addition the previously adopted premise regarding the revenue from sale of equipment and scrap in the Company's closing plan was discarded.

16 Shareholders' equity

(a) Capital stock

As of December 31, 2009 and 2008, the Company's capital stock was divided into 5,243,306 shares, of which 5,243,298 are common shares and 8 (eight) are preferred shares, all without par value. The ownership structure can be summarized as follows:

	Number of shares		**% of total capital**
	Common	Preferred	
BHP Billiton Brasil Ltda.	2,621,649	4	50
Companhia Vale do Rio Doce	2,621,649	4	50
	5,243,298	8	100

Each common share vests the right to one vote in the General Meetings of Shareholders. The preferred shares do not vest voting rights, but they are assured priority in reimbursement of capital, without a premium, in the event of dissolution of the Company and an annual dividend that is 10% (ten per cent) higher than that attributed to the common shares.

(b) Remuneration of shareholders

One fourth (25%) of the adjusted net earnings have to be distributed to the shareholders, on a mandatory basis, in the form of dividends. The Board of Directors may authorize the distribution of intermediary dividends charged to the income for the year or revenue reserves, with due heed being paid to the provisions contained in Article 204 of Law No. 6.404/76.

Furthermore, by decision of its board the Company may also pay out or credit interest on capital invested in the manner provided by currently effective legislation, the net amount of which is to be imputed to the mandatory dividend.
Dividends paid out in 2009 and 2008 are broken down as follows:

	Parent company		Consolidated	
	2009	**2008**	**2009**	**2008**
Reclassification for presentation of Reviewed CPC 02 - Parent company	47,061	-	-	-
Net income for the year (*)	1,429,504	1,310,305	1,474,293	1,263,487
Effects of Laws Nos. 11.638/07 and 11.941/09	-	(46,818)	-	-
Earnings available for distribution	1,476,565	1,263,487	1,474,293	1,263,487
Mandatory minimum dividends - 25%	(366,891)	(315,872)	(368,573)	(315,872)
Intermediary dividends	-	616,380	-	616,380
Proposed dividends on net income for the year	1,476,565	647,107	1,476,565	647,107
	1,476,565	1.263,487	1,476,565	1,263,487
Propose dividends on profit retentation	-	205,167	-	205,167
Total dividends proposed	1,476,565	1,468,654	1,476,565	1,468,654
Percentage of calculation basis	100.00%	100.00%	96.96%	100.00%

Breakdown of dividends:

	Consolidated
Amounts on December 31, 2007	475,528
Propose dividends	1,468,654
Dividends payed	(1,091,908)
Amounts on December 31, 2008	852,274
Propose dividends	1,476,565
Dividends payed	(693,176)
Amounts on December 31, 2009	1,635,663

(*) The income for 2008, the basis for the dividends, is the one originally reported.

(c) Revenue reserves and retained earnings

In years prior to 2007 Company Management proposed the withholding of part of the earnings in a revenue reserve and under the heading retained earnings.

The above-cited amounts were withheld to cover the investment plans of the Company in the manner provided by Article 196 of the Brazilian Corporation Law and backed up by the capital investment budget, which mainly called for expansion of production capacity by building a third pelletizing plant.

As of December 31, 2008, the revenue reserve in the amount of R$ 217,646, previously booked under retained earnings, was reclassified to the appropriate account.

The profit retention stood at the amount of R$ 233,628 as of December 31, 2009.

The balances of the Company's retained earnings account are in accordance with the Corporation Law's Article 199 and thus do not exceed the amount of the capital stock.

(d) Equity appraisal adjustments

These adjustments refer to exchange variations resulting from translating the balance sheet and income statement for the year from the Company's reporting currency (US$) to its reporting currency (R$), as follows:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Inventories	(12,131)	35,074	(4,521)	42,684
Property, plant and equipment	61,051	1,338,905	61,051	1,338,905
Intangible assets	(742)	7,635	(742)	7,635
Other assets	-	-	-	132
Total assets	48,178	1,381,614	55,788	1,389,356
Revenues	-	-	-	12,922
Cost	11,348	17,882	9,307	15,670
Idle capacity	125	1,593	125	1,592
Exchange variation of monetary items	(419,735)	(449,547)	(411,821)	(458,430)
Other	(25,149)	6,551	(45,353)	170
Total results	(433,411)	(423,521)	(447,742)	(428,076)
Equity appraisal adjustments	(385,233)	958,093	(391,954)	961,280

17 Other net operating expense

The balances of other operating expenses, net, as of December 31, 2009 and 2008, are broken down as follows:

		Parent Company		Consolidated	
	Note	**2009**	**2008**	**2009**	**2008**
Tax expenses		(6,978)	(18,970)	(6,978)	(18,970)
Provision for losses on ICMS - ES and MG	7	(67,280)	(101,090)	(67,280)	(101,090)
Provision - ICMS – TUSD – MG	14	(12,701)	(12,564)	(12,701)	(12,564)
Provision – PIS – Law No. 9718/98	14	2,169	(564)	2,169	(564)
Provision for contingencies – Civil cases	14	(4,931)	(6,508)	(4,931)	(6,508)
Employee profit or results sharing	(a)	(29,703)	(33,812)	(30,318)	(34,737)
Research expenditures	-	(36,610)	(59,726)	(36,610)	(59,726)
Mining rights	21	(45,841)	(52,427)	(45,841)	(52,427)
Idle capacity		(117,422)	(41,548)	(117,422)	(41,548)
Others, net	-	(5,662)	(14,674)	(5,672)	(14,674)
Total		(324,959)	(341,883)	(325,584)	(342,808)

(a) Based on the Samarco remuneration policy, as approved by its Board of Directors, the Company grants Profit and Results Sharing to its employees, linked to Company goals, the object of evaluation of results as well as the achievement of specific targets, which are established and agreed at the beginning of each year. The Company and its subsidiaries recorded the effective expense relating to Profit and Results Sharing in the amount of R$ 30,416 (R$ 31,773 in 2008), set up a provision in the amount of R$ 27,122 (R$ 27,054 in 2008) and respective reversal of R$ 27,220 (R$ 24,090 in 2008).

18 Deferred income tax

The Company is subject to income tax at the rate of 18% on income derived from subsidized exportations and 25% on that portion of income that does not enjoy such tax benefits.

(a) Deferred income tax

The Company has deferred income tax booked under current assets and noncurrent assets that has been set up on temporarily non-deductible provisions, at the rates of 18% and 25%, according to the application of each provision as adjustment to the income from subsidized exports or adjustment to taxable income, respectively.

		Parent Company and Consolidated					
	Note			**2009**			**2008**
Amounts set up at the rate of		25%	18%	Total	25%	18%	Total
Assets							
Provision for losses on ICMS – ES and MG	7	85,904	-	85,904	69,084	-	69,084
Provision for IRPJ – Real and Summer Plans and CMB (interest)	14	-	3,340	3,340	-	2,993	2,993
Provision for results sharing		6,588	-	6,588	6,588	-	6,588
Provision for obligation to demobilize assets	15	7,373	-	7,373	9,177	-	9,177
Provision for attorneys' fees	14	2,330	-	2,330	2,776	-	2,776
Allowance for doubtful accounts	5	520	-	520	470	-	470
Provision for losses - AIRE		1,058	-	1,058	1,058	-	1,058
Provision for electric power		6,732	-	6,732	5,966	-	5,966
Provision for IRPJ - IRRF (interest)	14	2,195	-	2,195	3,316	-	3,316
Provision for ICMS TUSD-MG	14	-	9377	9,377	-	7,091	7,091
Provision for PIS		-	404	404	2,290	406	2,696
Provision for civil contingencies	14	9,423	-	9,423	8,191	-	8,191
Provision for mining rights	21	11,709	-	11,709	7,180	-	7,180
Provision for price rectification		6,762	-	6,762	-	-	-
Inventory translation difference		-	814	814	-	-	-
Other items		17,856	134	17,990	5,952	9,366	15,318
		158,451	14,068	172,519	122,048	19,856	141,904
Total Consolidated							
Current		(34,532)	(814)	(35,346)	(14,986)	(9,366)	(24,352)
Noncurrent		123,919	13,254	137,173	107,062	10,490	117,552
Provisions booked at subsidiaries		1.687	(1.369)	318	-	9.366	9.366
Total Parent Company							
Current		(32.844)	(2.184)	(35.028)	(14.986)	-	(14.986)
Noncurrent		123.918	13.255	137.173	107.062	10.490	117.552

	Parent Company and Consolidated					
			2009			2008
Liabilities						
Inventory translation difference	-	-	-	-	7,683	7,683
PP&E translation difference	-	10,989	10,989	-	241,003	241,003
Intangible assets translation difference				-	1,374	1,374
	-	10,989	10,989	-	250,060	250,060
Total Consolidated						
Current	-	-	-	-	(7,683)	(7,683)
Noncurrent	-	10,989	10,989	-	242,377	242,377
Provisions booked at subsidiaries	-	-	-	-	1,370	1,370
Total Parent Company						
Current	-	-	-	-	(6,313)	(6,313)
Noncurrent	-	10,989	10,989	-	242,377	242,377

(b) Income tax recorded in results

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Income before income tax	1,488,755	1,780,035	1,541,844	1,727,587
Permanent differences:				
Equity pick-up	13,868	(8,189)	13,868	(8,189)
Income accrued abroad	2,224	-	2,224	-
Non-deductible tax fines	1,741	7,252	1,741	7,252
Non-deductible donations	3,920	7,801	3,920	7,801
Effect resulting from change in accounting practice under Law No. 11.6381/07	(9,788)	(428,643)	(62,877)	(376,195)
Other additions (exclusions)	4,071	(3,991)	4,071	(3,996)
Income from subsidized exports	(973,327)	(1,342,514)	(973,325)	(1,342,514)
Taxable income (calculation basis)	531,464	11,750	531,466	11,746
Statutory rate	25%	25%	25%	25%
Income tax calculated	132,866	2,937	132,867	2,937
Income tax on subsidized exports (at rate of 18%)	175,199	241,653	175,199	241,653
Tax paid by companies overseas	-	-	654	1,189
Deferred income tax on unrealized income	-	-	7,645	(7,945)
Deferred income tax from prior years	(8,795)	-	(8,795)	-
Deferred income tax on translation differences	(240,019)	225,140	(240,019)	226,266
Income tax recorded in results	59,251	469,730	67,551	464,100

On November 19, 2007 the RFB published Normative Instruction No. IN/RFB 787, which instituted the SPED. Considering that the Company resolved to represent its financial statements for the year ended December 31, 2008, and given that such obligations were presented on the basis of previous accounting and financial information, and further considering that the rules governing the SPED do not allow the possibility of such obligations being represented after authentication thereof, Management will study how to comply with such obligation.

19 Firm commitments[1]

The Company is party to long-term contracts as from 2009 for the supply of raw materials and services, as shown below:

	Up to 1 yr	From 1 to 2 yrs	2 to 3 yrs	3 to 5 yrs	Over 5 years	Total 2009
Capital expenditures for expansion and overhaul of fixed assets	35,259	-	-	-	-	35,259
Services and other	137,918	74,372	36,508	52,548	712	302,058
Iron ore concentrate	353,124	500,971	-	-	-	854,095
Supply of power and raw materials	349,820	280,204	280,204	560,409	-	1,470,637
Freight, logistic costs	10,958	12,785	-	-	-	23,743
	887,079	868,332	316,712	612,957	712	2,685,792

[1]Information not examined by independent auditors.

20 Pension benefits

As provided by Accounting Standard and Procedure No. NPC 26 issued by IBRACON, the Company hereby discloses the information called for in such norm.

(a) Accounting policy for recognition of actuarial gains and losses

The Company records the expenses and obligations related to the pension benefits offered to its employees when they retire based on a specific actuarial appraisal report. The balance of such obligations is booked on the "other" line under noncurrent liabilities.

(b) General description of the characteristics of the benefits plan

The actuarial appraisal report calculated the retirement benefits considering the definitions contained in the regulations that deal with eligibilities, benefit formulas and manners of readjustment for the following plan:

- ValiaPrev Benefits Plan managed by the Vale Social Security Foundation known as Fundação Vale do Rio Doce de Seguridade Social - VALIA.

  Defined contribution plan for retirement benefits for normal and early retirement, and a defined benefits plan for coverage of disability of active participants, death of active participants and retirees and annual bonus for retired participant or beneficiaries.

  The ValiaPrev Benefits Plan encompasses the following benefits:

  - Normal retirement income;
  - Early retirement income;
  - Supplementary disability retirement;
  - Supplementary pension for death;
  - Pension income for death;
  - Deferred benefit income for voluntary departure from Company;

- Supplementary annual bonus;
- Annual income bonus; and
- Redemption.

The actuarial report appraised the supplementary disability retirement, pension for death and annual bonus, denominated Risk Plan.

(c) Liabilities recognized in the balance sheet

	2009	**2008**
Present value or actuarial obligations fully or partly covered	(7,043)	(7,270)
Fair value of assets	14,345	9,935
Net value of gains not recognized in the balance sheet	(6,987)	(3,798)
Assets not recognized (liabilities recognized) as of December 31(*)	315	(1,133)

(*) The balance of R$ 315 was not recognized in Company assets since there will be no reduction in the future contributions for recovery of the amount involved.

(d) Statement of changes in net actuarial liabilities

	2009	**2008**
Opening balance	(1,133)	(2,264)
Gains recognized for the year	148	26
Company contributions for the year	1,300	1,105
Final balance	315	(1,133)

(e) Expenses recognized in the statements of income

	2010 (Projection)[1]	**2009**	**2008**
Cost of current service	433	523	341
Cost of interest	778	770	542
Expected yield's on plan assets	(1,621)	(1,283)	(750)
Amortization of gains	(307)	(158)	(159)
	(717)	(148)	(26)

(f) Actuarial hypotheses

	2009	**2008**
Economic:		
Discount rate	- 11.29 % p.a.	- 10.77 % p.a.
Expected rate of return on assets	- 10.91% p.a.	- 12.38 % p.a.
Future salary increases	- 6.59 % p.a.	- 4.50 % p.a.
Increase in Social Security benefits	- 4.50 % p.a.	- 4.50 % p.a.
Inflation	- 4.50 % p.a.	- 4.50 % p.a.
Capacity factor		
Salaries	- 100%	- 100%
Benefits	- 100%	- 100%

[1] Information not examined by independent auditors.

<u>Demographic:</u>		
Death rate	- AT-1983 (H)	- AT-1983 (H)
Death rate of invalids	- AT-1983 (H)	- AT-1983 (H)
Rate of disability	- Aggravated AV of 3.0	- Aggravated AV of 3.0
Turnover rate	- Nil	- Nil
Retirement age	- First age entitled to one of the benefits	- First age entitled to one of the benefits
% of active participants married as of retirement date	- 95%	- 95%
Age difference between participant and spouse	- Wives are 4 years younger than their husbands	- Wives are 4 years younger than their husbands

21 Related parties

The main asset and liability balances as of December 31, 2009 and 2008, as well as the transactions that influence income for the year, relating to operations with related parties result from transactions involving the Company and its shareholders, subsidiaries, key management personnel and other related parties.

The commercial transactions involving the purchase and sale of products, raw materials and contracting of services, as well as financial transactions involving loans and funding between group companies are carried out on the terms detailed as follows:

	Parent Company						Consolidated	
	BHP	**VALE**	**Samarco Finance**	**Samarco Europe**	**Docenave**	**Total 2009**	**2009**	**2008**
Current assets								
Trade accounts receivable	-	-	462,992	-	88	463,080	88	71
Other accounts receivable	-	-	-	222	-	222	-	-
Fixed assets								
Investiments	-	-	87	57	-	144	-	-
Current liabilities								
Accounts payable to suppliers	-	18,984	-	-	-	18,984	18,984	605
Commissions payable	-	-	-	9,650	-	9,650	-	-
Financing	-	-	348,080	-	-	348,080	-	-
Financial charges	-	-	8,939	-	-	8,939	-	-
Dividends payable	817,831	817,831	-	-	-	1,635,662	1,635,663	852,274
Others (mining rights) (a)	-	46,836	-	-	-	46,836	46,836	28,722
Noncurrent liabilities								
Financing	-	-	1,566,360	-	-	1,566,360	261,060	-
Statements of income								
Revenues	-	-	2,646,678	-	-	2,646,678	-	-
Cost (purchasing ore) (b)	-	(146,473)	-	-	-	(146,473)	(146,473)	(418,536)
Operating expenses	-	(45,841)	-	-	-	(45,841)	(45,841)	(43,021)
Selling expenses	-	-	-	(12,968)	-	(12,968)	-	-
Exchange variation	-	(713)	(30,106)	1,493	-	(29,326)	(713)	(715)

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

(b) Of the acquisitions made in 2009, which are carried out on market terms, R$ 16,830 remain in inventories (R$ 88,980 in 2008).

The amounts relating to remuneration of key management personnel are shown as follows:

	2009[1]	**2008**[1]
Compensation	14,316	14,097
Benefits	1,091	1,033
Total	15,407	15,130

22 Insurance coverage

The Company's policy is to take out and maintain insurance policies in amounts considered adequate to cover the risks involved. Samarco takes out operating risk insurance to guarantee material damages and loss of income (interruption of production as a result of accidents). Owing to their nature, the risk premises adopted are not part of the scope of an audit of financial statements and, as a result, have not been examined by our independent auditors.

The amount of the assets covered corresponds to R$ 4,706,034 as of December 31, 2009 (R$ 6,066,054 in 2008) and the maximum limit of indemnity was R$ 549,309 for this past year (R$ 666,974 in 2008).

23 Financial instruments

The Company has financial instruments inherent in its operations, represented by cash and cash equivalents, marketable securities, trade accounts receivable, suppliers, loans and financings and exchange contract advances (ACC's).

The management of such instruments is carried out through operating strategies and internal controls aimed at ensuring liquidity, profitability and security. Hedge instruments are contracted by means of periodic analysis of the risk exposure that Management intends to cover (exchange and interest rates, etc.), as approved by the Samarco Finance and Strategy Committee.

[1] Information not examined by independent auditors.

The control policy consists of constantly tracking the terms contracted in comparison with those in effect on the market. Neither the Company nor its subsidiaries make speculative investments

in derivatives or any other risk assets. The results obtained on such operations are conducive with the hedge accounting policies and strategies defined by Company Management.
The Company's financial assets are represented by:

Cash and cash equivalents and investments in marketable securities

Funds in Brazilian currency (Reais) and US$ available to the Company.

	Parent Company		**Consolidated**	
	2009	**2008**	**2009**	**2008**
Cash and cash equivalents	231,610	357,231	243,596	376,267
Financial investments	-	-	70,904	42,974
	231,610	357,231	314,500	419,241

- Floating Fixed Fund – Funds intended for US$ advances required on international trips made by employees.

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

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

  - Time Deposit / Money Market Deposit Account – Investments indexed to the LIBOR.

  - Other Investments – Investment Fund; investments indexed to Certificates of Interbank Deposits (CDI) and Certificates of Bank Deposits (CDB).

Contractual rights and obligations

These rights and obligations refer to the right to receive cash or another financial asset from another entity; or to swap financial assets or liabilities with another entity on terms potentially favorable to the entity.

	Parent Company		**Consolidated**	
	2009	**2008**	**2009**	**2008**
Trade accounts receivable	457,582	739,523	362,476	604,090

- Trade Accounts Receivable – Funds to be received by the Company, the balance of which represents market value.

  Financial liabilities are represented by:

	Parent Company		**Consolidated**		**Valor de Mercado**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Loans, financings and ACC's	2,538,885	3,632,791	2,538,885	3,632,791	2,557,181	3,670,074

- Loans, financings and ACC's

  These funding operations are intended to support the Company's routine activities and investments.

  The management of financial instruments is carried out through operating strategies with a view to ensuring liquidity, profitability, security, cost/benefit and capital structure appropriate to Samarco's investment grade rating. See Notes 12 regarding exchange contract advances and 13 with respect to loans and financings.

  The Company has no derivatives embedded in financial instruments.
  The operations carried out by the Company and its subsidiaries are subject to the risk factors described below:

(a) Credit risk

The Company's sales policy is subordinate to the credit rules set by its Management, which rules seek to minimize any problems resulting from default on the part of its customers. This objective is achieved by selecting customers according to their capacity to pay, out of the total outstanding trade accounts receivable in the year 2009, 52.56% are guaranteed by a letter of credit (28.17% in 2008). Gross sales revenues amounted to R$ 2,837,232 in 2009 (R$ 4,239,728 in 2008), while the allowance for doubtful accounts set up in 2009 was R$ 201 (R$ 187 in 2008). With respect to financial institutions, the Company and its subsidiaries only carry out operations with institutions ranked as low risk by rating agencies.

(b) Exchange rate risk

This risk results from the possibility of fluctuations in the exchange rates for the foreign currencies used by the Company to acquire domestic raw materials, pay taxes, dividends, etc. The Company has the following assets and liabilities denominated in Reais, which can affects its results due to exchange rate variations:

Assets	**2009**	**2008**
Current		
Taxes recoverable	125,134	156,408
Deferred income tax	35,346	24,352
Prepaid expenses	673	991
Other current assets	6,012	7,130
Noncurrent		
Deposits in court	134	950
Taxes recoverable	149,315	222,902
Deferred income tax	137,173	117,552
Other noncurrent assets	19,890	18,074
Liabilities		
Current		
Suppliers	(90,521)	(100,227)
Salaries, accruals and social contributions	(48,527)	(43,321)
Taxes recoverable	(7,094)	(11,072)
Provision for income tax	(31,589)	(16,930)
Dividends	(1,635,663)	(852,274)
Deferred income tax	-	(7,683)
Other current liabilities	(97,822)	(81,117)
Noncurrent	-	-
Provision for contingencies and legal obligations	(206,603)	(213,177)
Deferred income tax	(10,989)	(242,377)
Other noncurrent liabilities	(66,554)	(41,346)
Net exposure recorded in balance sheet	(1,703,685)	(1,061,165)

Liabilities not recorded in balance sheet	2009	2008
Tax contingencies		
Remote loss expectations	(123,159)	(108,996)
Possible loss expectations	(2,547,883)	(1,505,170)
Labor contingencies		
Remote loss expectations	(7,841)	-
Possible loss expectations	(16,343)	(10,304)
Civil contingencies		
Remote loss expectations	(465)	(963)
Possible loss expectations	(46,623)	(7,237)
Environmental contingencies		
Remote loss expectations	(18)	(18)
Possible loss expectations	(1,919)	(1,525)
Exposure not recorded in balance sheet	(2,744,251)	(1,634,213)
Total exposure	(4,447,936)	(2,695,378)

The Company does not conduct any operations to hedge its assets and liabilities in Reais, in accordance with the internal directives of management and shareholders, out of the believe that there is a natural hedge/balance against variations in the exchange rate when we consider the assets and liabilities in Dollars and Reais.

The operations involving non-deliverable forward (NDF) derivatives contracted in 2007 to hedge the cash flow relating to the project for construction of the Company's third pelletizing plant (beneficiation, ore-duct and pelletizing installations) in US$ against exchange rate fluctuations were fully settled on August 31, 2008.

The Company classified its NDF operations under financial assets or liabilities measured to fair value through income since they were not subject to hedge accounting rules.

The cited operations were booked at fair value, with the effect of such adjustment being computed in income for the year or under retained earnings in shareholders' equity in prior years.

	Parent Company and Consolidated	
Amounts expressed in thousands of Reais	**2009**	**2008**
Operations not carried out		
Assets:		
Published differential receivable (oust)	-	-
Adjustment to fair value	-	-
Fair value	-	-
Effect on shareholders' equity:		
Adjustment to fair value	-	-
Deferred income tax	-	-
Adjustment, net of taxes	-	-
Effect on results – revenue (expense)		
Adjustment to fair value	-	7,569
Deferred income tax	-	(1,362)
Adjustment, net of taxes	-	6,207
Operations carried out		
Effect on results – revenue	-	39,502

(c) Price risk

The price of the Company's principal product, iron ore pellets, is set through annual negotiations with customers. The world economic situation interferes directly on iron ore supply and demand, which in turn has ramifications on the level of prices hammered out.

(d) Interest rate risk

This risk derives from the possibility that the Company and its subsidiaries may realize gains or incur losses based on fluctuations in the interest rates earned/charged on financial assets and liabilities.

Most of the Company's loans and financings as of December 31, 2009 are denominated in United States Dollars, with approximately US$ 309 million bearing interest at fixed rates and US$ 1,150 million at floating rates corresponding to the variation in the LIBOR plus a contractual spread. The Company has no hedge against LIBOR variation.

(e) Capital structure risk

This risk results from the choice between the Company's own capital (capital injections and retained earnings) and capital in the form of loans and financings the Company and its subsidiaries contract to finance their operations. To mitigate the risks of liquidity and optimization of the weighted average cost of capital, the Company and its subsidiaries constantly monitor indebtedness levels according to market Standards and compliance with covenants included in loan and financing agreements (Total Debt/EBITDA).

24 Financial results

	Parent Company and Consolidated	
	2009	**2008**
Financial revenues		
Yields for investments in marketable securities	2,421	2,868
Interest received from customers	4,380	1,709
Discounts obtained	148	162
Hedge gain realized	-	39,502
Hedge gain not realized	-	(31,828)
Other financial revenues	(1,053)	10,933
	5,896	23,346
Financial expenses		
Charges on financings	(35,443)	(44,125)
Financial expenses on exchange contract	(36,663)	(74,755)
Bank commissions and interest	(12,322)	(8,525)
Provisory financial transactions contribution (CPMF)	-	(340)
Financial operations tax (IOF)	(592)	(2,355)
Other financial expenses	(5,326)	(10,773)
	(90,346)	(140,873)
Consolidated financial expenses	(84,450)	(117,527)
Revenues recorded by subsidiaries	1,158	145
Parent Company financial expenses	(83,292)	(117,382)

	2009	2008
Exchange variations:		
Cash	(2,581,228)	(3,555,591)
Trade accounts receivables	(32,624)	(31,343)
Taxes recoverable	276,693	(206,683)
Property, plant and equipment	(12,617)	(141,030)
Suppliers	2,523,774	3,632,395
Payroll obligations	60,438	57,351
Tax obligations	(8,904)	32,522
Dividends	592,487	(59,264)
Contingencies	(35,146)	30,656
Other	(158,132)	(32,006)
Consolidated net exchange variations	624,741	(272,993)
Exchange variations recorded by subsidiaries	67	(105)
Parent Company net exchange variations	624,808	(273,098)

Samarco Mineração S.A.

Board of Directors

Full Members:

Marcus Philip Randolph - Chairman
José Carlos Martins – Vice-Chairman
Ian Robert Ashby
Pedro Gutemberg Quarishi Netto

Alternate Members:

John Dunbar Slaven
Marconi Tarbes Vianna
Rogério Tavares
Renato Lopes Peixoto Neves

Executive Officers Committee

José Tadeu de Moraes
Chairman & CEO

Roberto Lúcio Nunes de Carvalho
Commercial Officer

Paulo José Barros Rabelo
Development and Planning Officer

Ricardo Vescovi de Aragão
Operations Officer

Eduardo Bahia Martins Costa
Financial Officer

Accountant in Charge

Lucas Brandão Filho
(Accountant registered with the Minas Gerais and Espírito Santo chapters of the Brazilian Regional Accounting Council under No. CRC-MG 046442-ES)