MANAGEMENT AND FINANCIAL STATEMENTS

DECEMBER 31, 2010

(Free Translation from Portuguese Original)

DEVELOPMENT WITH ENGAGEMENT

SAMARCO

Samarco Mineração S.A.

MANAGEMENT REPORT AND FINANCIAL STATEMENTS

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MANAGEMENT REPORT

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DEVELOPMENT WITH ENGAGEMENT

SAMARCO

Dear Shareholders,

We hereby submit this Management Report, and the Financial Statements of Samarco Mineração S.A. for the financial year ended December 31, 2010, prepared in accordance with accounting practices adopted in Brazil (BR GAAP) and audited by KPMG Auditores Independentes.

This Report has been structured in accordance with report 15/87 issued by the Brazilian Securities Commission (CVM) and the guidelines of the Brazilian Association of Publicly Listed Companies (Abrasca).

Information not examined by the Independent Auditors

The Management Report includes financial information about projected investments, EBITDA, return on capital employed and operational data about environmental management, health and safety and living standards management, human resource management, production volumes and mineral reserves, which have not been examined by our current independent auditors.

Moreover, the financial and accounting figures for 2006 were examined by other independent auditors.

PRESIDENT'S MESSAGE

In 2010 Samarco consolidated its economic recovery and proceeds strong in its corporate strategy, combining sustainable growth, appropriate operational platform and efficient management.

Samarco is in the enviable position of seeing its sales and turnover rise year in, year out, as was also the case for the comparison between 2010 and 2009.

The economic recovery that began in the second half of 2009 had a great effect throughout 2010, which generated a favorable business environment for the company.

We operated at full capacity and our production nearly reached the current maximum capacity of our plants. Production rose by some 5 million tonnes in 2010 and our earnings rose accordingly. Gross billing in US$ rose by 151.7% over 2009.

We have made progress on our endeavors to continuously improve management processes and render our operations and daily activities more sustainable, which has been positively acknowledged by the public and the Company. Issues including integrated management, business and procedural efficiency, product quality, constant concern with occupational health and safety, caring for the environment, contributing to social development in the communities in which we are present, qualifying local labor and constantly engaging in dialogue with the parties we deal with are part of our strategic agenda and our planning. We also have a solid platform of products, processes and technology, which affords us a noticeable competitive edge.

We are aiming for responsible and sustainable growth. Preparations are ongoing to have the Fourth Pelletizing Project approved, which will boost of production capacity by over 8 million tonnes of pellets.

In 2010 we provided details of our strategy to all staff, an important step. This internal disclosure was made through a number of meetings and communication initiatives.

We also achieved another safety milestone: the rate of work-related accidents stood at 0.93, our best result ever. This shows our commitment to valuing human life, in all of our activities.

Another achievement was Samarco being ranked amongst the top 150 companies to work for by Exame and Você S/A magazines, sponsored by Fundação Instituto de Administração (FIA-USP). To maintain our impressive performance it is essential we continue investing in the development of our staff, in adequate human resource initiatives and practices and in better working conditions.

The change in how iron ore is priced by the mining sector impacted our business. Prices are now restated quarterly, which has resulted in price volatility in the market, which is still adapting to the new system.

Another milestone in 2010 was the switch from fuel oil to natural gas at our pelletizing plants in the municipality of Anchieta (Espírito Santo state). This switch has resulted in cleaner production and better quality products and will result in 158,000 less tonnes of CO_2eq being released into the atmosphere each year.

Our progressive conversion to a sustainable set-up has been noticed, and resulted in us entering into a financing agreement with Japanese development agency NEXI – Nippon Export and Investment Insurance. It should be noted that NEXI only provides finance to companies that take social and environmental issues seriously.

Our commercial results helped us maintain our position of fifth largest exporter in Brazil, consolidating relations with our international clients and boosting Brazilian exports.

Ensuring our initiatives and operations are sustainable is an ongoing pursuit. It is up to us - Samarco, civil society, government, prosecutors department, community representatives and suppliers - to permanently strive to adequately manage our social, economic and environmental impacts. Needless to say, while always working ethically and transparently.

Development can only be achieved by involving everyone. Involvement can only be achieved by raising awareness. Our commitment to this process is unwavering. We want to grow and achieve better earnings sustainably, leaving a positive legacy for future generations.

José Tadeu de Moraes
Samarco President & CEO

ABOUT US

A leader in the Brazilian mining sector, Samarco's operations are underpinned by an adequate structure, results-based management and everyday sustainability.

Samarco is one of the largest mining companies in Brazil, whose principal product is iron-ore pellets that are sold to the global steel industry. With current production capacity of around 22 million metric tons per year, the Company accounts for approximately 2,000 direct jobs and the same number of indirect jobs.

The Company is organized as a jointly controlled corporation under Brazilian Law ("sociedade anônima" or S.A.) and is privately held by two shareholders – Vale S.A. and BHP Billiton Brasil Ltda. – that they divide the stock control equally, with 50% each one.

Samarco's industries are located at two major plants in the states of Minas Gerais and Espírito Santo. Samarco has two ore concentrators in the cities of Mariana and Ouro Preto, in the Southeastern Brazilian State of Minas Gerais (MG), that process the ore and increase its iron content, as well as three pelletizing plants (that transform the ore into pellets) at the Ubu facility, in the town of Anchieta, in the 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. Virtually the entire pipeline is underground at a depth of 1.5 m, protected against corrosion and monitored by fiber-optics. The pipeline only breaches the surface in a handful of sections. Markers have been erected along the entire length in order to signal the pipelines' path.

Samarco also has:

• Its own marine terminal at Ubu, Anchieta (ES), through which it ships its entire production.

• Three sales offices: a domestic one in Belo Horizonte (MG) and two international ones, in Amsterdam (the Netherlands) and Hong Kong (China). Production is chiefly aimed at the international market.

• A hydroelectric plant in Muniz Freire (ES) and participation in the Guilman-Amorim hydroelectric power plant joint venture in the municipalities of Antônio Dias and Nova Era (MG). The two plants jointly account for 20% of the electricity consumed by Samarco.

As is to be expected in an exports-based segment, in 2010 Samarco served clients in 19 countries around the world, located in Europe, Asia, Africa, the Middle East and the Americas. Part of production is sold domestically.

Aware of the social and economic impact of its activities, the Company gives priority to recruiting employees, suppliers and service providers based in the vicinity of its facilities, thereby helping develop the communities it has a presence in and maintaining an ethical, transparent and sustainable relationship with all third parties it does business with.

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

Vision

To be a mining Company leader among pellets producers and recognized as a world class organization.

Values

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

We establish transparent, lasting relationships, based on ethics and aimed at generating value for all stakeholders. Creativity, and the continuous pursuit of technological development, allow the delivery of quality and reliability in products and services,and are seen as indispensable attributes for our perpetuity.

Our values can be summarized as follows:

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

THE FUTURE FOR BRAZIL'S MINING INDUSTRY

Following the substantially positive results in 2010, the year 2011 shows signs of continued growth and expansion in the industry.

Brazil's mining industry thrived in 2010, surmounting the economic and financial crisis experienced in 2009. According to consulting firm Economática, mining profits in the third quarter of 2010 rose 238% over the same period in 2009.

The pace of growth is expected to remain strong in 2011, with both iron ore prices and export performance remaining high. As projected by the Brazilian Mining Institute (IBRAM), the mining industry contributed 121% to Brazil's balance of trade surplus in 2010. While Brazil's overall trade surplus was US$20.27 billion, mining exports exceeded imports by US$24.5 billion. Brazil exported US$28.5 billion worth of iron ore in 2010 and the Brazilian Mining Institute has predicted investments in excess of US$62 billion in the industry from 2011 to 2015.

Growth in the Chinese market will also be key to the continued growth of Brazil's mining industry. World Bank projections have placed China's GDP growth at 10% in 2011, only slightly down on 2010's 10.3%.

Industry analysts are virtually unanimous in predicting equally positive results for Brazil's mining industry in 2011.

FOURTH PELLETIZING PROJECT (P4P)

Our expansion is progressing in an organized, responsible and sustainable manner, in keeping with our "development with engagement" policy.

Growth and expansion are central in our strategic planning. Our policy, however, is to grow in an economically, socially and environmentally sustainable manner and we believe in engaging stakeholders as a catalyst for development.

The total investment required for the Fourth Pelletizing Plant Project is R$5.4 billion. We have obtained the required Construction Licenses for the Germano (MG) site and ore pipeline, and are pursuing the Construction License for the Ubu Site in Anchieta (ES).

The Project scope includes:

- Construction of a third concentrator at the Germano (MG) site, with a concentrate production capacity of 9.5 million dry metric tons (dmt) per year.

- Construction of an ore pipeline running along two existing pipelines, with a concentrate conveyance capacity of 20.0 million dmt per year.

- Construction of a fourth pelletizing plant at the Ubu site in Anchieta (ES), with a production capacity of 8.25 million dmt of pellets and fines.

- Upgrading the storage and shipping system to a total handling capacity of 33.0 million dmt per year.

This project will increase our total pellet production capacity by 38.6%, from the current 22.0 million metric tons to 30.5 million metric tons per year.

Basic engineering was completed in 2010 and evaluated to the satisfaction of shareholders BHP Billiton and Vale as part of the project management system adopted by us and our shareholders. The P4P project has also been audited by IPA (Independent Project Analysis) – a reputable, independent international institute – and found to demonstrate best industry practice for planning.

Five public hearings and one public meeting were also held in 2010 to discuss matters related to the project with representatives of our communities, governments, associations and environmental organizations. Approximately 1,200 people attended.

The Fourth Pelletizing Plant Project will stimulate the economies of the municipalities involved and generate income for local communities. It will also generate R$589 million in taxes (R$208 million in federal taxes, R$289 in state taxes and R$92 million in municipal taxes). At peak, the project will generate an estimated 12 thousand jobs in Minas Gerais and Espirito Santo.

Baseline social and environmental indicators are being determined so the positive and negative impacts of the project can be monitored before, during and after execution. Another important feature of this project is that it will be fully carbon neutral; the CO_2 it generates will be neutralized through carbon credits, tree plantations, forest acquisitions or deposits in dedicated funds.

This project will be an important step toward upgrading our operations and enabling further expansion and development.

KEY RESULTS AND FIGURES IN 2010

PRODUCTION

In 2010 Samarco reached the largest result of your history inpellet production and shipment levels.

Total production was 23,448,930 metric tons, including 21,507,570 metric tons of pellets and 1,941,360 metric tons of fines (pellet feed + sinter feed), an increase of 34% on 2009.

The table below shows our production performance:

Year	Pellets (*)	Fines (*)	Total (*)
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
2010	21.508	1.941	23.449

(*) Rounded to the nearest million dry metric tons.

Record shipment volumes were also achieved. A total of 22,558,620 metric tons were shipped, including 21,396,883 metric tons of pellets and 1,161,737 metric tons of fines, an increase of 27% on 2009.

Gross revenue
R$6,324 million (US$3,614 million)

Net revenue
R$6,240 million (US$3,566 million)

Net income
R$2,247 million (US$1,275 million)

EBITDA
R$3,739 million (US$2,121 million)

Capital investments
R$294 million (US$170 million)

Return on capital employed (ROCE)
68% in Reais and 65% in US dollars.

Dividends
R$3.3 billion (US$1.9 billion) in dividends were paid in 2010.

Safety
Our Total Recordable Injury Frequency Rate in 2010 was 0.93 – the lowest to date – against 1.17 in 2009.

Number of employees
2,061 (as at December 2010)

Number of third-party employees
2,856 (as at December 2010)

Number of units
Two industrial units with two concentrators, two ore pipelines, three pelletizing plants, three sales offices, two hydroelectric plants and one maritime terminal.

FINANCE INCOME

Financial highlights (in R$ MM)	2010	2009	2008	2007	2006
Net revenue	6,240	2,813	4,166	2,475	2,487
Gross Margin (%)	64.7	51.6	62.1	56.8	63.5
Net income	2,247	1,474	1,263	1,042	983
EBITDA	3,739	1,268	2,322	1,212	1,292
EBITDA Margin (%)	59.91	45.1	55.7	49.0	51.9
Gross Debt/EBITDA	0.9x	2.0x	1.6x	2.0x	1.3x

Financial highlights (in US$ MM)	2010	2009	2008	2007	2006
Net revenue	3,566	1,423	2,307	1,280	1,143
Gross Margin (%)	64.7	50.4	61.5	56.6	63.3
Net income	1,275	480	902	520	442
EBITDA	2,121	584	1,332	613	592
EBITDA Margin (%)	59.48	41.1	57.7	47.9	51.8
Gross Debt/EBITDA	1.0x	2.5x	1.2x	2.2x	1.4x

GROSS REVENUE

The strong signs of recovery seen in the global iron ore market in the second half of 2009 were confirmed in the early months of 2010. According to *Credit Suisse Equities (Australia) Limited*[1], market recovery and stability, associated with production expansion in China, caused mining companies and steelmakers to shift from the traditional annual iron ore pricing structure to a quarterly pricing system.

The quarterly pricing mechanism, amid the growing demand for pellets, benefitted the iron ore industry with successive price changes in quarterly renegotiations – an increase of approximately 70.0% in the first quarter, 24.0% in the second, 26.0% in the third, followed by a 14.0% decrease in the last quarter of 2010. Largely thanks to the shift to quarterly pricing, iron ore prices increased the most among commodities in 2010, with exports increasing 117.0% compared to the previous year according to the Ministry of Development, Industry and Foreign Trade.

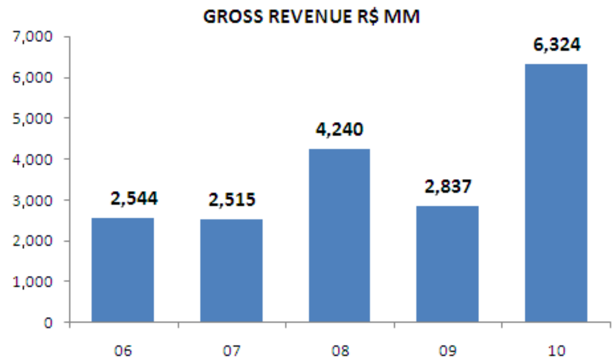
Quarterly pricing is expected to remain in 2011, and first quarter prices should be a good indicator for average pricing throughout the year.

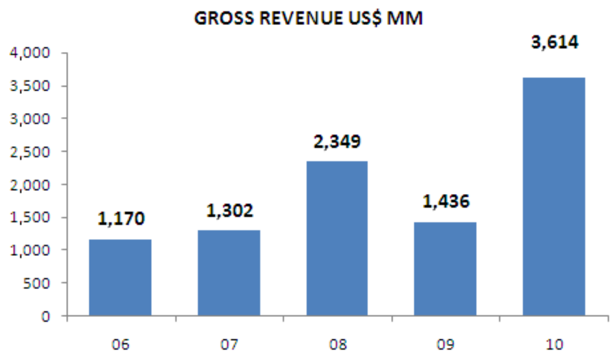
The higher volume of pellet sales and the 106.4% increase in ore prices (owing to the shift to quarterly pricing) largely accounted for our achieving gross revenue of US$3,614 million in 2010, an increase of 151.7% compared to 2009 (US$1,436 million). Also important was the positive effect of the larger share of direct reduction pellets in our sales mix (46% in 2010 versus 45% in 2009), which improved our profit margin.

Our gross revenue in 2010 set a new record, exceeding our previous record in 2008 (US$2,349 million), when the Third Pelletizing Plant was commissioned into operation.

In domestic currency (Real), our gross revenue for 2010 was R$6,324 million, a 122.9% increase over 2009 (R$2,837 million).

[1] Equity Research, Diversified Metals & Mining (Metals & Mining) / OVERWEIGHT, 19 April 2010.





** From 2007 consolidated gross revenue was used*

Our total sales in 2010 exceeded the previous year's by 22.4% (22,654,659 dmt in 2010 versus 18,513,776 dmt in 2009). The Americas and Europe largely accounted for the effect on revenue, with their share in our customer mix increasing by respectively 141.5% and 51.7%. Pellets, our main product, also saw a new record in shipments, exceeding our previous record by 27.1% (21,492,915 dmt in 2010 versus 16,904,047 dmt in 2009).

GROSS MARGIN

The 28.5% increase in gross margin, in US dollars, in 2010 (64.7% in 2010 versus 50.4% in 2009) is primarily due to the increase in gross revenue in foreign currency (151.7%), driven by the previously described record sales volume and increase in product prices in 2010, in addition to our operational efforts to mitigate the impacts of increasing feedstock prices throughout the year, in order to stabilize the pelletizing process and the quality of the concentrate pumped from Germano.

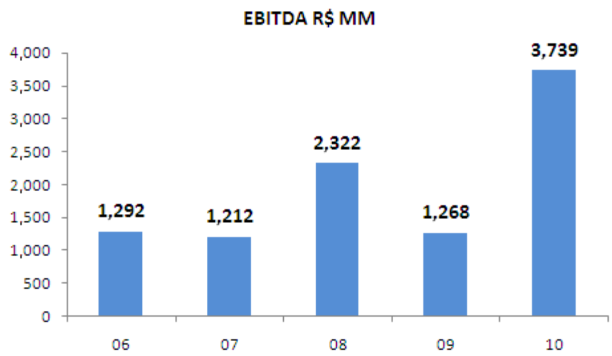
Despite the positive impacts of revenue generation, certain factors had a negative effect on production costs, such as ore purchases from third parties at higher prices and the delay in completing the furnace conversions to natural gas. The latter factor was partially offset by purchasing natural gas at favorable prices in the spot market.

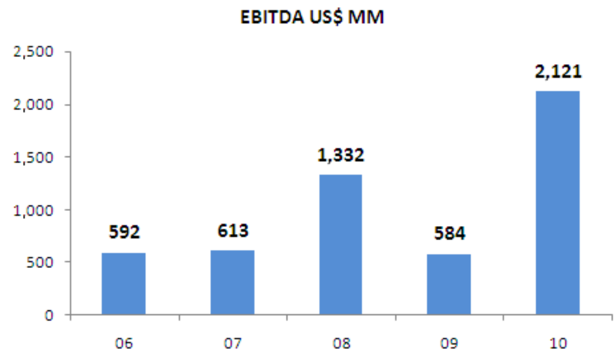
Additional unfavorable factors in relation to the previous year include added materials costs of US$39.7 million (R$58.2 million) and added services costs of US$52.1 million (R$72.2 million), largely to support resuming operations at full capacity, as well as a US$41.8 million (R$56.4 million) increase in electricity expense as result of rate increases imposed by utilities Cemig and Escelsa, which affected our Cost of Products Sold.

EBITDA

Like our revenue, last year's EBITDA in foreign currency (US$2,121,000,000 or R$3,738,600,000) was the best in our history, exceeding 2009's by 263.3% (US$1,537,300,000), helped by the significant 151.7% increase in gross revenue.

On the negative side, however, our higher production costs in relation to 2009, as described in the previous section (Gross Margin), and the added provision for ICMS tax credit losses in Minas Gerais in 2010, as result of a change in their prospects of recovery, offset some of the gains. Since 2010, provisions for losses have been established for all ICMS credits.





NET PROFIT

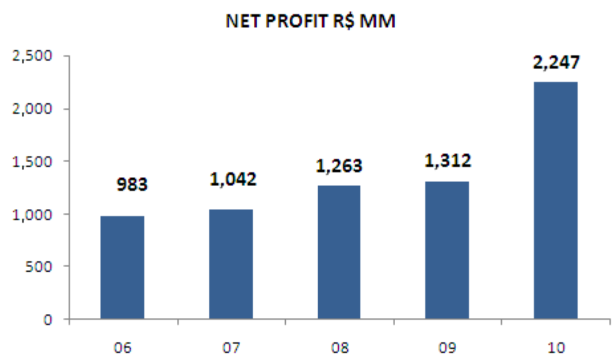
Net income of R$2,247.4 million (US$1,274.8 million) in 2010, the highest in our history and an increase of 143.3% over 2009 (R$1,311.9 million or US$524.3 million), was the result of a US$2,143.4 million increase in net revenue, driven by a substantial increase in sales volume and strong price surges in 2010.

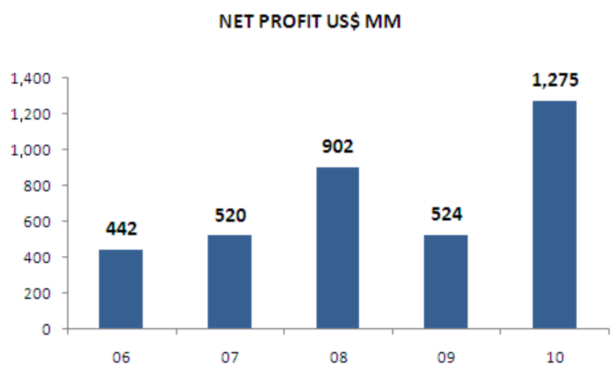
Another factor positively affecting net income was a US$8.0 million reduction in finance costs (US$42.5 million in 2009 versus US$50.4 million in 2010), largely on account of lower average Libor rates (0.5% in 2010 versus 1.9% in 2009).

- Despite the positive net income results for the period, the increase over 2009 would have been even greater had it not been attenuated by certain factors, including: the unfavorable US$634.8 million (R$1,275.4 million) translation[2] impact on provisions, related to the 11.9% strengthening of the Real against the US Dollar;
- the unfavorable impact of provisions for ICMS tax credit losses of US$45.5 million (R$125.5 million), as described under EBITDA;

[2] The effect of translating our financial statements from our functional currency (US Dollars) into our reporting currency (Reais), which is designated as exchange variance of monetary items.

- the unfavorable impact of US$59.4 million (R$103.3 million) on mining rights[3], compared to 2009, largely owing to higher dividend payments;
- the unfavorable impact of sales tax (ICMS, PIS and COFINS) of US$31.7 million (R$55.1 million) owing to a higher volume of domestic sales compared to the previous year (718,866 dmt in 2010 versus 106,816 dmt in 2009);
- an increase of US$16.8 million (R$25.6 million) in research and development expenditure due to market growth; and
- a US$5.0 million (R$8.5 million) increase in investment in social projects.





INVESTMENTS

Total capital expenditure for the year was US$169.9 million (R$294.4 million). Most (60%, or US$102.2 million / R$177.3 million) of these funds were allocated to operating improvement and business continuity projects, plant equipment replacement and investments in sustainable development in compliance with health, safety and environment standards, policies, laws and regulations. Another 32% (US$53.9 million / R$93.5 million) of our capital expenditure was allocated to projects for increasing production capacity and productivity.

The end of 2010 saw the completion of feasibility studies for the Fourth Pelletizing Plant Project, which will produce an additional 8.25 million tons of pellets per year and generate a 37% increase from our current production capacity. Approval was given for preliminary investments in this project, of which US$13.8 million (R$23.6 million) were used in 2010, representing 8% of our total investment for the period.

[3] In 1989, Vale and Samarco entered into a mineral rights assignment agreement under which Vale agreed to assign to Samarco its mineral rights to two iron ore mines.

Other important investments and projects in 2010 include:

- Furnace conversions to natural gas (US$18.8 million / R$33.4 million): initiated in 2009 and completed in 2010, this project consisted of installing natural gas combustion systems in several pelletizing furnaces, enabling the use of multiple energy sources individually or simultaneously, whichever option provides the best cost-benefit outcome.

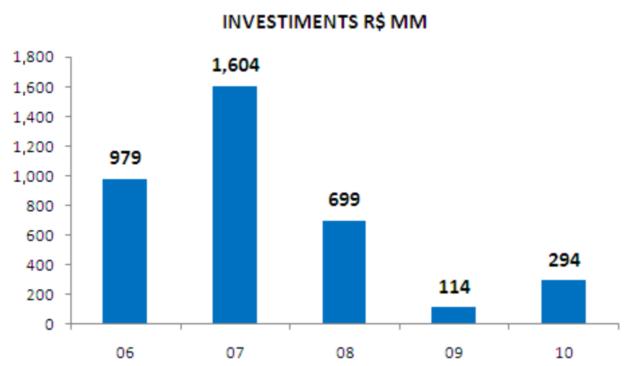
- Concentrator 2 Capacity Upgrade (US$17.2 million / R$29.5 million): this project involved installing new equipment and repowering existing equipment to increase the concentrator's rated production capacity by one million dmt per year;

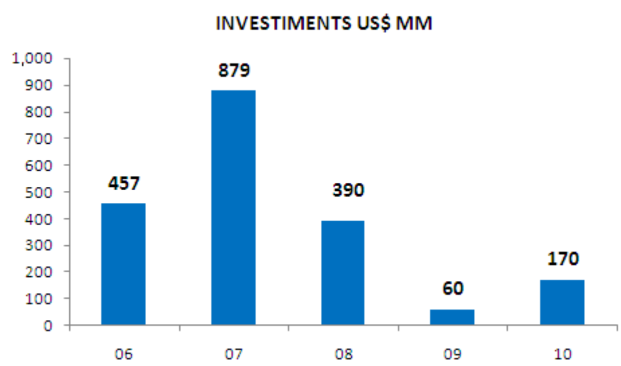
- Installation of Electrostatic Precipitators: (US$16.1 million / R$27.6 million): initiated in 2009, this project will reduce particulate emissions from Pelletizers 1 and 2 for compliance with environmental requirements;

- Fundao Dam Restoration and Improvements (US$14.6 million / R$25.7 million): this project entails construction and improvement works for compliance with the applicable operating requirements for the Fundao Tailings Disposal System;

- Furnace refractories (US$7.4 million / R$12.8 million): replacement of pelletizing furnace refractory linings; and

- Fatal Risk Protocols (US$5.0 million / R$8.6 million): initiated in 2009, this project consists of initiatives to reduce potential fatal injuries by managing all activities to applicable risk protocol requirements.





INDEBTEDNESS

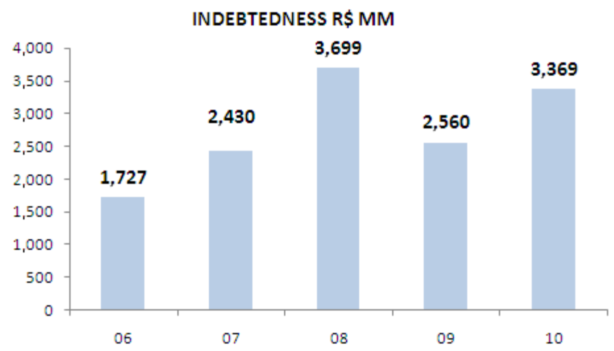
Total gross debt for 2010 was US$2,022.7 million (R$3,368.6 million), up 37.5% (US$551.8 million) from 2009 (US$1,470.9 million).

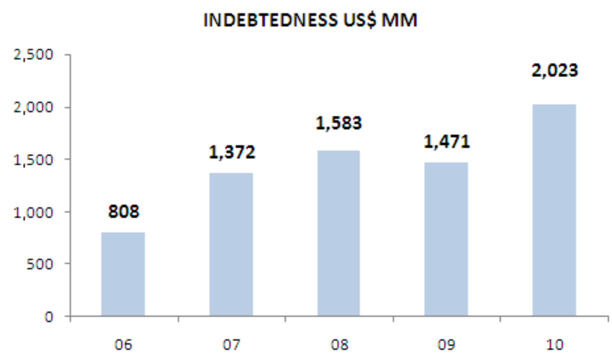
The increase in total debt from US$1,470.9 million at year-end 2009 to US$2,022.7 million at year-end 2010 was the combined result of an increase in our volume of operations and resumption of investments following the world economic and financial crisis.

Our year-end debt profile was 45% short-term debt, largely consisting of Advances on Export Contracts (ACC) used to finance working capital, and 55% long-term debt, mostly Pre-Export Advances used to finance capital expenditures.

A relevant debt transaction near the end of 2010 was a Pre-export Advance of US$400.0 million from BNP Paribas, with a bullet maturity of 5 (five) years, subject to interest at market rates, with a 1.7% spread, to be paid semiannually.

In 2010, the first two repayments (US$100.0 million each) were made for tranche A of the US$800.0 million Pre-Export Advance Facility used to finance part of the Third Pelletizing Plant Project (P3P). The following repayments of US$200.0 million for each of the following three years (2011, 2012 and 2013) will be made following the agreed schedule.





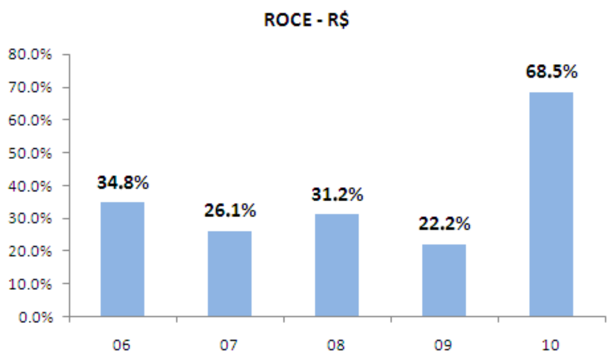
Debt	2010	2009	2008	2007	2006
Gross debt US$ MM	2,023	1,471	1,583	1,372	808
Net debt US$ MM	1,758	1,290	1,404	1,320	804

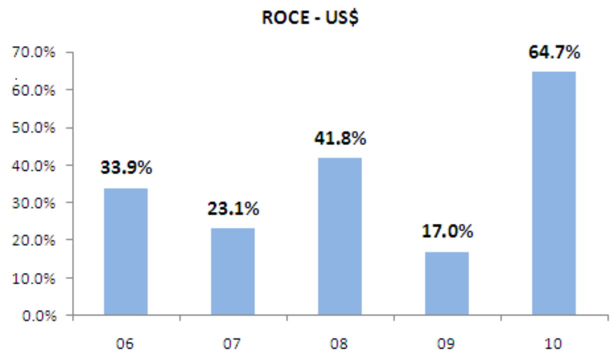
Return on capital employed (ROCE)

Return on capital employed in US Dollars was 64.7% in 2010, significantly higher than the 17.0% reported in 2009. A similar ROCE of 68.5% occurred in domestic currency, against 22.2% for 2009.

This considerable improvement in performance over the previous year is largely related to our operating income for 2010, as described under Gross Revenue, Net Income and Gross Margin, which was favorably impacted by positive sales performance and a strong price surge in 2010.

It is important to note, however, that an increase in capital employed – caused by a US$228.0 million (R$364.1 million) increase in trade accounts receivable, as the combined result of price surges in 2010 and significant sales volumes towards the end of the year – had a negative impact on ROCE.





OTHER HIGHLIGHTS FOR 2010

In addition to achieving the results reported above, in 2010 we:

• disseminated our new Corporate Strategy, revised in 2009.

• completed the pellet plant conversion from fuel oil to natural gas in Espirito Santo.

• remained the largest exporter in the State of Espirito Santo and became the 5th largest exporter in Brazil, according to consolidated data released in 2010 by the Foreign Trade Office of the Ministry of Development, Industry and Foreign Trade.

• reformulated our Social Investment Policy, which was renamed as our Institutional and Social Investment Policy, and broadened our community development and relations activities

• ranked among the 150 Best Companies to Work For in a survey organized by news magazines Exame and Você S/A with the support of Fundação Instituto de Administração, Universidade de São Paulo (FIA – USP).

BUSINESS STRATEGY

Our strategy is based on three pillars: sustainable growth, operating excellence and management excellence.

Our approach to management combines process efficiency, consistent technological support and a sustainable orientation. We believe in permanent, sustainable growth as a means of ensuring continuity and profitability in the long term.

1. Business vision and practices

An important accomplishment in 2010 was the dissemination of our corporate strategy to all employees across the Company. The dissemination process saw a high level of mobilization and the engagement of Senior Management and Company leadership.

The dissemination meetings organized in 2010 by Management were attended by 55 people in Belo Horizonte (MG), 500 in Germano (MG) and 580 at the Ubu Unit (in Anchieta – ES), including administrative staff, operations personnel and interns. Managers were encouraged to hold discussions with their teams, and the entire process was supported by an extensive internal communication campaign. The primary component of the campaign was a "Flight Manual" (Diário de Bordo) distributed to all employees, describing our Mission, Vision, Values, Strategic Roadmap and an explanation of the various topics and strategic objectives.

We recognize our strategy will require continual development. But the required technical and operating capabilities are in place and our focus on sustainable growth and management excellence has been well placed, in our effort to achieve the level of integration between management practices and processes required to drive performance.

The challenges for 2011 are:

• to further improve our management model, incorporating existing initiatives

• to develop a unified process metrics system allowing our performance to be measured at a higher frequency

• to encourage our managers to continually discuss and improve on management practices across the Company.

2. Sustainability vision and practices

Samarco was founded in 1977, 33 years ago, since than it has been our belief that any business and growth strategy depends on sustainable development.

We believe sustained growth cannot be achieved without assisting the social and economic development of the communities we operate in and without adequate management of our environmental impact, and we have practical initiatives in place to this end (see "Community Relations" and "Environmental Management" further below.

To us, "*sustainability is our capability to grow and innovate in environments of increasing complexity and interdependence, with transparency and economic, environmental and social responsibility*.

It means creating value for us and stakeholders, guided by ethics, trust, proactiveness and a systems view. We do this through initiatives and partnerships that strive for a balance between the economic, social, cultural and environmental dimensions of our activities, respecting current generations and contributing to the development of generations to come."

Our sustainability vision begins with our statement of Mission, Vision and Values, which establishes sustainability as one of the key pillars of our business activities. Sustainable development has been incorporated as an axis of our Business Vision and, hence, of our business strategy.

Further defining our policy, our Statement of Commitment to Sustainability, which is the result of a collective internal development process, establishes a set of principles and guidelines underpinning our sustainability and explaining our commitments and how we interact with stakeholders.

In our 2009 climate survey, the findings of which were tabulated in 2010, the Safety and Environmental Management items were highly rated by responding employees. To further enhance our employees' understanding of sustainability, we are currently developing a Sustainability Guide, to be published and distributed in the first half of 2011.

Ethical conduct – inside and outside the Company –, transparency, community development, environmental protection, quality products and services and interaction with stakeholders are key elements of our day-to-day management.

Our Code of Conduct, which is periodically reviewed and updated, governs our relations with stakeholders, in keeping with our "Development with Engagement" policy.

In 2010, we organized nine internal workshops within the Business Value Program to provide a venue for dissemination and discussion of sustainability and how our activities and initiatives are interrelated and interdependent, embracing economic, social and environmental aspects in an integrated manner. The subjects discussed in these workshops included our strategic goals, financial management, human resources management, business sustainability, procurement and communication. Thirty of our leaders attended these workshops, which helped further instill sustainability in our thinking and day-to-day activities.

3. Global commitments

In line with our commitment to sustainability, we have undertaken a number of global commitments, including:

• The Global Compact: We have been participants of the UN Global Compact – a commitment to ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption – since 2002 and reaffirmed our commitment in 2008. Our Global Compact commitments are addressed in our Code of Conduct.

• The Millennium Development Goals: We support the UN's eight development goals, which include eradicating poverty and hunger, achieving universal primary education, reducing child mortality, achieving improvement in quality of life and environmental sustainability. This commitment can be perceived in the way we manage our operations, structure our projects, and organize our community development initiatives.

• The Business Pact for Integrity and Against Corruption, coordinated by the Ethos Institute: In 2006, we joined the Business Pact for Integrity and against Corruption, which is a more detailed approach to one of the principles of the Global Compact and personifies the drive by Brazilian companies to achieve compliance and promote ethics and integrity in business.

• The Open Letter to Brazil on Climate Change. In 2009, we and 21 other Brazilian companies signed an Open Letter to Brazil on Climate Change, which establishes our stance on this issue and has been regarded by trade media as a milestone in the industry's drive toward a low-carbon economy.

As a case in point, in 2010 we replaced fuel oil with natural gas at our pelletizing plants in Espirito Santo, which has brought environmental, social and economic benefits.

4. Investment Plan

Our investment budget for 2011, not including the funds to be invested in the Fourth Pelletizing Plant Project, is R$450 million, allocated to engineering projects, major construction projects and business continuity initiatives.

Our most significant projects in 2010 were:

• Fundao Dam Restoration, Germano (MG) – construction of an auxiliary dike and drainage blanket. Total investment: R$54 million. Status: completed

• Concentrator 2 Capacity Upgrade, Germano (MG): (1 million-metric ton upgrade in production capacity) Total investment: R$68 million. Status: scheduled to be completed by May 2011

• Pellet plant furnace conversion to natural gas, Ubu (Anchieta – ES). Total investment: R$40 million. Status: completed

• Mepes Hospital Restoration and Expansion, Anchieta (ES). Total investment: R$8 million. Status: 90% completed; scheduled to be completed February 2011

• Installation of electrostatic precipitators at the discharge points of furnaces 1 and 2 at the Ubu Unit (Anchieta – ES). Total investment: R$108 million. Status: startup scheduled for December 2011

The most important projects in 2011 are:

• Construction of wind fences for the stockpile yards at the Ubu Unit (Anchieta - ES): to reduce particulate emissions. Total investment: R$80 million. The project is scheduled to begin in 2011 and finish in 2012.

• Power Grid Connection: this project involves construction of two 345 kV substations and a 35 km transmission line across several districts in Mariana, Minas Gerais. Total investment: R$210 million. The project began in December 2010 and should be completed in 2012.

• Installation of an additional pelletizing disc at Plant 3 in Ubu (Anchieta – ES): Total investment: R$10 million. The project is scheduled to begin in 2011 and finish in 2012.

• Concentrator 1 Capacity Upgrade, Germano (MG): (0.4 million-metric ton upgrade in production capacity) Total investment: R$59 million. The project is scheduled to begin in 2011 and finish in 2012.

• Construction of a new maintenance shop for mine machinery, Germano (MG): Total investment: R$70 million. The project is scheduled to begin in 2011 and finish in 2012.

PRODUCTION PROCESS

Our integrated production process and quality products give us a solid business platform.

Our fully integrated production process comprises the following stages:

• Mining: ore is mined out of the Alegria Mine Complex in the municipalities of Ouro Preto and Mariana (MG). Approximately 70% of the ore is extracted by conveyors instead of trucks, which reduces specific fuel consumption.

• Beneficiation: in this stage the ore is concentrated and processed to remove impurities and obtain the chemical and particle size properties required for the following stages. The ore exits this stage as a slurry.

• Pipelines: these are used to convey the ore slurry from the Germano Unit (MG) to the Ubu Unit (ES). They are nearly 400 kilometers long and the first ever built in Brazil.

Although ore pipelines are extremely safe, in 2010 one of our pipelines leaked in the municipality of Espera Feliz, Minas Gerais. We followed our Emergency Response Plan and acted promptly to fix the problem and keep the community informed. Since our product is not toxic or poisonous, there was no permanent environmental damage. Following the incident, the local mayor sent a letter to our CEO, José Tadeu de Moraes, commending Samarco on our ethical, correct and efficient response.

• Pelletizing: this an agglomeration process that transforms very fine ores into pellets ranging from 8 to 16 cm in size. With appropriate heat treatment, they acquire the properties required for blast furnace or direct reduction processes.

• Stockpiling and Port Operations: the pellets are stored in a stockpile yard with a storage capacity of up to 1.8 million tons, enough to store 30 days' worth of production, and ensuring high stock turnover. The pellets are then loaded into ships at our Ubu Port in Anchieta (ES), which has a pier with two berths up to 18.7 meters deep.

2010 was the first year since the global economic crisis in which we were able to operate at full capacity.

We produced a total of 23,448,930 metric tons in 2010 – or 21,507,570 tons of pellets and 1,941,360 tons of fines – a 34% increase over 2009 and only 2% less than our total annual production capacity (22 million metric tons).

Replacing fuel oil with natural gas at our pelletizing plants helped improve end product quality by eliminating the sulfur derived from burning fuel oil.

Another highlight was our Lean Six Sigma Program, which is designed to support improvement and identify solutions for problems with unknown causes based on statistical and quality tools focused on production processes, productivity and costs. In 2010, LSS-related projects in our Pelletizing Operations (GGOP) generated a financial return of R$47.5 million (against a target of R$22 million).

As part of our innovation efforts, we are conducting a study on the use of bentonite mixed with limestone in replacement of bauxite. The benefit to customers would be direct reduction pellets with a lower content of alumina and other components that are undesirable in steelmaking processes.

RESEARCH & INNOVATION

Innovation, development and supported research have helped improve our operations, increase our mineral resource utilization efficiency and add value to our business.

Research, innovation and development are encouraged across Samarco. Guided by our optimistic view of the future of the mining business, we have been building strengths in these areas and making significant progress in related initiatives.

We have well-structured long-, short- and medium-term programs aimed at enhancing our competitiveness, the life of our reserves and our sustainability.

Internally, we encourage new ideas through a program called Campo de Ideas ("Field of Ideas"), in which all employees, including third-party employees, are encouraged to give suggestions on ways to improve processes. 2,566 ideas were submitted in 2010, of which 1,096 were successfully implemented.

Our efforts to improve competitiveness and create business value in the medium and long term are focused on three primary areas:

• Developing new technologies
• Developing new process designs
• Engineering processes for strategic projects

Our strategic pillars - sustainable growth, operating excellence and management excellence - are the guiding principles in our development initiatives.

These initiatives include:

• Research toward improving mineral resource utilization efficiency
• Studies to reduce costs and increase operating efficiency
• Projects aimed at reducing and recycling waste and mud
• Improving automation systems
• Optimizing water usage

To broaden the scope of development, we establish technical partnerships, organize and attend specialist forums and develop other initiatives, which include:

• Innovation & Technology (coordinated by the Dom Cabral Foundation)
• Developing technology roadmaps and eliciting ideas from outside the Company (in partnership with the consulting firm Terra Fórum)
• Knowledge exchange with local and foreign universities, research centers and suppliers

Our internal product and solution development center also conducts activities oriented to identifying market trends and needs.

R$4.5 million were invested in research and development in 2010; an investment of R$7 million per year is planned for 2011/2012 and an estimated R$11 million per year for 2013 to 2015.

The challenge in 2011 will be to continue our studies and develop solutions in support of strategic projects for sustainable growth, including process improvements for optimized utilization of mineral resources.

CORPORATE GOVERNANCE

Solid corporate governance and ethical and transparent business practices reflect our institutional philosophy.

In 2010, all employees were engaged more actively in discussions on issues surrounding business conduct, including such issues as prevention of fraud and corruption, elimination of all forms of discrimination and ethics.

Forums involving the entire chain of management and other employees were held to discuss these issues and explain the role of our Ombudsman in addressing questions, concerns and reports from employees and external stakeholders.

Business conduct was a subject that permeated many of our initiatives throughout 2010, including:

- the Information Security and IT Governance Project
- the Samarco Digital Platform
- Strategic Communication Meetings
- Fraud Prevention Training
- *"Ciclos da Cultura" Workshops*

Our Code of Conduct was also amended in the sections on Information Technology, Intellectual Property and Protection of Property.

Ethics and transparency are intimately ingrained in our business practices. They are set out in our Code of Conduct, which guides our interaction with stakeholders.

Another important initiative in 2010 was the introduction of a new Institutional and Social Investment Policy following a review of our former donation and sponsorship process.

In 2011, in addition to further addressing business conduct, we aim to engage additional stakeholders and broaden our discussions to include new themes. Two new policies will be documented: an Anticorruption Policy and an Antitrust Policy.

At Samarco, corporate governance is founded on four pillars: corporate responsibility, accountability, transparency and fairness.

Our governance structure is coordinated by our Board of Directors, which comprises four members and four alternates, all representatives from our shareholders, Vale and BHP Billiton, and each having a three-year, renewable term.

The responsibilities and authorities of the Board of Directors include: establishing general business and strategic guidelines for the Company; providing direction on and approving our business plan and budget, including our investment plans; approving dividend payments to shareholders and reinvestment; monitoring the Company's results; ensuring integrity in management; appointing our CEO end evaluating the performance of officers; selecting independent auditors; and deliberating on changes to capital structure.

The Board of Directors is advised by three committees:

- a Finance and Strategy Committee, which advises the Board on strategic, economic and financial matters through its three sub-committees:

• Tax and Contingency

• Treasury

• Audit

- an Operations Committee, which advises the Board on technical and operational matters, also through three sub-committees:

• Performance Management

• Capital Expenditure

• Technical

- and a Remuneration Committee, which advises the Board on remuneration policy for key executives and general human resources policy.

These committees meet at least three times a year to discuss pre-defined meeting agendas. In general, matters taken to the Board of Directors have already been discussed by the relevant Committees.

Audits are conducted on a regular basis by our shareholders or independent auditors.

RISK MANAGEMENT

Our risk management practices, which are critical to our strategy, were redirected and further disseminated.

To us, risk management is essential to our strategy and operations. Our Risk Management Committee – the Company's highest-level risk management and decision making body – meets at least annually, with all managers in attendance.

In 2010, our former Risk and Controls department was restructured and divided into two separate departments:

1. Risk and Insurance, which focuses on strategic risk, operating risk and project risk.

- Strategic risk – identify what can affect our strategic objectives and define new strategy opportunities.
- Operating risk – determine what can affect our operations and business continuity.
- Project risk – risks inherent to capital expenditure.

2. Internal Controls and Compliance, to identify financial, compliance and reputation risks, including by conducting audits.

This division was intended to focus greater attention on risk management, disseminate the notion that each department is responsible its own risk management, and infuse risk management into our everyday operations.

The goal is to achieve the level predictability needed ensure that our strategy effectively supports our business growth and operating excellence, and to address risks in a more structured and comprehensive manner. Risk management decisions can influence our business direction, including our strategic planning.

Representatives from all departments have therefore been engaged in an inclusive and dynamic process that closely monitors our risk management activities and generates a Risk Management Map as a final product.

Strategic and operating risks are reviewed annually for alignment with our discussions on strategy, budget and operating performance. In 2011, in addition to performing this review, we will ensure that risk management plays a greater role in our management and everyday business activities across the Company.

RELATIONS WITH KEY STAKEHOLDERS

"Development with Engagement" can only be achieved with the effective participation and engagement of the stakeholders we interact with.

We believe one of the most important roles of a company committed to society is to contribute to environmental preservation and the social and economic development of the communities affected by its operations and/or industrial expansion.

Therefore, and as part of a set of initiatives, we seek to engage our various stakeholders and actively participate in society by attending meetings with community leaders and region- or sector-specific forums. Our interaction with society is greatly facilitated by the Samarco Hotline Service.

This is one of our primary channels of communication with external stakeholders, and the rates of use and receptivity we have seen confirm its importance. In 2010, the Samarco Hotline Service received 6,886 new calls, many related to the Fourth Pelletizing Plant Project, of which 99.24% were successfully processed (against 98.60% in 2009).

In a survey the Company conducted among a sample of residents in Minas Gerais and Espirito Santo who used the service in the first half of 2010, 87.84% of respondents rated the quality of service as excellent, demonstrating a high level of receptivity.

The Samarco Hotline Service is available to receive requests, complaints, invitations, compliments and reports from community members, which are directed to the relevant internal departments. All concerns or inquiries are addressed.

Community members can contact our Hotline Service via the "Contact Us" section of our Website or by calling the toll-free number 0800 031 23 03.

SWIFT AND TRANSPARENT PROBLEM SOLUTION

A striking example of our relationship with society in 2010 was the pipeline leakage in the municipality of Espera Feliz (MG). Due to the Company's swift response, which immediately implemented its Emergency Plan and sought to reassure the population, the leakage was contained quickly, without any significant or permanent environmental damage. The Chamber of Councillors accordingly passed a motion of honor and recognition of Samarco, and the mayor wrote to the Company's CEO José Tadeu de Moraes.

1. Shareholders

Samarco's relationship with its shareholders seeks to assure transparent management, mutual respect and trust. The shareholders - two of the largest international mining sectors, Vale and BHP Billiton – have an equal interest in the Company's capital (each with a 50% interest).

Samarco maintains close ties with its shareholders, affording a rich exchange of experiences with two leading, diversified companies. The shareholders are familiar with the Company's initiatives, growth outlook, strategic planning and results.

In 2010, Samarco distributed a record breaking R$3.3 billion (US$1.9 billion) in dividends to its shareholders.

2. Customers

Samarco has a close and transparent relationship with its customers; it is dedicated to every step in the service chain, and most importantly, to providing the highest quality products and services.

In 2010, products were sold to 35 customers, on all continents except Oceania. Samarco has customers in the following countries, in addition to Brazil: China, Taiwan, Malaysia, Indonesia, Japan, India, Argentina, USA, Germany, France, United Kingdom, Turkey, Libya, Saudi Arabia, Egypt, Qatar, Trinidad and Tobago and United Arab Emirates.

To meet its clients' needs, Samarco is structured in the following way:

<u>Marketing Strategy Committee</u>

Created in 2007, it is comprised of directors and invited members and meets three times each year. The Committee establishes the long-term strategic guidelines for commercial service and sales. Its goals and responsibilities are as follows:

• Requesting and/or recommending necessary changes to the sales strategy, in accordance with Samarco's strategic plans.

• Evaluating clients' local economic trends and proposing adjustments to the market segmentation policy.

• Requesting detailed studies from the Executive Marketing Group to aid in its decision-making.

Executive Marketing Group

This Group includes the head of sales and the general sales managers. It is responsible for the following:

• Strategic marketing planning and monitoring the progress of strategic moves.

• Strategic alignment of commercial activities with the Company's overall strategy.

• Market segmentation and defining sales strategy.

• Demand management.

• Defining commercial policies and ensuring their application.

• Defining market communication strategy and policies.

• Monitoring communication efforts and the Company's image with clients, potential clients, competitors and shareholders.

• Monitoring client satisfaction.

• Defining and monitoring the development of new products and services.

• Managing Samarco's sales performance.

• Identifying where sales practices need improvement.

Sales Offices

These offices are in close proximity to the clients and are responsible for day to day service. The functions of the sales offices include visiting client, negotiating volumes, prices and form of delivery, signing contracts and other sales routines. Put the targets established by the Executive Marketing Committee into practice. The sales offices are located in Belo Horizonte (MG - Brazil), Amsterdam (Holland) and Hong Kong (China).

Integrated Planning Department

This department is responsible for the tactical steps that advance the Company's operating and commercial strategies by integrating plans that support the business: It also coordinates planned production and demand efforts to find the best alternatives to balance the chain and maximize results. Integrated planning also communicates with the Company's shareholders, through reports meetings about performance control and monitoring.

Technical Assistance Department

Gives technical support to clients, including onsite support, and helps develop new products. This department is responsible for Samarco's quality assurance and for ongoing technological development, by way of partnerships with clients, universities and research centers. Another important function of technical assistance is dissemination of clients' perception of the quality of Samarco's product to the entire production chain.

Contracts and Billing Department

Responsible for the technical composition of sales contracts and billing, interfacing with the Legal, Financial, Technical Assistance and Production Departments.

Logistics Department

Responsible for fulfilling and monitoring ocean freight agreements.

Market Intelligence Department

Its functions include the following:

• Coordinating the collection of secondary information from research institutes and periodicals.

• Coordinating primary information generated by the technical and sales team and by an extensive information network with sources like clients, potential clients, competitors, logistics providers, research institutes and the like.

• Writing analytical reports and market forecasts to support decisions on market segmentation and identification of target clients.

In 2010, Samarco created the Business Intelligence Department, responsible for matters related to Market Intelligence, among other things. This department's main objective is structuring information collection and analysis, encompassing the different disciplines required for the Company's decision-making processes. sales processes, pricing and market; competitive analysis; technological aspects involving products and procedures; political and regulatory aspects; logistical aspects; and finally business models.

A meeting was also established with a Tactical Group that includes managers of sales, technical assistance and integrated planning.

With regards to client satisfaction, Samarco uses the Customers Satisfaction Index, an internal system drawing on numerous different sources: technical/sales visits, shipment efficiency, quality of shipment, quality of delivery, benchmark quality, penalties, complaints, flexibility, and others. Each factor is scored and has its own weight in the total based on its importance in the chain and the perceived value according to the market. This evaluation is made monthly. The methodology follows the guidelines set by the National Quality Program (PNQ) and the rules for ISO 9001 certification.

Client complaints, comments and requests are analyzed, responded to and followed up, using as a reference the quality that Samarco customarily provides its clients.

Every year we offer technical seminars with clients and potential clients. In 2010, the seminar was with clients who use blast furnace technology, in the city of Sintra, Portugal. It was the fourth such seminar for clients in this steel industry route. At the event, Samarco presented its position in the transoceanic pellet market, opportunities for growth, market trends, sustainable practices and other subjects. Representatives from 23 companies attended the event, 17 of them clients, for a total of 75 in attendance.

Also in 2010, Samarco adapted itself to the new standardization established by the European Chemicals Agency (ECHA), applicable to any chemical product sold within the European Union. This new regulation, called Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), aims to improve the legislative framework covering chemical substances.

3. Suppliers

With its suppliers, Samarco establishes differentiated strategies for the relationship and qualification due to the market’s complexity, the expenditures required and the impact relative to each supplier's business sector. The objective is to increase the Company’s competitive edge through negotiations and relations with capable suppliers who have the best practices.

The Company works with a list of 6,000 suppliers, 4,271 of these active. Of these, 150 are traditional and essential suppliers, which account for 80% of spending.

In 2010, Samarco continued its policy of strengthening suppliers from the region to contribute to local socioeconomic development. The majority of the Company’s suppliers (over 65%) are in the states of Espírito Santo and Minas Gerais.

In the pursuit of new suppliers, business meetings were conducted with companies in Anchieta, Cachoeiro do Itapemirim, Piúma, Guarapari and Vitória, in Espírito Santo, as well as two others in Belo Horizonte, MG. The Company identified 785 new suppliers during the year.

Both for new and existing suppliers, factors like quality, financial management, dedication to sustainability, worker health and safety and commercial competitiveness are all taken into consideration. Based on analysis of these factors, each supplier receives a weighted score. The Company looks for suppliers who are also committed to corporate excellence.

Samarco helps conduct an annual audit to verify the suppliers' practices and characteristics as well as their compliance with labor obligations and taxes. Corrective action is taken in the event that problems are identified.

Additionally, a Development Plan is made with each supplier, identifying measures for strengthening and improving.

In 2011, a meeting will be held with the Company's main suppliers to discuss business prospects, competitiveness and sustainability efforts.

Another important thing to note is the Samarco Award for Excellence. This recognizes and rewards good performance on the part of its suppliers of input materials, materials and contracted services. In 2010, the Award was given for the 10th time, acknowledging 12 companies who were favorable evaluated on points like providing services, furnishing products, punctuality and socio-environmental responsibility. Recognition was also given to the company that earned the highest evaluation for "Worker Safety," as a way of promoting the principle that life has value.

To classify suppliers considered excellent, Samarco conducts monthly evaluations of the Contracted Services Quality and Supply Index (IQFMA) and the Materials Quality and Supply Index (IQFMA). In addition, the contracted companies with facilities within Samarco's industrial units also undergo quarterly evaluations on issues covered by ISO 14000 (environmental controls) and OHSAS 18000 (health and safety) guidelines.

Externally, to enhance relationships and disseminate supply management practices and policies in the supply market, Samarco participates in forums on the issue with the Association of Industries of the State of Espírito Santo (FINDES) and the Association of Industries of the State of Minas Gerais (FIEMG), and is also one of the companies that supports the Supplier Development Programs (PRODFOR and PDF) in Espírito Santo and the Integrated Development Program for Suppliers (PDIF) in Minas Gerais.

4. Community

Samarco places great value on projects, meetings and initiatives that contribute to the socio-economic development of the communities in which it operates.

The Company maintains social dialogue as a basic premise for all its community initiatives. In 2010, this relationship was strengthened in an effort to find a increasingly integrated and complete model. It is hoped that Samarco, city governments, communities and public authorities may work together more, each with their own role, toward their common goals.

Samarco has activities in 81 communities in 29 cities in Minas Gerais and Espírito Santo, comprising a population of around 841,000 people.

The communities' needs and expectations are identified and analyzed to define and improve the Company's social performance, using Social Dialogue, Social Investment and Internal Engagement. The integration of these processes provides a clear, objective view of how Samarco supports and generates value for each of the interested parties.

- Company Name

Real social dialogue creates and articulates joint solutions for promoting local development and sustainability in the regions where the Company operates. It entails discussion or exchange of ideas, concepts and opinions with an aim toward information transparency, problem resolution and harmony among the parties. Dialogue involves structured and ongoing participation by leaders from public authorities, the private sector and civil society to build alliances and networks for local development.

Dialogue in 2010 was founded on the following key strategies: a) fortify opportunities generated by the venture in the territory; b) facilitate the Company's sustainable growth strategy; c) mobilize the communities to promote local development; d) strengthen social capital; e) develop new leaders; f) manage expectations about the Company; g) steer the social investment strategy; and h) promote the Company's socio-environmental efforts.

In 2010, Social Dialogue initiatives harnessed the participation of 7,810 people, with a Community Satisfaction Rating (ISC) of 76.85%. This rating is a tool for assessing the quality of Samarco's relationship with surrounding communities; it is determined annually to identify opportunities for improvement of the Company's procedures for meeting these communities' desires and expectations.

The main achievements were as follows:

• ***Meetings with Leaders*** – 46 meetings involving 372 people took place in 2010.

• ***Meetings with the Communities*** **–** 63 meetings involving 3,336 people from the 81 communities in the vicinities of Samarco operations, 22 in Minas Gerais and 41 in Espírito Santo.

• ***Mobilization for Public Hearings*** **–** 1,176 people participated in the three public hearings concerning the Fourth Pellet Plant Project and the two public hearings and a public meeting held for the Third Pipeline Project.

• ***Socio-economic Indicators Committees*** – In 2010, the Socio-economic Committee held 21 meetings with 146 participants to discuss with leaders from the public authorities, private sector and organized civil society the establishing of indicators to monitor Samarco's activities.

• ***Forum for Monitoring Samarco's Environmental Licenses (FALAS)*** – Six meetings were conducted with the group's 20 members, representatives from the municipal governments of Anchieta, Guarapari and Piúma (ES), the communities, non-governmental organizations and environmental agencies, with the goal of monitoring the Company's compliance with legal requirements it incurred with its environmental licenses.

• ***Side by Side*** – In 2010, four editions of the newsletter and three inserts on the environment were published in Espírito Santo, and four editions in Minas Gerais. The newsletter addresses matters of interest to the communities; around 5,000 copies are distributed periodically to schools, city governments and community organizations.

• ***Contact from the Community*** – In 2010, contact was made on 1,584 occasions, 96.21% of these regarding requests for information about the Social and Institutional Investment Policy, the Visitation Program and others. Complaints accounted for 0.44% of the contact related to environmental issues and 3.35% were other types. Samarco replied to all of these communications.

• ***Cultural and Historical Renewal Project*** – With this project Samarco aims to appreciate local talents and strengthen the educational process through stories told by the residents themselves. In 2010, 17 videos were made and shown, benefitting 162 students. This work involved partnerships with 12 schools, five neighborhood associations and 890 video viewers. A DVD was also produced and distributed to the communities themselves and to the city secretaries of culture and education.

• ***Program for visiting Samarco's industrial units*** – In 2010, 2,926 people participated, students, community leaders and residents, with 1,039 visiting the Ubu unit (in Anchieta, ES), 714 the one in Muniz Freire, ES and 1,173 the unit in Germano, MG. The program gives the population access to Samarco's facilities and to information about the Company and its production process.

• ***Education for sustainability*** – In 2010, the Sustainable Agriculture Meeting was held in the Caparaó Capixaba region, with 22 leaders from the area attending. Samarco organized this event in partnership with the Caparaó Consortium and the Federal Institute of Education, Science and Technology of Espírito Santo of Alegre. The meeting presented and discussed sustainable agriculture alternatives for the region.

• ***I External Local Development Showcase*** - *Samarco held the First Local Development Showcase, in Minas Gerais and Espírito Santo.* The goal of the event was to present the results of Samarco's social projects in partnership with the communities around its industrial activities and pipelines and to communicate how the company acts through Social Dialogue, Internal Engagement and Social Investment.

The event featured 11 speakers in Espírito Santo and eight in Minas Gerais, with around 600 visitors in Minas Gerais and 250 in Espírito Santo.

• ***Events and forums -*** Another form of social dialogue in 2010 was Samarco's participation in events and forums on the subject, such as the Ubu Forum, the 2nd State Meeting for Community Development, the Reference Group of Companies in Sustainability (GRES), coordinated by the Ethos Institute, and work groups from the project "Espírito Santo in Action."

- Social Investment

In 2010, new social investment guidelines were approved and incorporated into the Social and Institutional Investment Policy (PIIS), which steers Samarco's support of social development in the areas where it conducts business, emphasizing education, generation of income and entrepreneurship.

The new Policy's primary objective is to establish and enforce guidelines for Company's financial support process through its projects, sponsorships and institutional and social donations, with a goal towards greater transparency, clarity, consistency with Samarco's strategies and better document management.

Procedures for the Institutional and Social Investments Management System were also revised and improved, tightening controls and quality in social investment management.

Social investments are both indirect, through calls for project and sponsorship proposals that communities write and submit, and direct, when Samarco identifies social issues key to the communities' development and related to its corporate strategies, values and policies. The Company also takes direct social action in the form of programs and projects in partnership with other local development agents.

Samarco's total social investment in 2010 was R$4.1 million in the communities near its operations.

• ***Inclusive Local Development Program (PDLI)*** – one of the 2010 highlights was implementation of the inclusive local development model for communities and the results of the calls for project and sponsorship proposals. The Inclusive Local Development Program conducted numerous activities for training young people and adults to help them become pro-active in their development, through programs and actions planned jointly with representatives from community, local companies and public authority leaders. In 2010, 45 people from the Ubu and Parati communities were benefitted (Anchieta, ES), and 37 people from the Antônio Pereira community (Ouro Preto, MG). The goal for 2011 is to broaden this initiative in the communities where it is already in place and expand it to other towns.

Samarco also made direct social investments through other initiatives of its own, such as:

• ***Samarco is More Community Program*** – designed to promote appreciation, preservation of culture and local development through transforming intervention. In 2010, five initiatives were supported in Minas Gerais, benefitting 2,500 people, and 20 initiatives in Espírito Santo, which benefitted 10,870 people.

• ***Waken to Life Program*** – the objective is to educate and raise awareness among the communities' teens and youth (10 to 23 years old), as well as parents and guardians, about issues like citizenship, human rights, health and sexuality. In 2010, 90 people in three communities in Espírito Santo and 146 in four communities in Minas Gerais were benefitted by this program.

• ***Citizen of the Future Program*** – the objective is to promote extracurricular activities that have a positive impact on students' classroom performance and family and community relationships so as to reduce the area's social risk and improve its quality of life. In 2010, the project benefitted 130 students in Mãe-Bá, a community in Anchieta, ES; 92% of these students performed higher than average at school. An event presenting the results was also held and attended by around 250 people. The Project is a partnership between Samarco, the Public Prosecution Service of Espírito Santo, the City of Anchieta and the Mãe-Bá Neighborhood Association. Its activities center on three major themes: education, sports and culture.

• ***Environmental Education Program*** – the program is run jointly with the schools and communities and promotes environmental awareness and attitude. It takes the form of the following activities: Baú do ECOnhecimento, a traveling library with children's and youth literature, documentaries and digital format films, all with environmental themes. It also works with costumes and puppets for theater and cards with teaching suggestions; CINEscola, which invites parents to the school to see a film with an environmental theme; Feira ECOlógica, a fair that begins with a recycling workshop where students learn to make different things with re-used materials; and the Festival ECOmúsica, an event for teens that involves students in environmental conservation activities.

In 2010, 2,984 elementary and middle school students were benefitted along with 164 teachers in 12 public schools in Anchieta, Guarapari and Muniz Freire, in the state of Espírito Santo; in Minas Gerais, 3,914 students and 491 teachers in 11 schools in the towns of Mariana, Ouro Preto, Abre Campo and Matipó.

• ***Environmental Education Program - Margin*** – in the towns along pipeline service margins (an area 35 meters wide along the pipelines), this Program targets communities near Samarco's pipelines and offers courses in coffee growing to train producers.

In Espírito Santo, 263 rural producers were trained in the towns of Dores do Rio Preto, Guaçuí, Alegre, Jerônimo Monteiro and Muniz Freire; in Minas Gerais, 167 rural producers were trained in the towns of Matipó, Santo Antônio do Grama, Barra Longa, Ponte Nova and Abre Campo.

• ***Calls for projects, sponsorships and social donations*** – through calls for social project proposals, the Company supported 52 projects investing a total of R$1.17 million, 25 of these in Espírito Santo and 27 in Minas Gerais. Calls for social sponsorships and donations resulted in the application of R$848,000 for 28 initiatives in Minas Gerais and 30 in Espírito Santo for strengthening social capital, social management, education, income generation, entrepreneurship, health, sports, culture and the environment.

• ***Skills Training*** - training professionals is another of Samarco's concerns in light of the country's lack of specialized labor to fill technical jobs. Therefore, in 2010 it began a specific measure for technical training on the environment, work safety, mechanics and electrotechnics. To help with the cost, Samarco offers 70% of one month's minimum wage. In the year, 200 residents of communities near Samarco's operations were benefitted.

- Internal Engagement

• ***Voluntary work*** –in 2010, volunteer programs promoted by Samarco involved 1,717 people, including direct employees and those from contracted companies, as well as family members, friends and other partners, who helped counsel and train in schools or participated in other initiatives.

• ***Junior Achievement –*** Samarco supports the Junior Achievement organization (a non-governmental association found in many different countries that offers educational programs to inspire entrepreneurship and encourage personal development to prepare public school students for the workplace). The volunteers are hired by Samarco and its contractors, who dedicate a portion of their time to share their experiences and apply the programs with the students. In 2010, 115 volunteers participated, with 136 program applications in 12 partner schools benefitting 2,187 students in Anchieta and Guarapari, Espírito Santo, and Mariana and Ouro Preto, Minas Gerais.

• ***Tax Solidarity -*** Tax Solidarity allows Samarco's employees to give part of the income tax owed to the Municipal Boards for Children and Adolescent's Rights. In 2010, 258 employees participated in the Program, contributing R$148,632.02 to the Municipal Boards of Anchieta and Guarapari, Espírito Santo, and Mariana Ouro Preto, Minas Gerais.

• ***V Day -*** *Samarco's traditional "V Day" featured partnerships with 119 institutions and participation by 1,344 volunteers, including employees from Samarco and its contractors, families and partners, benefitting over 37,149 people in 63 institutions and 14 cities and towns.* Action was taken in Belo Horizonte, Ouro Preto, Mariana, Santa Bárbara, Ponte Nova, Barra Longa, Abre Campo, Espera Feliz and Matipó, in Minas Gerais, and Anchieta, Piúma, Guarapari, Serra and Muniz Freire, in Espírito Santo.

• ***I Internal Local Development Showcase*** - *Samarco held the First Local Development Showcase, in Minas Gerais and Espírito Santo.* The goal of the event was to present the results of social projects developed by Samarco in partnership with the communities around its industrial activities and pipelines and to show how the Company acts through Social Dialogue, Internal Engagement and Social Investment.

The event featured 11 speakers in Espírito Santo and eight in Minas Gerais, with around 1,500 visitors.

5. Public authorities

Samarco believes that interaction with the public authority is essential to advance solutions for maximizing economic, social and environmental opportunities and solutions, namely in the Company's areas of influence.

Increasingly, in the institutional relationships with the assigned authorities, Samarco and the different government players interact to study, debate and/or take joint action, which serves to improve society. These efforts also involve community, regional and corporate leaders who offer their contributions to development.

This method of working, encouraging involvement and connections between the government, civil society and corporations, has become Samarco's new model for managing relations.

MANAGEMENT OF HUMAN RESOURCES

Samarco constantly seeks to improve its tools, practices and policies for human resources with the aim of promoting a high-performance culture.

In 2010, Human Resources took important steps, including long-term projects, continuation of day to day procedures and new initiatives.

The culture transformation project, called Culture Cycles, was completed with the third (and final) Culture Evaluation Cycle, which engaged department heads, staff and technical operations personnel in workshops. The objective was to foster pragmatic, interactive and clear discussion about all of Samarco’s values, how they manifest in each person’s daily work and life and especially employees’ role in solidifying these values. Of the employees called, 96%, or 1,414 employees, participated. These encounters took place at the units in Germano, MG and Ubu (in Anchieta, ES) and allowed employees’ from different departments in the Company to exchange and integrate their view-points.

The quantitative results of the internal environment survey conducted in November of 2009 were released in 2010 to the leaders, who distributed them to their staffs and used the opportunity to address any necessary improvements. Some items, such as Environmental Management and Safety, received special attention in the survey.

The Quality of the Work Environment Rating determined by the survey was considerably high – 79% favorable – and close to the average for excellence considered in the results of the surveys for the 150 Best Companies to Work For, conducted by Exame and Você S/A magazines. This means that people perceive the Samarco workplace as very positive and see the corporate values practiced in the day to day routine.

The Survey’s most common strengths and opportunities for improvement were discussed with a representative sample of employees (150 people, from all levels of the hierarchy), divided into 17 focus groups, to foster qualitative understanding of the results and objective revision of organizational practices.

Also with regards to Environmental Management, the results from the Best Companies to Work For Survey conducted by Exame and Você S/A, with support from the University of São Paulo’s Management Institute Foundation (FIA – USP), conducted in 2010, gave Samarco an average rating of 83% for quality of the work environment, 89% for quality of personnel management and 83% for satisfaction at work. These results placed Samarco on the list of the “150 Best Companies to Work For” in 2010.

Ranking among Brazil’s 150 Best Companies to Work For strengthened the Organization’s positive image and reputation and its ability to attract distinguished professionals to its workforce.

The next biannual Internal Environment Survey is scheduled for 2011.

The Company's good internal environment and management and HR practices make its monthly turnover – the ratio of employees joining and leaving the Company each month – is low. In 2010, total turnover was 0.41%.

A major accomplishment in 2010 was launching of the Succession Program. The program's main objective is to ensure that Samarco and its future projects have leaders prepared to serve in director, general management or mid-level management positions, in addition to intangible gains obtained from leaders discussing and sharing their perspectives and personnel management practices.

Analysis of potential successors was made based on clear, transparent criteria drawing on information from practices already established in the Organization, like Responsibility for Results (Targets) and the Skill Based Personnel Management System. Committees comprised of two levels of leadership evaluate the employees identified.

This Program is annual, and in this first cycle 17 committees evaluated 81 employees.

The Succession Program will support plans for development of leaders and potential successors for leadership positions and will favor integration of many management practices.

With the goal of recognizing outstanding contributions and retaining professionals, with an emphasis on technical careers, the Business Value Program was carried out. In partnership with the Dom Cabral Foundation, 60 technical professionals were prepared for strategic roles, expanding the business vision in search of excellence in organizational procedures and guaranteeing a competitive edge, always founded on ethics, sustainability and commitment to citizenship.

In order to support human resources planning and ensure that the high-performance culture is fostered, in 2010 the Management of Critical Knowledge project was developed. Once the Executive Board defined the strategic intent, a methodology was elaborated and priority given to knowledge, through workshops with a group of general managers. Then interviews were conducted with focal points and managers and a social network analysis survey carried out. Based on the results, critical knowledge was identified and characterized and actions were outlined for developing, organizing, disseminating, sharing and protecting the knowledge. In 2011, knowledge management procedures will be implemented in conjunction with the interface departments.

Another important point in 2010 is that it was the first year that the Company did not have to go to the wage negotiation table. This is because in 2009 a two-year agreement was reached with the unions, which required no revision in 2010 given that all commitments were honored. This demonstrated a mature and trusting relationship between Samarco and the labor unions involved (there are four unions). In 2011 it is hoped that the parties will reach another two-year agreement.

Samarco's Profit Sharing Program (PLR), for example, distributed an average of 4.6 monthly salaries to employees in 2010. New competencies in the Performance Evaluation process were added and revised in an effort to reinforce skills and positions that the Company considers strategic and to attract and retain personnel.

This movement accentuates the Company's progress toward a high-performance culture. In 2010, 92% of the employees underwent a performance evaluation and 70% of those evaluated reached the level of "met expectations" or "exceeded expectations."

In terms of skills training, the priority in 2010 was to invest in trainings that focused on aligning skills with the Company's strategies, in reinforcing the leadership development program and in implementing the Business Value Program, specifically for technical professionals.

Important training measures were taken:

» In 2010, 2,200 employees participated in training and skill development, with 20,583 participations and 103,879.58 hours of training.

» Samarco formed a partnership with the Espírito Santo Secretary of Labor and Social Action to invest in qualification of local labor to meet the needs of expansion projects by the Company and others in the region. Four hundred people were selected by the National Industrial Training Service (SENAI). Samarco will subsidize this training to encourage ongoing studies by offering 70% of a month's minimum wage. The courses will be offered in the evening and at night, and of the 400 selected, at least 50% will have roles in the Company's expansion projects.

The total goal is to train and qualify 2,000 people, in Espírito Santo and in Minas Gerais, to work on the projects. For building the fourth pellet plant, the challenge is to use 35% local labor, which holds the Company's costs down and generates business and income for the communities.

» During the year, 182 employees received financial aid for studies, both undergraduate and graduate. Samarco paid 80% of the course tuition for these employees. For Master's and Doctorate studies, for which Samarco pays 100% of the tuition, 16 employees received aid.

» In Samarco's Industrial Apprenticeship Program, 101 young people (minors) were selected for the positions announced in 2010, requiring less training. The young people begin the course in 2011.

» In 2010, all the Company's leaders participated in ten Safety training modules as part of the Safety Leadership Development Program.

» The following are some of the highlights of the subjects and themes from trainings this year:

- Business Value Program
- Safety Leadership Development Program
- Lean Six Sigma Program
- Contract Management
- Other safety trainings
- Click to Learn and other e-learning courses
- III Culture Cycle
- Coach Leader
- Motivation and Effective Leadership
- Leadership with People

The total amount invested in employee training and development in 2010 was R$7.44 million.

In 2010, 172 employees were hired, and 52 internships were offered. Samarco ended the year with 2,061 company employees.

With regards to employees about to retire, in 2010 49 employees participated in the Preparing for Retirement Program. This Program is designed to provide professional and psychological support and preparation to employees in the pre-retirement phase.

For 2011, HR’s primary goal is to establish Corporate Education, which aims to transform business challenges into educational solutions, supporting the implementation of the strategy and directing personnel to carry it out. Through this initiative, management of the Company’s personnel development process will be shared. Employees and managers will be able to access all the information and follow the individual and staff development process. Corporate Education will be launched in the first half of 2011. This project seeks to change the logic governing the education and personnel development management process, representing a new stance toward Samarco professionals’ learning.

MANAGEMENT OF SAFETY, HEALTH AND QUALITY OF LIFE

At Samarco, respect for life is reflected in all the Company's activities and actions.

Samarco believes that respect for life is a value that should go hand in hand with operations and be intrinsic in any activity carried out within or outside the Company.

The concept of valuing life, which the Company understands to mean that life is more important than any project or operating or commercial strategy, is ingrained in all employees, from the CEO to the machine operator.

As the treatment of safety issues matured and low accident rates attested to its success, in 2009 Samarco introduced a new proactive management indicator – the Risk Factor, with the following objectives:

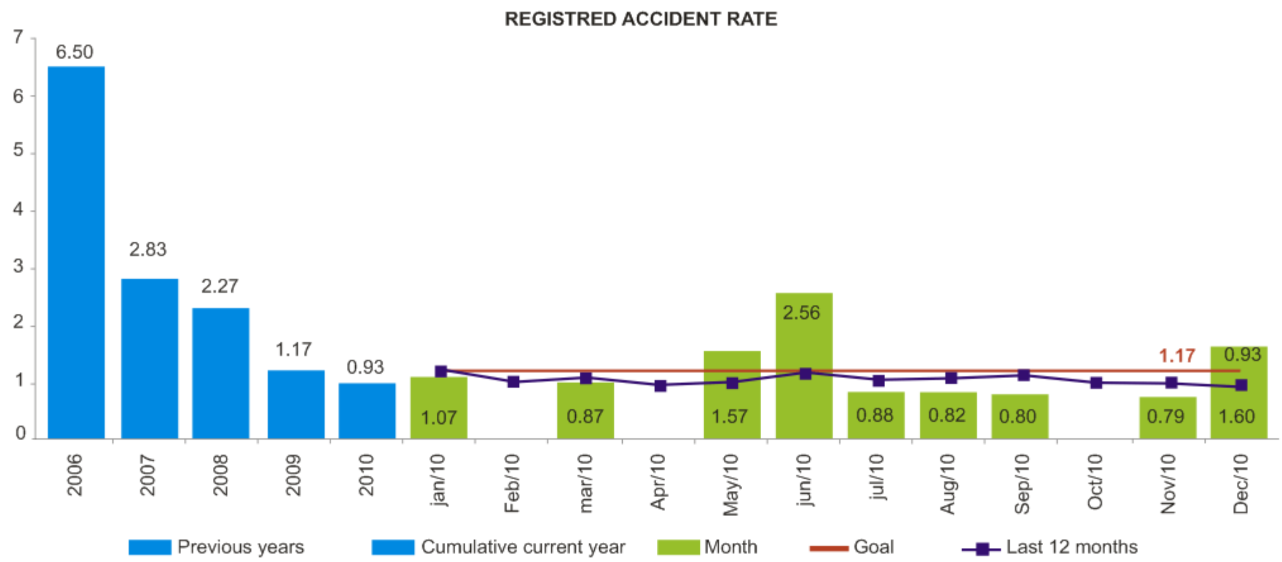
» Measure Safety performance preventively.
» Demonstrate how each department of Samarco will become safer each year.

This indicator is being applied to all operational activities, emphasizing reduction of risks classified as higher than "moderate." Given that low frequency rates do not guarantee that fatality risks are controlled, the Critical Risk Management Project was introduced, which mapped out 18 risks for targeting control improvements. The material was distributed to all departments, and in 2011 work plans are being developed with specific measures. The concept is also being extended to contracted companies.

In 2010, continuation was given to setting up Fatal Risk Control Standards, which was started in 2009, with an emphasis on improving equipment and systems with a focus on safety. The Company ended the year 2010 with 69.1% of the risks included. The goal for 2011 is to reach 100%.

Safety training workshops were also offered to all employees. Specifically for leaders, the Safety Leaders Development Program was established. Participation in 2010 reached 96.8% and ideas like Safety Culture and Environment were explored.

With all these measures, in 2010 Samarco had the best accident rate in its history (0.93 accidents registered per million man-hours worked).



Regarding employee health measures, in 2010 Samarco underwent restructuring that targeted three main fronts:

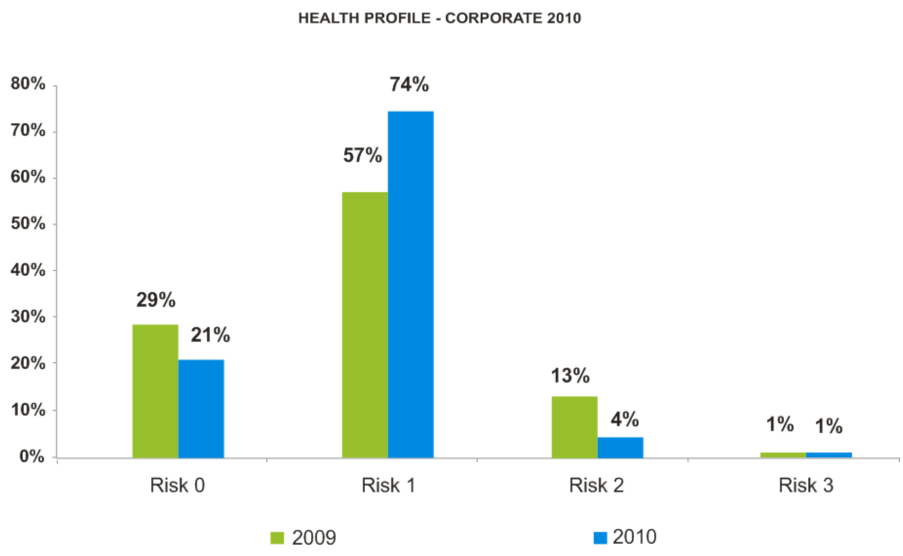
- Short-term actions: fulfill legal and regulatory requirements, evaluate social and psychological issues and predict or diagnose occupational illnesses more easily. To this end, new procedures for admission and periodical examinations were introduced.

- Medium-term actions: in order to have a healthy team of employees.

- Long-term actions: to bring contracted companies in alignment with the Company's policies.

Concerning day to day actions, the Computerized Attention Test (EAC) is being refined as part of the Fatigue Management Program. This test's objective is to determine whether operational employees are focusing on the work or on something else, which can lead to distractions and a greater tendency to have accidents.

The "Health Profile" of each employee is updated yearly, based on the results of period examinations.



Quality of life measures are being reformulated. The idea is to provide a more thorough assessment of how the Quality of Life Program can contribute to employees' health. It includes activities like trekking, workplace exercise classes, specific events on women's health and for employees approaching retirement, the Preparing for Retirement Program.

The Professional Retraining Program is also under review, which involves everything from follow-up on employees who are on leave to establishing a return to work program that identifies departments and activities that would not expose the employee to threats to health or physical well-being. The goal is to more closely and efficiently monitor employees returning to work after being on leave.

ENVIRONMENTAL MANAGEMENT

Attention to the environment is inherent in Samarco's business activities and operations.

Regarding its mission statement, Samarco considers environmental management essential to ensure the Company's sustainability and continued activities. Preserving the environment with responsible management is weighed in all its business strategies. The Company is convinced that only by rational, conscientious use of natural resources and care of the environment in all its operations is it possible to move toward sustainable development. In this way, Samarco's environmental management is intimately linked to sustainability.

In 2010, Samarco invested in environmental protection projects and actions the total amount of R$83,931,727.85. The previous year's investment totaled R$16,188,112.00. This jump in relation to 2009 is due to the fact that in 2010 huge projects were carried out, such as the tailings dam in Germano, MG and the electrostatic precipitators in Ubu (in Anchieta, ES).

Investment in environmental programs and projects

Year	ES	MG
2007	1,101,000.87	3,295,304.50
2008	1,609,016.00	14,827,310.00
2009	7,568,496.00	8,619,616.00
2010	48,569,436.00	35,362,291.85

Total investment in environmental programs and projects (in R$ million)

Year	R$ MM
2007	10.2
2008	16.43
2009	16.18
2010	83.93

Percentage of gross earnings invested in environmental programs and projects

Year	%
2007	0.41
2008	0.40
2009	0.57
2010	1.33

At Samarco, appropriate environmental management begins with planning risk and environmental impact management. In terms of the environment, risk assessment has two phases: definition, analysis, classification, evaluation and recommendations for action to eliminate or minimize them.

Among the actions effectively taken, some of the big news in 2010 was completion of the change from fuel oil to natural gas in Samarco's pellet plants in Espírito Santo. This is a matter of global environmental concern with very positive repercussions. The three plants will no longer emit 158,000 tons of CO_2eq annually, which is about 10% less CO_2eq the company is releasing into the atmosphere.

This brought other advantages as well:

Product (pellet) quality improved, because without the use of fuel oil the product contains less sulfur. Even clients have noticed this improvement.

Samarco structured a Clean Development Mechanism (MDL), and in December 2010 it registered the project with the United Nations (UN), which paved the way for negotiating carbon credits. The Company will reinvest the amount collected from these transactions (projected US$2.5 million per year) in other measures, projects and studies on sustainable development.

In terms of environmental licenses, the Company has obtained or renewed all its consents to use water resources and operating permits both in Minas Gerais and in Espírito Santo. An environmental license is an instrument that attests to an undertaking's environmental feasibility and defines the conditions required for its installation or operation.

In 2010, for the Fourth Pellet Mill, the Company obtained the Preliminary Licenses for the Fourth Pellet Plant, in Ubu, ES, and the Third Concentrator Installation License, in Germano, MG, and the license for the Third Pipeline, which will connect the two units.

It is important to emphasize that, in 2009, even during the financial-economic crisis, Samarco signed a R$150 million Commitment to the Environment Agreement (TCA) with the government of Espírito Santo and the Public Prosecutor. This money is being invested in seven commitments made in the Agreement, which are being fulfilled. They involve improvements to the port and industrial complex to reduce dust emissions and improve environmental monitoring systems, thus benefitting the neighboring communities. The projects should be completed in 2011.

One of the items included is the installation of new electrostatic precipitators in the furnace discharges of Pellet Plants I and II, in Espírito Santo. This equipment will be added to existing equipment used to control emissions of particulate material from the pellet production process.

Also concerning licensing, Samarco has sought to fulfill the conditions established by the environmental licenses, generally with regards to decreasing negative impacts, maximizing positive impacts and, when effects cannot be mitigated, compensating for them. Samarco ended the year 2010 with 211 conditions fulfilled or being fulfilled.

With regards to utilization of resources, it is important to note:

- Water: in 2010, a water use diagnostic and prognostic were elaborated evaluating the entire production process. The study suggested short, medium and long-term measures for water resource management and infrastructure. In 2011, implementation of the measures indicated in the prognostic will begin.

At the end of 2010, Samarco signed another Commitment to the Environment Agreement (TCA) in Espírito Santo exclusively for the issue of water. The objective is to strengthen water resource management, especially with regards to treating effluents and to water reuse, in an effort to improve use of this important resource.

- Energy: Alternative energy sources are being analyzed. In this context, the aforementioned substitution of fuel oil with natural gas is important. Meanwhile, the hydroelectric plants have been serving their purpose: They must generate around 20% of the energy the Company consumes. This amount comes from the two self-production hydroelectric plants - Muniz Freire and Guilman-Amorim. The rest of the power the Company uses is purchased through long-term contracts with renewable source generators, backed by hydroelectric projects. Therefore, 100% of the electrical power that Samarco consumes is from renewable sources.

- Waste: The process for collecting recyclables and treating wastes was not changed. As a reinforcement measure, in December of 2010 aluminum and acrylic mugs were distributed to all Samarco and contractor employees, as part of the Internal Environmental Education Program's campaign for conscientious consumption. The goal is to reduce plastic cup consumption, thereby minimizing one source of waste generation.

In 2010, around 60% of all waste produced was reused or recycled.

- Atmospheric Emissions: in 2010, Samarco compiled its 4th Greenhouse Gases Inventory. The inventory was audited by an external company and published in the Brazilian GHG Program – Protocol.

- Biodiversity: This issue is constantly being evaluated in the Company's environmental management. Ongoing monitoring of wild animals is in place. Samarco maintains areas of native vegetation, including official reserves, and it has given resources to conservation units through environmental compensation from licensing processes.

Among Samarco's actions relative to biodiversity, mention should be made of the Fish Restocking Program in the Mãe-Bá Lagoon in Espírito Santo, with the introduction and monitoring of native fish species. In 2010, 200,000 fish were introduced into the lagoon.

ACKNOWLEDGMENTS

In 2010, Samarco received important awards and recognition from society and the market, such as:

Samarco was listed as one of the 150 Best Companies to Work For in the survey conducted by Exame and Você S/A magazines, in partnership with the University of São Paulo's Management Institute Foundation (FIA – USP).

BHP Billiton's HSEC (Healthy, Safety, Environment and Community) Award. Samarco won the "Merit Award" with its "Open Dialogue with Communities" project. The Company was one of the eight finalists in the "Communities" category among the 191 entries from companies in Brazil and worldwide.

- Less Waste Award. Organized by the Minas Gerais State Environmental Agency (FEAM). Samarco was recognized for using "body grinders," which are placed in the mills to grind ores.

José Tadeu de Moraes, Samarco's CEO, was recognized in the 10th year of the Espírito Santo Corporate Leader Award in the category "Leader in Sustainability."

Most importantly, however, Samarco believes it receives society's greatest recognition when it is granted licenses or renewals for its functioning or facilities. All of Samarco's licensing processes are up to date and have undergone social debate (public authorities, trade association representatives, residents, community leaders, inhabitants of other regions with interest in specific issues, the academic community, students, etc.) and were approved by environmental agencies. This attests to Samarco's effort to work with integrity and commitment to generate benefits for all parties.

KPMG

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Independent auditors' report on the financial statements
(A translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

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

1. We have audited the individual and consolidated financial statements of Samarco Mineração S.A. ("the Company"), identified as Parent company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting practices and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil as well as for the internal controls that it deemed necessary to enable the preparation of these financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with the Brazilian and international auditing standards. Those standards require the fulfillment of ethical requirements by the auditors and that the audit be planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free from material misstatement.

4. An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditors' judgment, including an assessment of the risks of material misstatement in the financial statements, regardless of whether due to fraud or error. In those risk assessments, the auditor considers relevant internal control for the preparation and fair presentation of the financial statements of the Company, to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as whole.

KPMG

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

Opinion

6. In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Samarco Mineração S.A. and the consolidated financial position of the Company as of December 31, 2010, the performance of its operations and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Other subjects
Statements of added value

6. We also audited, the individual and consolidated statements of value added (DVA) for the year ended December 31, 2010, as supplementary information to the accounting practices adopted in Brazil that do not require the presentation of DVA for privately held companies. These statements were submitted to the same auditing procedures previously described and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Belo Horizonte, February 25, 2011

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

Original report in Portuguese signed by
Ulysses M. Duarte Magalhães
Accountant CRC 1RJ092095/O-8-S-MG

FINANCIAL STATEMENTS

DECEMBER 31, 2010

(A translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

DEVELOPMENT WITH ENGAGEMENT

SAMARCO

Balance sheets

As of December 31, 2010 and 2009 and January 01, 2009 | (in thousands of Reais – R$)

Assets	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Current assets							
Cash and cash equivalents	3	222,089	231,610	357,231	232,820	243,596	376,267
Restricted interest-earning bank deposits	4	-	-	-	207,912	70,904	42,974
Trade receivables	5	952,854	457,582	739,523	726,535	362,476	604,090
Inventories	6	243,385	153,367	299,145	251,684	170,183	349,185
Recoverable taxes	7	87,039	125,109	156,325	87,063	125,134	156,408
Prepaid expenses		470	506	880	579	673	991
Other assets	8	7,643	6,122	7,530	7,550	6,012	7,130
Total current assets		**1,513,480**	**974,296**	**1,560,634**	**1,514,143**	**978,978**	**1,537,045**
Non-current assets							
Judicial deposits	14	72,759	134	950	72,759	134	950
Recoverable taxes	7	4,961	149,315	222,902	4,961	149,315	222,902
Deferred income tax	19	350,982	174,023	132,538	352,598	174,037	141,904
Other assets	8	21,342	19,890	18,052	21,385	19,890	18,074
		450,044	**343,362**	**374,442**	**451,703**	**343,376**	**383,830**
Investments	9	18,872	19,439	33,308	-	-	-
Property, plant and equipment	10	3,554,910	3,610,269	4,919,966	3,554,965	3,610,291	4,919,996
Intangible assets	11	21,488	25,124	37,436	21,491	25,128	37,438
Total non-current assets		**4,045,314**	**3,998,194**	**5,365,152**	**4,028,159**	**3,978,795**	**5,341,264**
Total assets		**5,558,794**	**4,972,490**	**6,925,786**	**5,542,302**	**4,957,773**	**6,878,309**

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

Balance sheets

As of December 31, 2010 and 2009 and January 01, 2009 | (in thousands of Reais – R$)

Liabilities	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Current liabilities							
Trade payables		235,586	91,627	104,342	235,729	91,795	104,521
Advances on export contracts	12	1,099,164	537,425	1,763,831	1,099,164	537,425	1,763,831
Loans and financing	13	419,924	348,080	-	419,924	348,080	-
Financial charges payable	13	10,620	21,145	66,070	10,620	21,145	66,070
Payroll, provisions and social charges		55,374	47,808	42,317	56,197	48,527	43,321
Taxes payable		11,701	7,051	11,026	11,747	7,094	11,072
Provision for income tax		81,878	29,717	15,220	81,945	31,589	16,930
Other liabilities	15	73,398	122,753	150,850	55,827	105,234	99,064
Total current liabilities		**1,987,645**	**1,205,606**	**2,153,656**	**1,971,153**	**1,190,889**	**2,104,809**
Non-current liabilities							
Loans and financing	13	1,838,396	1,653,380	1,868,960	1,838,396	1,653,380	1,868,960
Financial charges payable	13	510	-	-	510	-	-
Provision for legal obligations	14	274,787	206,603	213,177	274,787	206,603	213,177
Deferred income tax	19	-	10,989	326,124	-	10,989	327,494
Other liabilities	15	80,533	66,554	41,346	80,533	66,554	41,346
Total non-current liabilities		**2,194,226**	**1,937,526**	**2,449,607**	**2,194,226**	**1,937,526**	**2,450,977**
Shareholders' equity							
Share capital	16	297,025	297,025	297,025	297,025	297,025	297,025
Capital reserves	16	2,476	2,476	2,476	2,476	2,476	2,476
Profit reserves	16	294,549	302,467	302,467	294,549	302,467	302,467
Cumulative translation adjustments	16	183,012	(400,626)	711,220	183,012	(400,626)	711,220
Additional dividends proposed	16	599,861	1,635,663	852,274	599,861	1,635,663	852,274
Retained earnings (accumulated losses)		-	(7,647)	157,061	-	(7,647)	157,061
Total shareholders' equity		**1,376,923**	**1,829,358**	**2,322,523**	**1,376,923**	**1,829,358**	**2,322,523**
Total liabilities and shareholders' equity		**5,558,794**	**4,972,490**	**6,925,786**	**5,542,302**	**4,957,773**	**6,878,309**

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

Statements of income

December 31, 2010 and 2009 (In thousands of Reais, except for net income per share)

	Note	Parent company		Consolidated	
		2010	2009	2010	2009
Revenue	17	6,234,332	2,818,806	6,239,799	2,812,701
Cost of goods sold		(2,194,494)	(1,363,561)	(2,202,050)	(1,362,155)
Gross profit		**4,039,838**	**1,455,245**	**4,037,749**	**1,450,546**
Operating expenses					
Sales		(96,030)	(91,236)	(94,217)	(88,583)
General and administrative		(35,291)	(34,826)	(35,291)	(34,826)
Other net operating expenses	18	(414,225)	(324,959)	(415,109)	(325,584)
Equity pick-up results	9	(567)	(13,869)	-	-
Operating income before financial results		**3,493,725**	**990,355**	**3,493,132**	**1,001,553**
Financial results					
Financial income	25	6,013	7,038	6,073	5,896
Financial expenses		(73,735)	(90,330)	(73,823)	(90,346)
Net foreign exchange variance	25	(650,907)	624,808	(650,648)	624,741
Operating income		**2,775,096**	**1,531,871**	**2,774,734**	**1,541,844**
Income tax	19	(527,711)	(220,014)	(527,349)	(229,987)
Net income for the year		**2,247,385**	**1,311,857**	**2,247,385**	**1,311,857**
Net income for the year per common share at year-end – R$		428.62	250.20	428.62	250.20
Net income for the year per preferred share at year-end – R$		471.48	275.22	471.48	275.22
Number of shares at year-end		5,243,306	5,243,306	5,243,306	5,243,306

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

Statements of changes in shareholders' equity

As of December 31, 2010 and 2009 (In thousands of Reais – R$)

	Note	Share capital	Capital reserves			Profit reserves			Cumulative translation adjustment	Retained earnings (accumulated losses)	Additional dividends proposed	Total
			Special monetary restatement of PP&E	Goodwill on share subscription	Tax incentive reserves	Incentived Depletion Reserve	Legal Reserve	Profit Retention Reserve				
Balance as of January 1, 2009		**297,025**	**785**	**1,681**	**10**	**1,517**	**59,404**	**241,546**	**711,220**	**157,061**	**852,274**	**2,322,523**
Net income for the year		-	-	-	-	-	-	-	-	1,311,857	-	1,311,857
Other comprehensive income												
Translation adjustment for the period, net of tax		-	-	-	-	-	-	-	(1,111,846)	-	-	(1,111,846)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,111,846)**	**-**	**-**	**(1,111,846)**
Net income allocation:												
Dividends (R$132.20 per common share and R$145.42 per preferred share)	16.b	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(693,176)	(693,176)
Transfer to additional dividends proposed	16.b	-	-	-	-	-	-	-	-	(1,476,565)	1,476,565	-
Balance as of December 31, 2009		**297,025**	**785**	**1,681**	**10**	**1,517**	**59,404**	**241,546**	**(400,626)**	**(7,647)**	**1,635,663**	**1,829,358**
Net income for the year		-	-	-	-	-	-	-	-	2,247,385	-	2,247,385
Other comprehensive income												
Translation adjustment for the period, net of tax		-	-	-	-	-	-	(7,918)	583,638	-	-	575,720
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**(7,918)**	**583,638**	**-**	**-**	**575,720**
Net income allocation:												
Dividends (R$624.71 per common share and R$687.18 per preferred share)	16.b	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(1,639,877)	(1,635,663)	(3,275,540)
Transfer to additional dividends proposed	16.b	-	-	-	-	-	-	-	-	(599,861)	599,861	-
Balance as of December 31, 2010		**297,025**	**785**	**1,681**	**10**	**1,517**	**59,404**	**233,628**	**183,012**	**-**	**599,861**	**1,376,923**

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

Statements of cash flows

As of December 31, 2010 and 2009 (In thousands of Reais – R$)

	Note	Parent company		Consolidated	
		2010	2009	2010	2009
Cash flows from operating activities					
Net income before income tax		2,775,096	1,531,871	2,774,734	1,541,844
Adjustments to reconcile net income to cash provided by operations:					
Depreciation and amortization	10 and 11	178,258	178,786	178,264	178,694
Allowance (reversal of allowance) for doubtful accounts	5	(1,831)	200	(1,822)	200
Allowance (reversal of allowance) for price review	5	(27,049)	27,049	(27,049)	27,049
Provision for obsolete inventory	6	1,158	253	1,158	253
Provision for realization of recoverable taxes	7	192,801	67,280	192,801	67,280
Reversal of the provision for realization of other assets		(388)	(1,274)	(388)	(1,274)
Recognition of provision for current obligations	14	79,849	27,890	79,849	27,890
Reversal (recognition) of the provision for other liabilities		34,042	(42,166)	34,042	(42,166)
Loss on sale of property, plant and equipment and intangible assets	10 and 11	2,485	2,910	2,485	2,910
Equity pick-up results	9	567	13,868	-	-
Financial charges		54,396	65,312	54,396	65,312
Foreign exchange variance – asset and liability		592,163	(751,448)	584,477	(706,837)
		3,881,547	**1,120,531**	**3,872,947**	**1,161,155**
(Increase) decrease in operating assets:					
Restricted interest-earning bank deposits		-	-	(137,008)	(27,931)
Trade receivables		(465,881)	254,819	(334,677)	214,492
Inventories		(111,341)	98,319	(95,177)	131,737
Recoverable taxes		(5,222)	(37,007)	(5,898)	(30,945)
Judicial deposits		(72,625)	816	(72,625)	816
Prepaid expenses		100	374	158	318
Other assets		(3,055)	24,779	(3,115)	24,511
Increase (decrease) in operating liabilities:					
Trade payables		140,719	(13,479)	140,694	(13,490)
Taxes payable		20,928	(29,944)	20,931	(29,947)

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

Statements of cash flows

As of December 31, 2010 and 2009 | (In thousands of Reais – R$)

	Note	Parent company		Consolidated	
		2010	2009	2010	2009
Increase (decrease) in operating liabilities:					
Payroll, provisions and social charges		6,368	5,492	6,472	5,206
Income tax paid		(636,077)	(321,979)	(638,445)	(330,117)
Other liabilities		(73,606)	(6,207)	(73,657)	(6,517)
Other translation adjustments		-	(4,686)	-	(14,510)
Net cash provided by operating activities		**2,681,855**	**1,091,828**	**2,680,600**	**1,084,778**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets	09, 10 and 11	(278,282)	(114,842)	(278,282)	(114,842)
Proceeds from sale of property, plant and equipment and intangible assets		500	553	500	553
Net cash used in investing activities		**(277,782)**	**(114,289)**	**(277,782)**	**(114,289)**
Cash flows from financing activities					
Financing obtained from third parties		2,241,643	1,453,826	2,241,643	1,453,826
Financing repayment		(1,314,506)	(1,752,998)	(1,314,506)	(1,752,998)
Interest payment		(64,409)	(110,240)	(64,409)	(110,240)
Payment of dividends	16	(3,275,540)	(693,176)	(3,275,540)	(693,176)
Net cash used in financing activities		**(2,412,812)**	**(1,102,588)**	**(2,412,812)**	**(1,102,588)**
Effect of foreign exchange variation on cash and cash equivalents		(782)	(572)	(782)	(572)
Net decrease in cash and cash equivalents		**(9,521)**	**(125,621)**	**(10,776)**	**(132,671)**
Cash and cash equivalents at beginning of year		231,610	357,231	243,596	376,267
Cash and cash equivalents at end of year		222,089	231,610	232,820	243,596
	3	**(9,521)**	**(125,621)**	**(10,776)**	**(132,671)**

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

Statements of added value

As of December 31, 2010 and 2009 | (In thousands of Reais – R$)

	Note	Parent company		Consolidated	
		2010	2009	2010	2009
Revenue					
Sales of goods, products and services		6,318,880	2,843,337	6,324,347	2,837,232
Other revenue		3,296	2,879	3,296	2,879
Revenue relating to construction of company assets		318,948	183,212	319,010	183,214
Allowance for doubtful accounts		1,831	(200)	1,822	(200)
		6,642,955	**3,029,228**	**6,648,475**	**3,023,125**
Consumables acquired from third parties					
Cost of goods sold and services rendered		(2,375,884)	(1,419,286)	(2,381,132)	(1,415,384)
Material, energy, third party services and other		(363,506)	(334,047)	(361,704)	(331,409)
Loss/recovery of asset values		(695)	2,154	(695)	2,154
		(2,740,085)	**(1,751,179)**	**(2,743,531)**	**(1,744,639)**
Gross added value		**3,902,870**	**1,278,049**	**3,904,944**	**1,278,486**
Depreciation and amortization	10 and 11	(178,258)	(178,786)	(178,264)	(178,693)
Net added value produced by the Company		**3,724,612**	**1,099,263**	**3,726,680**	**1,099,793**
Transferred added value					
Equity pick-up results	9	(567)	(13,869)	-	-
Financial income		169,963	281,248	169,930	280,123
		169,396	**267,379**	**169,930**	**280,123**
Added value to be distributed		**3,894,008**	**1,366,642**	**3,896,610**	**1,379,916**
Distribution of added value		**3,894,008**	**1,366,642**	**3,896,610**	**1,379,916**
Personnel					
Direct remuneration		178,666	146,273	181,233	148,755
Benefits		43,252	34,308	43,928	35,041
Retirement fund (FGTS)		10,062	8,866	10,062	8,866
Taxes and contributions					
Federal		414,845	161,973	414,561	172,022
State	27	97,177	(46,425)	97,084	(46,516)
Municipal		13,355	10,059	13,355	10,059
Remuneration of capital from third parties					
Interest on loans, financing and other debt items		889,266	(260,269)	889,002	(260,168)
Remuneration of own capital					
Interim dividends / proposed dividends	16	1,639,877	1,476,565	1,639,877	1,476,565
Other	27	607,508	(164,708)	607,508	(164,708)

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

Samarco Mineração S.A.

Notes to the financial statements

(In thousands of Reais – R$, unless stated otherwise)

1. OPERATIONS

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

The geological iron ore resources that can be mined by the processing technology currently employed, which used to be a mining concession of Vale S/A, 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 2010 was 23.396 million dry metric tons[1] (2009 – 18.340 million dry metric tons[1]).

Equity interests were held in the following companies with the following core activities:

» Samarco Iron Ore Europe B.V. (direct interest of 100%) - headquartered in the Netherlands, this company was incorporated on October 13, 2000 with the core activity of providing services consisting of marketing and selling the iron ore produced by Samarco Mineração. It also provides support to clients through technical seminars and market studies.

» Samarco Asia Ltd. (indirect interest of 100%) - headquartered in Hong Kong, this company was acquired on July 10, 2001 by Samarco Iron Ore Europe B.V. to provide marketing and selling services through commercial representation in the Asia-Pacific region.

» Samarco Finance Ltd. (direct interest of 100%) - headquartered in the Cayman Islands, this company was incorporated on February 21, 2000 with the core activity of optimizing the capital company's foreign-trade business, in order to facilitate exports (resale) of iron ore acquired from the Company to designated clients and to borrow funds on the international market and subsequently pass them through to the Company.

[1] Information not examined by the independent auditors.

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Presentation of the financial statements

The consolidated and separate financial statements have been prepared in accordance with generally accounting practices adopted in Brazil, which consist of the provisions contained in Brazilian Corporation Law [Law 6404/76, as amended by Laws 11638/07 and 11941/09 (corporate legislation)], in the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (CPC), ratified by the appropriate regulatory agencies.

The consolidated and separate financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit and loss which are measured at fair value.

To facilitate a comparative analysis of the financial statements, the adjustments have been reflected in the financial statements of the previous period presented, which have been restated and re-presented in conformity with CPC 26 - Presentation of Financial Statements and CPC 23 – Accounting Policies, Changing Estimates and Rectifying Errors.

(a) Functional currency

After analyzing Samarco's operations and businesses with respect to the applicability of Technical Pronouncement CPC 02, chiefly regarding the factors used to determine 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 stipulated in CPC 02:

Primary indicators:

- The currency that most influences the prices of goods and services.
- The currency of the country whose competitive strength and regulations most influence the prices of goods and services.
- Currency that most influences manpower, material and other costs for supply of products or services.

Secondary indicators:

- Currency in which funding is substantially obtained.

- Currency in which operations are normally paid.

(b) Presentation currency

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, accounting 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.

(c) Use of estimates and judgments

The preparation of the consolidated and separate financial statements in accordance with accounting practices adopted in Brazil requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment; provision for impairment of assets; allowance for doubtful accounts; the provision for the reduction in sale price, the provision for loss of materials, deferred taxes, provision for contingencies; the measurement of financial instruments, and assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions at least once a year.

See below the consolidated and separate balance sheets and statements of income in our functional currency and translated to the reporting currency, stated in thousands:

Balance sheets - Parent Company | As of December 31, 2010 and 2009 and January 01, 2009
(In thousands of Reais – R$ and in US Dollars - US$)

	2010		2009		January 01, 2009	
	US$	**R$**	**US$**	**R$**	**US$**	**R$**
Current Assets						
Cash and cash equivalents	133,355	222,089	133,079	231,610	152,911	357,231
Trade receivables	572,147	952,854	262,918	457,582	316,550	739,523
Inventories	146,143	243,385	88,122	153,367	128,048	299,145
Recoverable taxes	52,263	87,039	71,885	125,109	66,914	156,325
Prepaid expenses	282	470	291	506	377	880
Other assets	4,589	7,643	3,518	6,122	3,223	7,530
Total current assets	**908,779**	**1,513,480**	**559,813**	**974,296**	**668,023**	**1,560,634**
Non-current assets						
Judicial deposits	43,689	72,759	77	134	407	950
Recoverable taxes	2,979	4,961	85,793	149,315	95,412	222,902
Deferred income tax	198,554	350,982	143,151	174,023	56,732	132,538
Other assets	12,815	21,342	11,428	19,890	7,727	18,052
	258,037	**450,044**	**240,449**	**343,362**	**160,278**	**374,442**
Investments	11,332	18,872	11,169	19,439	14,257	33,308
Property, plant and equipment	2,134,568	3,554,910	2,074,390	3,610,269	2,105,970	4,919,966
Intangible assets	12,903	21,488	14,436	25,124	16,024	37,436
Total non-current assets	**2,416,840**	**4,045,314**	**2,340,444**	**3,998,194**	**2,296,529**	**5,365,152**
Total assets	**3,325,619**	**5,558,794**	**2,900,257**	**4,972,490**	**2,964,552**	**6,925,786**

Balance sheets - Parent Company | As of December 31, 2010 and 2009 and January 01, 2009

(In thousands of Reais – R$ and in US Dollars - US$)

	2010		2009		January 01, 2009	
	US$	R$	US$	R$	US$	R$
Current liabilities						
Trade payables	141,459	235,586	52,647	91,627	44,663	104,342
Advances on export contracts	660,000	1,099,164	308,794	537,425	755,000	1,763,831
Loans and financing	252,146	419,924	200,000	348,080	-	-
Financial charges payable	6,377	10,620	12,150	21,145	28,281	66,070
Payroll, provisions and social charges	33,250	55,374	27,470	47,808	18,114	42,317
Taxes payable	7,026	11,701	4,051	7,051	4,720	11,026
Provision for income tax	49,164	81,878	17,075	29,717	6,515	15,220
Other liabilities	44,072	73,398	70,532	122,753	65,104	150,849
Total current liabilities	**1,193,494**	**1,987,645**	**692,719**	**1,205,606**	**922,397**	**2,153,656**
Non-current liabilities						
Loans and financing	1,103,877	1,838,396	950,000	1,653,380	800,000	1,868,960
Financial charges payable	306	510	-	-	-	-
Provision for legal obligations	164,998	274,787	118,710	206,603	91,249	213,177
Deferred income tax	-	-	-	10,989	-	326,124
Other liabilities	48,357	80,533	38,241	66,554	17,699	41,346
Total non-current liabilities	**1,317,538**	**2,194,226**	**1,106,951**	**1,937,526**	**908,948**	**2,449,607**
Shareholders' equity						
Share capital	409,774	297,025	409,774	297,025	409,774	297,025
Capital reserves	1,619	2,476	1,619	2,476	1,619	2,476
Profit reserves	97,025	294,549	137,222	302,467	97,025	302,467
Cumulative translation adjustments	-	183,012	(19,186)	(400,626)	(19,186)	711,220
Additional dividends proposed	306,169	599,861	575,552	1,635,663	648,369	852,274
Retained earnings (accumulated losses)	**-**	**-**	(4,394)	(7,647)	(4,394)	157,061
Total shareholders' equity	**814,587**	**1,376,923**	**1,100,587**	**1,829,358**	**1,133,207**	**2,322,523**
Total liabilities and shareholders' equity	**3,325,619**	**5,558,794**	**2,900,257**	**4,972,490**	**2,964,552**	**6,925,786**

Statements of Income - Parent Company | December 31, 2010 and 2009

(In thousands of Reais – R$ and in US Dollars - US$)

	2010		2009	
	US$	**R$**	**US$**	**R$**
Revenue	3,566,058	6,234,332	1,425,615	2,818,806
Cost of good sold	(1,256,996)	(2,194,494)	(705,916)	(1,363,561)
Gross profit	**2,309,062**	**4,039,838**	**719,699**	**1,455,245**
Operating expenses				
Sales	(54,018)	(96,030)	(48,623)	(91,236)
General and administrative	(20,034)	(35,291)	(17,758)	(34,826)
Other net operating expenses	(257,085)	(414,225)	(236,026)	(324,959)
Equity pick-up results	163	(567)	(3,088)	(13,869)
Operating income before financial results	**1,978,088**	**3,493,725**	**414,204**	**990,355**
Financial results				
Financial income	3,509	6,013	3,214	7,038
Financial expenses	(42,401)	(73,735)	(50,437)	(90,330)
Net foreign exchange variance	(365,931)	(650,907)	269,034	624,808
Operating income	**1,573,265**	**2,775,096**	**636,015**	**1,531,871**
Income tax	(298,434)	(527,711)	(111,680)	(220,014)
Net income for the year	**1,274,831**	**2,247,385**	**524,335**	**1,311,857**

Balance sheets - Consolidated | As of December 31, 2010 and 2009 and January 01, 2009 (In thousands of Reais – R$ and in US Dollars - US$)

	2010		2009		January 01, 2009	
	US$	R$	US$	R$	US$	R$
Current assets						
Cash and cash equivalents	139,798	232,820	139,966	243,596	161,059	376,267
Restricted interest-earning bank deposits	124,842	207,912	40,740	70,904	18,395	42,974
Trade receivables	436,253	726,535	208,272	362,476	258,578	604,090
Inventories	151,125	251,684	97,784	170,183	149,467	349,185
Recoverable taxes	52,278	87,063	71,900	125,134	66,950	156,408
Prepaid expenses	348	579	387	673	424	991
Other assets	4,533	7,550	3,454	6,012	3,052	7,130
Total current assets	**909,177**	**1,514,143**	**562,503**	**978,978**	**657,925**	**1,537,045**
Non-current assets						
Judicial deposits	43,689	72,759	77	134	407	950
Recoverable taxes	2,979	4,961	85,793	149,315	95,412	222,902
Deferred income tax	199,523	352,598	143,158	174,037	60,742	141,904
Other assets	12,841	21,385	11,428	19,890	7,736	18,074
	259,032	**451,703**	**240,456**	**343,376**	**164,297**	**383,830**
Investments	2,134,601	3,554,965	2,074,403	3,610,291	2,105,982	4,919,996
Property, plant and equipment	12,904	21,491	14,438	25,128	16,025	37,438
Intangible assets	**2,406,537**	**4,028,159**	**2,329,297**	**3,978,795**	**2,286,304**	**5,341,264**
Total non-current assets	**3,315,714**	**5,542,302**	**2,891,800**	**4,957,773**	**2,944,229**	**6,878,309**

Balance sheets - Consolidated | As of December 31, 2010 and 2009 and January 01, 2009 (In thousands of Reais – R$ and in US Dollars - US$)

	2010		2009		January 01, 2009	
	US$	R$	US$	R$	US$	R$
Current liabilities						
Trade payables	141,545	235,729	52,744	91,795	44,740	104,521
Advances on export contracts	660,000	1,099,164	308,794	537,425	755,000	1,763,831
Loans and financing	252,146	419,924	200,000	348,080	-	-
Financial charges payable	6,377	10,620	12,150	21,145	28,281	66,070
Payroll, provisions and social charges	33,744	56,197	27,883	48,527	18,543	43,321
Taxes payable	7,054	11,747	4,076	7,094	4,739	11,072
Provision for income tax	49,204	81,945	18,150	31,589	7,247	16,930
Other liabilities	33,519	55,827	60,465	105,234	43,525	99,064
Total current liabilities	**1,183,589**	**1,971,153**	**684,262**	**1,190,889**	**902,075**	**2,104,809**
Non-current liabilities						
Loans and financing	1,103,877	1,838,396	950,000	1,653,380	800,000	1,868,960
Financial charges payable	306	510	-	-	-	-
Provision for legal obligations	164,998	274,787	118,710	206,603	91,249	213,177
Deferred income tax	-	-	-	10,989	-	327,494
Other liabilities	48,357	80,533	38,241	66,554	17,698	41,346
Total non-current liabilities	**1,317,538**	**2,194,226**	**1,106,951**	**1,937,526**	**908,947**	**2,450,977**
Shareholders' equity						
Share capital	409,774	297,025	409,774	297,025	409,774	297,025
Capital reserves	1,619	2,476	1,619	2,476	1,619	2,476
Profit reserves	97,025	294,549	137,222	302,467	97,025	302,467
Cumulative translation adjustments	-	183,012	(19,186)	(400,626)	(19,186)	711,220
Additional dividends proposed	306,169	599,861	575,552	1,635,663	648,369	852,274
Retained earnings (accumulated losses)	-	-	(4,394)	(7,647)	(4,394)	157,061
Total shareholders' equity	**814,587**	**1,376,923**	**1,100,587**	**1,829,358**	**1,133,207**	**2,322,523**
Total liabilities and shareholders' equity	**3,315,714**	**5,542,302**	**2,891,800**	**4,957,773**	**2,944,229**	**6,878,309**

Statement of Income - Consolidated | December 31, 2010 and 2009
(In thousands of Reais – R$ and in US Dollars – US$)

	2010		2009	
	US$	**R$**	**US$**	**R$**
Revenue	3,565,949	6,239,799	1,422,554	2,812,701
Cost of good sold	(1,257,011)	(2,202,050)	(705,917)	(1,362,155)
Gross profit	**2,308,938**	**4,037,749**	**716,637**	**1,450,546**
Operating expenses				
Sales	(53,063)	(94,217)	(47,294)	(88,583)
General and administrative	(20,034)	(35,291)	(17,758)	(34,826)
Other net operating expenses	(257,584)	(415,109)	(236,350)	(325,584)
Equity pick-up results	**1,978,257**	**3,493,132**	**415,235**	**1,001,553**
Operating income before financial results				
Financial results	3,544	6,073	2,543	5,896
Financial income	(42,451)	(73,823)	(50,445)	(90,346)
Financial expenses	(365,782)	(650,648)	269,010	624,741
Net foreign exchange variance	**1,573,568**	**2,774,734**	**636,343**	**1,541,844**
Operating income	(298,737)	(527,349)	(112,008)	(229,987)
Income tax	**1,274,831**	**2,247,385**	**524,335**	**1,311,857**

2.2 Accounting policies

The Company's main accounting policies are the following:

(a) Basis of consolidation

The Company’s consolidated financial statements, which include the financial statements of its subsidiaries, have been prepared in accordance with applicable consolidation practices and legal provisions. Balances of unrealized revenues, expenses and income between companies are eliminated from the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currency (i.e. all transactions that are not carried out in the functional currency) are translated at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date, with US$1.00 being equivalent to R$1.6654 as of December 31, 2010 (US$1.00 equivalent to R$1.7404 as of December 31, 2009) and US$1.00 equivalent to R$2.3362 as of January 01, 2009). The foreign currency gain or loss arising from variations in the exchange rates on monetary assets and liabilities are recognized in the statement of income. 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 applicable, where this variance is not recognized in the income statement, since the changes in the exchange rates have little or no direct effect on the current and future cash flows from operations, are therefore recorded in a specific account under shareholders' equity denominated "Cumulative translation adjustments".

(c) Statement of income

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

- *Revenue recognition*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognized when the product is shipped.

(d) Provisions and environmental recovery

- *Asset retirement obligations*

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

- *Environmental recovery*

An environmental liability is recorded in accordance with the Company's environmental policy and the applicable legal requirements. The provision for environmental recovery is made when an area of degradation is identified that generates an obligation for the Company.

(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 recorded at fair value plus the transaction costs that are directly attributable to their acquisition or issuance (when applicable).

Non-derivative financial instruments include interest-earning bank deposits, accounts receivable and other receivables, including receivables related to cash and cash equivalents, loans and financing, 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 fair value through profit or loss, any directly attributable transaction costs. After their initial recognition, non-derivative financial instruments are recognized as follows:

- *Financial instruments at fair value through profit or loss*

A financial instrument is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial asset at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

- *Held-to-maturity financial assets*

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

- *Available-for-sale financial assets*

The Company does not have equity instruments and certain assets related to debt instruments that are designated as available-for-sale.

- *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and financial investments originally maturing within three months or less as from the date they are secured.

- *Non-derivative financial liabilities*

The Company has the following non-derivative financial liabilities: loans and financing, bank overdrafts, trade payables and other accounts payable.

These financial liabilities are initially recognized at their fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at their amortized cost by using the effective interest method.

- *Derivative financial instruments*

The Company does not have any derivative financial.

(f) Current and non-current assets

- Cash and cash equivalents: recorded at cost plus yields accrued through to the balance sheets 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.

- Short-term investments: recorded at cost plus yields, which are recognized in the income statement and have liquidity terms of more than 90 days. They also have an insignificant risks of change in fair value.

- Allowance for doubtful accounts: when applicable, this provision is made to 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: appraised at average acquisition or production cost not in excess of the market or realization value.
  Samarco uses the absorption costing system. Direct costs are appropriated objectively and indirect costs are prorated based on normal production capacity.

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

(g) Investments

Investments in subsidiary companies are appraised by the equity method based on the investees' financial statements. The financial statements for overseas investments were prepared in accordance with accounting practices compatible with those adopted by the Company. The subsidiaries have the same functional currency as the parent company, i.e. the US Dollar.

Other permanent investments are recorded at acquisition cost, minus a provision for devaluation, when applicable.

(h) Property, plant and equipment

Property, plant and equipment are recorded at cost of acquisition, formation or construction, and the capitalized financial charges are depreciated the same way as the item of PP&E into which they were incorporated.

Depreciation and amortization of property, plant and equipment are calculated for 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.

The Company did not elect to use the deemed cost.

The gains and losses deriving from the sale of property, plant and equipment are determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment, and are recorded net amongst other revenue figures in the income statement.

The Company has no real estate investments.

(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 whose price is not fixed or determined are recorded as operating expenses in the income statement for the year.

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

- technical feasibility to conclude the intangible asset
- intention to complete the intangible assets and to use or sell it;
- ability to use or sell the intangible asset;
- existence of a market or other ways of gaining economic benefits;
- financial technical resources are available, and
- ability to reliably measure the expenditures attributable to the intangible asset during its development.

Intangible assets with a defined useful lives 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.

(j) Leasing

The Company does not have any leasing that assumes the risks and rewards inherent to the property.

The existing leases are operational leases, and the leased assets are not recognized in the Company's balance sheets.

(k) Impairment

- *Financial assets (including receivables)*

The Company takes into account evidence of impairment for receivables and securities kept to maturity, both individually and collectively. All receivables and securities kept to an individually significant maturity are specifically tested for impairment. All receivables and securities kept to an individually significant maturity found not to have incurred individual impairment are then tested collectively for any impairment that may have occurred, but not yet been identified.

Receivables and securities kept to maturity that are not individually material are tested collectively for impairment by grouping securities posing similar risks.

When testing for impairment collectively the Company uses historic patterns of default probability, recovery terms and the size of losses incurred, adjusted to reflect management's judgment as to whether the current economic credit conditions mean that the actual losses will probably be greater or less than those suggested by historic patterns.

- *Non-financial assets*

The book values of the Company's non-financial assets, other than inventory and deferred income tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the " cash-generating unit or UGC").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(l) Other current and noncurrent assets and liabilities

An asset is recognized in the balance sheets when it is probable that its future economic benefits will be generated in favor of the Company and its cost or value can be reliably measured. A liability is recognized in the balance sheets when the Company has a present or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle it. When applicable, the corresponding charges and monetary or exchange variance incurred are added. Provisions are recorded considering the best estimates of the risk involved.

The assets and liabilities are classified as current when they will probably be realized or settled in the next twelve months. They are otherwise stated as non-current.

(m) 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. This interest is subsequently reallocated to financial expenses and revenue in the income statement by the effective interest rate method for contractual cash flows.

(n) Income tax

The Company calculates income taxes based on the existing legislation, considering the legally established 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 for exports that entails a reduction of income tax based on its operating income. Deferred tax charges are also made on temporary exclusions that will be taxed when the conditions that make them presently untaxable cease.

The Company has a final and unappealable decision in its favor which ruled that the social contribution on net income ("CSLL") is unconstitutional. It is not therefore paying this contribution, as stated in note 14 (b.1).

(o) Statements of cash flow and added value

The statements of cash flow by the indirect method are prepared and presented in accordance with accounting pronouncement CPC 03 – Statement of Cash Flows. The statements of value added are prepared in accordance with accounting pronouncement CPC 09 – Statement of Added Value, and are being presented as supplementary information to the financial statements.

(p) Assets and liabilities and legal obligations

The 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 favorable final and unappealable decisions in court cases. Contingent assets rated as probable victories are only disclosed in the notes to the financial statements.

- 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.

- A provision is made for legal obligations when losses and resulting outflows are rated as probable and the amounts can be measured reasonably reliably.

- A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Employee benefits

The sponsorship costs of the pension plan and any plan deficits (surpluses) are recorded in compliance with CPC 33 – Employee benefits.

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 the statement of income according to the straight line method during the average period until the benefits are realized. If the criteria for obtaining these benefits are met immediately, the expenditure is recognized immediately in the statement of income.

(r) Finance income and finance expenses

Finance income comprises interest income on short-term investments and changes in the fair value of financial assets measured at fair value through profit and loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expenses on loans, financings, unwinding of the discounting on provisions to present value, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Share capital

Each common share entitles the holder thereof to one vote on General Meeting resolutions. Preferred shares are classified as shareholders' equity if they are not redeemable or can only be redeemed with the Company's consent. The preferred shares do not afford voting rights, but they are assured priority in reimbursement of capital and a dividend that is 10% (ten per cent) higher than that attributed to the common shares.

3. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents break down as follows:

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Cash and bank deposits							
Domestic		927	309	743	927	309	743
Foreign	(a)	206,846	223,729	228,225	207,191	223,968	228,846
Short-term investments		14,316	7,572	128,263	24,702	19,319	146,678
		222,089	**231,610**	**357,231**	**232,820**	**243,596**	**376,267**

(a) Call accounts linked to the current account denominated in US dollars at an overseas financial institution, yielding the overnight Fed Fund rate.

The Company has short-term investments, available for sale, that are highly liquid and recorded at fair value through profit and loss, breaking down as follows:

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Time deposit / MMDA		-	-	93,448	10,387	11,747	111,801
Investment fund	(b)	14,316	7,572	34,815	14,315	7,572	34,815
Other		-	-	-	-	-	62
		14,316	**7,572**	**128,263**	**24,702**	**19,319**	**146,678**

(b) The financial investment fund refers to operations with domestic financial institutions that have immediately liquidity. It consists of bank deposit certificates – CDB yielding between 99% and 101% of the CDI rate; and a call account linked to the current account, yielding 20% of the CDI rate.

4. RESTRICTED INTEREST-EARNING BANK DEPOSITS

The Company's restricted interest-earning bank deposits break down as follows:

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Financial investments:							
Restricted cash	(a)	-	-	-	207,912	70,904	42,974
		-	**-**	**-**	**207,912**	**70,904**	**42,974**

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

5. TRADE RECEIVABLES

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Domestic customers		31,889	10,707	15,749	31,898	10,707	15,749
Foreign customers	(a)	921,214	476,004	725,654	694,895	380,898	590,221
Allowance for doubtful accounts		(249)	(2,080)	(1,880)	(258)	(2,080)	(1,880)
Provision for price reduction	(b)	-	(27,049)	-	-	(27,049)	-
		952,854	**457,582**	**739,523**	**726,535**	**362,476**	**604,090**

(a) Approximately R$188,781 (R$190,513 in 2009 and R$170,185 as of 1/1/2009) of the foreign trade receivables are guaranteed by letters of credit.

(b) The market reference price for iron ore was determined between the months of March and April in 2009. Due to the exceptional circumstances brought about by the international financial crisis, in 2009 the market reference price was not determined in the normal period. Sales were therefore made 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 method for pricing iron ore changed in 2010, and began to be determined quarterly. All orders are now subject to a side letter (*), informing the new prices in force.

(*) Side Letter: document created to supplement the contract between the parties.

The Company's trade receivables classified by aging break down as follows:

	Parent company			Consolidated		
	2010	2009	January 01, 2009	2010	2009	January 01, 2009
Outstanding	826,395	480,407	497,002	724,129	386,533	406,214
Up to 30 days overdue	80,263	3,955	158,713	2,405	3,182	129,721
31 to 60 days overdue	35,576	-	82,525	-	-	67,450
61 to 90 days overdue	2,289	1,665	114	24	1,340	93
More than 90 days overdue	8,580	684	3,049	235	550	2,492
	953,103	**486,711**	**741,403**	**726,793**	**391,605**	**605,970**

The allowance for doubtful accounts is made for invoices overdue for more than 60 days, following an individual analysis of each customer.

6. INVENTORIES

The inventories break down as follows:

	Parent company			Consolidated		
	2010	2009	January 01, 2009	2010	2009	January 01, 2009
Finished goods	22,758	9,413	82,289	31,057	26,229	132,329
Work in progress	46,051	34,725	37,965	46,051	34,725	37,965
Raw materials and consumables	162,800	108,862	174,526	162,800	108,862	174,526
Provision for loss of materials	(1,544)	(386)	(133)	(1,544)	(386)	(133)
Advances to suppliers	13,320	753	4,498	13,320	753	4,498
	243,385	**153,367**	**299,145**	**251,684**	**170,183**	**349,185**

In 2010 raw materials, consumables and changes in the finished goods and work in progress recognized in the subsidiary's cost of sales, amounted to R$2,194,494 (R$1,363,561 in 2009).
The Company appraised its inventory and concluded it was not exceeding its market or realization value. However, certain storeroom materials considered obsolete or slow-moving were subject to a provision for impairment of R$1,158 (R$253 in 2009).

7. RECOVERABLE TAXES

The balance of recoverable taxes breaks down as follows:

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
ICMS – MG	(a)	216,926	186,502	163,814	216,926	186,502	163,814
Provision for ICMS losses - MG	(a)	(216,926)	(64,523)	(53,176)	(216,926)	(64,523)	(53,176)
ICMS – ES	(b)	319,492	279,094	223,161	319,492	279,094	223,161
Provision for ICMS losses - ES	(b)	(319,492)	(279,094)	(223,161)	(319,492)	(279,094)	(223,161)
PIS and COFINS	(c)	77,719	139,738	257,183	77,719	139,738	257,183
Other		14,281	12,707	11,406	14,305	12,732	11,489
Total		**92,000**	**274,424**	**379,227**	**92,024**	**274,449**	**379,310**
Current assets		87,039	125,109	156,325	87,063	125,134	156,408
Non-current assets		4,961	149,315	222,902	4,961	149,315	222,902

(a) In 2009 the Company intended to realize the ICMS credits by transferring them to other unrelated companies, as permitted by the current legislation. The provision for losses on these credits was based on the loss expected upon transferring the credits to third parties in the period that Management believes will be required to transfer all of them. Hence, the provision set up corresponds to the expected percentage loss and the difference between the cost and present value of these assets.

In 2010 the Company re-evaluated the possibility of realizing the credits and concluded that these credits constitute a contingent asset as they rely on the outcome of litigation disputing the incidence of ICMS on the transfer of concentrate from Minas Gerais state to Espirito Santo state (see Note 14, subitem b.3). The assessment notices have been made to the amount of the credits. The Company accordingly believes made a provision for the loss of the entire balance of ICMS MG credits.

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

	Parent company			Consolidated		
	2010	2009	January 01, 2009	2010	2009	January 01, 2009
Balance at beginning of year	64,523	53,176	13,128	64,523	53,176	13,128
Creation of the provision for losses	152,403	11,347	40,048	152,403	11,347	40,048
Balance at end of year	216,926	64,523	53,176	216,926	64,523	53,176

(b) Due to the history of non-realization of ICMS tax credits held against Espírito Santo state, the Company elected to set up a provision to cover 100% of the credits.

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

	Parent company			Consolidated		
	2010	2009	January 01, 2009	2010	2009	January 01, 2009
Balance at beginning of year	279,094	223,161	162,118	279,094	223,161	162,118
Addition on the provision for losses	40,398	55,933	61,043	40,398	55,933	61,043
Balance at end of year	319,492	279,094	223,161	319,492	279,094	223,161

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

8. OTHER ASSETS

Other assets break down as follows:

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Current							
Advances to employees		3,660	3,612	3,545	3,663	3,608	3,813
Other		3,983	2,510	3,985	3,887	2,404	3,317
		7,643	**6,122**	**7,530**	**7,550**	**6,012**	**7,130**
Non-current							
COHESA	(a)	15,775	15,584	15,406	15,775	15,584	15,406
(-) Adjustment to present value COHESA	(a)	(916)	(1,318)	(1,880)	(916)	(1,318)	(1,880)
Other		6,483	5,624	4,526	6,526	5,624	4,548
		21,342	**19,890**	**18,052**	**21,385**	**19,890**	**18,074**

(a) The Company passes resources to COHESA (the Samarco Employees Housing Cooperative) through agreement for implantation of habitational plan, signed on March 1, 1994, aiming at the financing property for employees, with terms varying from 8 to 12 years. The amounts are updated according to the collective pay rise awarded by the Company and will be received in full upon termination of the Samarco Housing Plan - PHS, i.e. upon full repayment of the financing by the employees. The COHESA balances are adjusted to present value in conformity with CPC 12.

9. INVESTMENTS

The Company recorded a loss of R$567 in 2010 (loss of R$13,869 in 2009 and net income of R$14,213 as of 1/1/2009) due to the equity loss of its subsidiaries.

In 2010 and 2009 the Company did not receive any dividends from investees under the equity income method. None of the Companies subject to the equity income method have their stock traded on the stock exchange.

The table below summarizes the subsidiaries' financials:

	Interest	Number of shares or units	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Shareholders' equity	Total liabilities	Revenue	Expenses	Other	Profit (loss)
January 01, 2009													
Samarco Finance Ltd.	100%	50,000	761,034	1,872,464	2,633,498	733,284	1,872,464	27,750	2,633,498	3,874,807	(3,871,516)	5,922	9,213
Samarco Iron Ore Europe B.V	100%	18,000	9,559	1,082	10,641	5,083	-	5,558	10,641	18,522	(13,701)	179	5,000
Total			**770,593**	**1,873,546**	**2,644,139**	**738,367**	**1,872,464**	**33,308**	**2,644,139**	**3,893,329**	**(3,885,217)**	**6,101**	**14,213**
2009													
Samarco Finance Ltd.	100%	50,000	833,748	1,566,360	2,400,108	820,043	1,566,360	13,705	2,400,108	2,770,412	(2,777,379)	(7,078)	(14,045)
Samarco Iron Ore Europe B.V	100%	18,000	9,941	863	10,804	5,070	-	5,734	10,804	12,972	(11,379)	(1,417)	176
Total			**843,689**	**1,567,223**	**2,410,912**	**825,113**	**1,566,360**	**19,439**	**2,410,912**	**2,783,384**	**(2,788,758)**	**(8,495)**	**(13,869)**
2010													
Samarco Finance Ltd.	100%	50,000	1,254,263	1,165,780	2,420,043	1,242,277	1,165,780	11,986	2,420,043	5,644,773	(5,645,902)	(590)	(1,719)
Samarco Iron Ore Europe B.V	100%	18,000	9,256	922	10,178	3,292	-	6,886	10,178	14,037	(12,863)	(22)	1,152
Total			**1,263,519**	**1,166,702**	**2,430,221**	**1,245,569**	**1,165,780**	**18,872**	**2,430,221**	**5,658,810**	**(5,658,765)**	**(612)**	**(567)**

10. PROPERTY, PLANT AND EQUIPMENT

The Company made a number of investments throughout 2010 to raise its production capacity and the productivity of its industrial plants, in addition to ensuring operational continuity and improvements, replacing equipment of the industrial plants and achieving sustainable development in accordance with the standards, policies and legislation regarding the environment and health and safety.

The Company's property, plant and equipment break down as follows:

	Parent company									
	Note	Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated system	Plant decomm-issioning	Data processing equipment and furniture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Under construction	Total
COST										
Balance as of January 1, 2009		**26,208**	**4,502,865**	**1,816,117**	**6,695**	**71,686**	**60,086**	**26,278**	**244,965**	**6,754,900**
Additions		-	-	-	-	-	-	-	145,918	145,918
Transfers - Inbound		779	834,380	294,431	31,077	5,241	2,797	16,167	-	1,184,872
Transfers - Outbound		-	(644,286)	(238,687)	-	(10,231)	-	(11)	(295,876)	(1,189,091)
Sales		-	(1,973)	(186)	-	(200)	(551)	(22)	(1,602)	(4,534)
Effect of exchange rate variance		(6,879)	(1,178,949)	(467,511)	(5,125)	(22,370)	(15,958)	(8,319)	(36,833)	(1,741,944)
Balance as of December 31, 2009		**20,108**	**3,512,037**	**1,404,164**	**32,647**	**44,126**	**46,374**	**34,093**	**56,572**	**5,150,121**
Other additions	(a)	-	-	-	-	-	-	-	278,282	278,282
Transfers - Inbound	(b)	5,207	41,507	50,796	-	4,368	1,716	5,147	-	108,741
Transfers - Outbound	(b)	-	(14,183)	-	-	-	-	-	(97,167)	(111,350)
Sales	(c)	(45)	(6,233)	(2)	-	(3,106)	(1,493)	(561)	-	(11,440)
Effect of exchange rate variance	(d)	(2,951)	(188,933)	(59,128)	(1,407)	(1,782)	(2,634)	(2,399)	30,269	(228,965)
Balance as of December 31, 2010		**22,319**	**3,344,195**	**1,395,830**	**31,240**	**43,606**	**43,963**	**36,280**	**267,956**	**5,185,389**
DEPRECIATION										
Balance as of January 1, 2009		**-**	**(1,327,758)**	**(422,204)**	**(538)**	**(27,751)**	**(51,287)**	**(5,396)**	**-**	**(1,834,934)**
Depreciation in the period		-	(113,398)	(47,532)	(557)	(6,282)	(1,020)	(1,853)	-	(170,642)
Transfers - Inbound		-	(20,753)	(10,500)	-	(43)	-	-	-	(31,296)
Transfers - Outbound		-	21,136	6,149	-	4,019	-	2	-	31,306
Sales		-	900	6	-	155	551	13	-	1,625
Effect of exchange rate variance		-	339,768	99,213	207	9,705	13,614	1,582	-	464,089
Balance as of December 31, 2009		**-**	**(1,100,105)**	**(374,868)**	**(888)**	**(20,197)**	**(38,142)**	**(5,652)**	**-**	**(1,539,852)**
Depreciation in the period	(e)	-	(123,815)	(38,059)	(884)	(5,782)	(978)	(2,102)	-	(171,620)
Transfers - Inbound	(b)	-	-	(5,152)	-	-	-	-	-	(5,152)
Transfers - Outbound	(b)	-	5,152	-	-	-	-	-	-	5,152
Sales	(c)	-	4,427	2	-	3,013	1,200	337	-	8,979
Effect of exchange rate variance	(d)	-	56,832	11,307	176	1,109	1,925	665	-	72,014
Balance as of December 31, 2010		**-**	**(1,157,509)**	**(406,770)**	**(1,596)**	**(21,857)**	**(35,995)**	**(6,752)**	**-**	**(1,630,479)**
NET BOOK AMOUNT										
As of January 01, 2009		26,208	3,175,107	1,393,913	6,157	43,935	8,799	20,882	244,965	4,919,966
As of December 31, 2009		20,108	2,411,932	1,029,296	31,759	23,929	8,232	28,441	56,572	3,610,269
As of December 31, 2010		22,319	2,186,686	989,060	29,644	21,749	7,968	29,528	267,956	3,554,910

	Consolidated									
	Note	Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated system	Plant decomm-issioning	Data processing equipment and furniture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Under construction	Total
COST										
Balance as of January 1, 2009		**26,208**	**4,502,865**	**1,816,117**	**6,695**	**72,132**	**60,086**	**26,278**	**244,965**	**6,755,346**
Additions		-	-	-	-	-	-	-	145,918	145,918
Transfers - Inbound		779	834,380	294,431	31,077	5,239	2,797	16,167	-	1,184,870
Transfers - Outbound		-	(644,286)	(238,687)	-	(10,330)	-	(11)	(295,876)	(1,189,190)
Sales		-	(1,973)	(186)	-	(199)	(551)	(22)	(1,602)	(4,533)
Effect of exchange rate variance		(6,879)	(1,178,949)	(467,511)	(5,125)	(22,368)	(15,958)	(8,319)	(36,833)	(1,741,942)
Balance as of December 31, 2009		**20,108**	**3,512,037**	**1,404,164**	**32,647**	**44,474**	**46,374**	**34,093**	**56,572**	**5,150,469**
Other additions	(a)	-	-	-	-	-	-	-	278,282	278,282
Transfers - Inbound	(b)	5,207	41,507	50,796	-	4,422	1,716	5,147	-	108,795
Transfers - Outbound	(b)	-	(14,183)	-	-	-	-	-	(97,167)	(111,350)
Sales	(c)	(45)	(6,233)	(2)	-	(3,106)	(1,493)	(561)	-	(11,440)
Effect of exchange rate variance	(d)	(2,951)	(188,933)	(59,128)	(1,407)	(1,828)	(2,634)	(2,399)	30,269	(229,011)
Balance as of December 31, 2010		**22,319**	**3,344,195**	**1,395,830**	**31,240**	**43,962**	**43,963**	**36,280**	**267,956**	**5,185,745**
DEPRECIATION										
Balance as of January 1, 2009		**-**	**(1,327,758)**	**(422,204)**	**(538)**	**(28,167)**	**(51,287)**	**(5,396)**	**-**	**(1,835,350)**
Depreciation in the period		-	(113,398)	(47,532)	(557)	(6,189)	(1,020)	(1,853)	-	(170,549)
Transfers - Inbound		-	(20,753)	(10,500)	-	(43)	-	-	-	(31,296)
Transfers - Outbound		-	21,136	6,149	-	4,019	-	2	-	31,306
Sales		-	900	6	-	154	551	13	-	1,624
Effect of exchange rate variance		-	339,768	99,213	207	9,703	13,614	1,582	-	464,087
Balance as of December 31, 2009		**-**	**(1,100,105)**	**(374,868)**	**(888)**	**(20,523)**	**(38,142)**	**(5,652)**	**-**	**(1,540,178)**
Depreciation in the period	(e)	-	(123,815)	(38,059)	(884)	(5,787)	(978)	(2,102)	-	(171,625)
Transfers - Inbound	(b)	-	-	(5,152)	-	-	-	-	-	(5,152)
Transfers - Outbound	(b)	-	5,152	-	-	-	-	-	-	5,152
Sales	(c)	-	4,427	2	-	3,013	1,200	337	-	8,979
Effect of exchange rate variance	(d)	-	56,832	11,307	176	1,139	1,925	665	-	72,044
Balance as of December 31, 2010		**-**	**(1,157,509)**	**(406,770)**	**(1,596)**	**(22,158)**	**(35,995)**	**(6,752)**	**-**	**(1,630,780)**
NET BOOK AMOUNT										
As of January 01, 2009		26,208	3,175,107	1,393,913	6,157	43,965	8,799	20,882	244,965	4,919,996
As of December 31, 2009		20,108	2,411,932	1,029,296	31,759	23,951	8,232	28,441	56,572	3,610,291
As of December 31, 2010		22,319	2,186,686	989,060	29,644	21,804	7,968	29,528	267,956	3,554,965

(a) The additions include the main projects and investments still under construction as of December 31, 2010:

- Increase in the production capacity of 1MTMSc (1 million dry metric tons) at Concentrator 2 - this project consists of installing new equipment and refurbishing existing equipment, to increase the nominal concentrate production capacity by 1 million tonnes a year.

- Installation of Electrostatic Precipitators - a project initiated in 2009 to reduce particle emissions from Pelletizing Plants 1 and 2, in order to comply with and exceed environmental regulatory requirements.
- Recovery of and improvements in the Fundão Dam - recovery and adaptation works and compliance with requirements to operate the dam waste disposal system.
- Fatal risk protocols - a project initiated in 2009 to reduce the risk of potentially fatal activities by adapting activities to the requisites of the risk protocols.

(b) The investments to be recorded in property, plant and equipment are recorded in Assets under construction. Once these investments are concluded and have come into operation, the assets are capitalized (transferred) to the respective accounts of property, plant and equipment and intangible assets, depending on the accounting nature of each item. In the year ended December 31, 2010 loan costs were capitalized of R$1,576 on domestic financing to implement the project to tailor the pelletizing furnaces to operate on gas, incurring a capitalization fee of 4%.

(c) The sales in 2010 primarily consist of scrap written off as a result of the inventory count. Pursuant to the policy introduced by Company management, a physical count was conducted in FY 2010 by specialized companies in order to validate the accounting information. The count resulted in reconciliations and write-offs, mainly affecting machinery and equipment.

(d) The effect of the exchange rate variance resulted from translating the financial statements from the Functional Currency (US dollars) to the Reporting Currency (Real).

(e) Depreciation of property, plant and equipment is calculated according to the expected useful lives of the assets, based on the units produced method for the items directly related to the respective productive areas and based on the straight-line depreciation method for the rest. The table below denotes the useful lives for each type of asset.

Property, plant and equipment account	**Years of depreciation at 12/31/2010**	**Years of depreciation at 12/31/2009**
Industrial facilities (buildings, machinery and equipment)	10 to 50	23 to 43
Ore pipeline and correlated system	20 to 43	20 to 43
Electronic data processing equipment	5	5
Plant decommissioning	43	32
Furniture and fixtures	10	10

Property, plant and equipment account	Years of depreciation at 12/31/2010	Years of depreciation at 12/31/2009
Vessels	9 to 24	9 to 26
Vehicles	4 to 25	4 to 25
Tools	10 to 25	25
Rotating assets	10 to 27	25
Mass assets	5 to 24	5

- Analysis of recoverable value

The Company appraised the existence of indicators that determined assets of its PP&E might be recorded at amounts above their recoverable amounts. No assets were identified with amounts recorded above their recoverable amounts.

- Review of useful lives

In accordance with technical pronouncement CPC 27 - Property, Plant and Equipment, in November 2010 the Company concluded its review of the useful lives of its property, plant and equipment. The useful lives review resulted in depreciation being reversed of R$17,315.

- Residual value

It is Company policy to extend the useful lives of its assets as much as possible, exceeding the expected usage thereof by carrying out preventive and corrective maintenance. These policies enable the company to maintain its assets in a perfect state of repair and operation for lengthy periods of time until they become obsolete or are scrapped.

In 2010 a specialized company evaluated the Company's practices and its assets and concluded that it is not expected to recover part of the value of sold property, plant and equipment, i.e. the residual value thereof is close to zero.

- Deemed cost

The Company did not elect to use the deemed cost for its assets. This decision was supported by the following factors:

(i) the useful lives of assets is the economic life and not that established by the tax legislation;

(ii) the carrying values of the assets are adequate and sufficient to support the expected future economic rewards; and

(iii) assets that have incurred substantial depreciation but are still in operation are adequately stated at the cost of preventive and corrective maintenance by comparing the costs against the benefits.

- Fully depreciated assets in operation

As of December 31 the following fully depreciated items were still in operation:

	Consolidated			
	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Buildings	15,562	(15,562)	2,123	(2,123)
Vessels	98	(98)	98	(98)
Machinery and equipment	8,457	(8,457)	8,796	(8,796)
Systems	5,596	(5,596)	3,471	(3,471)
Data processing equipment	2,292	(2,292)	4,358	(4,358)
Furniture and fixtures	2,131	(2,131)	1,635	(1,635)
Vehicles	3,370	(3,370)	14,696	(14,696)
Tools	677	(677)	708	(708)
	38,183	**(38,183)**	**35,885**	**(35,885)**

- Pledged assets

As of December 31, 2010 the Company had pledged assets as collateral under judicial proceedings, amounting to approximately R$136,625 (R$136,410 in 2009 and R$132,947 as of 1/1/2009).

11. INTANGIBLE ASSETS

The Company's intangible assets break down as follows:

	Parent company					
	Note	Right of way (f)	Mining Rights (e)	Other Rights	Application Systems Software	Total
COST						
Balance as of January 1, 2009		**8,706**	**29,552**	**1,347**	**44,242**	**83,847**
Transfers – Inbound		-	-	-	4,228	4,228
Transfers – Outbound		-	-	-	(9)	(9)
Sales		-	-	-	-	-
Effect of exchange rate variance		(2,220)	(7,536)	(342)	(12,020)	(22,118)
Balance as of December 31, 2009		**6,486**	**22,016**	**1,005**	**36,441**	**65,948**
Transfers – Inbound	(a)	-	-	-	2,608	2,608
Transfers – Outbound	(a)	-	-	-	-	-
Sales	(b)	-	-	-	(1,313)	(1,313)
Effect of exchange rate variance	(c)	(279)	(949)	(43)	(1,350)	(2,621)
Balance as of December 31, 2010		**6,207**	**21,067**	**962**	**36,386**	**64,622**
AMORTIZATION						
Balance as of January 1, 2009		**(2,269)**	**(17,668)**	**(1,345)**	**(25,129)**	**(46,411)**
Amortization in the period		(100)	(374)	-	(7,670)	(8,144)
Transfers – Inbound		-	-	-	(13)	(13)
Transfers – Outbound		-	-	-	2	2
Sales		-	-	-	-	-
Effect of exchange rate variance		520	4,376	344	8,502	13,742
Balance as of December 31, 2009		**(1,849)**	**(13,666)**	**(1,001)**	**(24,308)**	**(40,824)**
Amortization in the period	(d)	(271)	(174)	-	(6,193)	(6,638)
Transfers – Inbound	(a)	-	-	-	-	-
Transfers – Outbound	(a)	-	-	-	-	-
Sales	(b)	-	-	-	1,289	1,289
Effect of exchange rate variance	(c)	223	566	43	2,207	3,039
Balance as of December 31, 2010		**(1,897)**	**(13,274)**	**(958)**	**(27,005)**	**(43,134)**
NET BOOK AMOUNT						
As of January 01, 2009		6,437	11,884	2	19,113	37,436
As of December 31, 2009		4,637	8,350	4	12,133	25,124
As of December 31, 2010		4,310	7,793	4	9,381	21,488

	Consolidated					
	Note	Right of way (f)	Mining Rights (e)	Other Rights	Application Systems Software	Total
Cost						
Balance as of January 1, 2009		**8,706**	**29,552**	**1,347**	**44,245**	**83,850**
Transfers – Inbound		-	-	-	4,232	4,232
Transfers – Outbound		-	-	-	(9)	(9)
Sales		-	-	-	-	-
Effect of exchange rate variance		(2,220)	(7,536)	(342)	(12,023)	(22,121)
Balance as of December 31, 2009		**6,486**	**22,016**	**1,005**	**36,445**	**65,952**
Transfers – Inbound	(a)	-	-	-	2,608	2,608
Transfers – Outbound	(a)	-	-	-	-	-
Sales	(b)	-	-	-	(1,313)	(1,313)
Effect of exchange rate variance	(c)	(279)	(949)	(43)	(1,350)	(2,621)
Balance as of December 31, 2010		**6,207**	**21,067**	**962**	**36,390**	**64,626**
AMORTIZATION						
Balance as of January 01, 2009		**(2,269)**	**(17,668)**	**(1,345)**	**(25,130)**	**(46,412)**
Amortization in the period		(100)	(374)	-	(7,670)	(8,144)
Transfers – Inbound		-	-	-	(13)	(13)
Transfers – Outbound		-	-	-	2	2
Sales		-	-	-	-	-
Effect of exchange rate variance		520	4,376	344	8,503	13,743
Balance as of December 31, 2009		**(1,849)**	**(13,666)**	**(1,001)**	**(24,308)**	**(40,824)**
Amortization in the period	(d)	(271)	(174)	-	(6,194)	(6,639)
Transfers – Inbound	(a)	-	-	-	-	-
Transfers – Outbound	(a)	-	-	-	-	-
Sales	(b)	-	-	-	1,289	1,289
Effect of exchange rate variance	(c)	223	566	43	2,207	3,039
Balance as of December 31, 2010		**(1,897)**	**(13,274)**	**(958)**	**(27,006)**	**(43,135)**
NET BOOK AMOUNT						
As of January 01, 2009		6,437	11,884	2	19,115	37,438
As of December 31, 2009		4,637	8,350	4	12,137	25,128
As of December 31, 2010		4,310	7,793	4	9,384	21,491

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

(b) The disposals primarily consist of write-offs due to obsolescence of applications and software, resulting from the physical count conducted by a specialized company.

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

(d) Amortization of the intangible assets is calculated according to the expected useful life of the iron ore mines owned by the Company, for the Easements and Mining Rights and the straight-line method for the rest. The table below denotes the useful life for each type of asset.

Intangible assets account	Years of amortization at 12/31/2010	Years of amortization at 12/31/2009
Easements	43	38
Mining rights	43	38

Intangible assets account	Years of amortization at 12/31/2010	Years of amortization at 12/31/2009
Other rights	15	15
Applications and software	5	5

On January 01, 2010 the Company reviewed the useful lives of assets classified in the accounts Easements and Mining Rights, which were revised from 38 years to 43 years as a result of the mines' useful lives increasing.

(e) Mineral rights

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

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

The price agreed to in the agreement is not fixed, and nor was it established as a percentage of the gross dividends paid out.

For the year ended December 31, 2010 the payments totaled R$131,021 (R$23,158 in 2009).

(f) Easements

Easements consist of rights acquired to use the right of way on the ground. These rights were awarded in February 1975 by decree 75424/75. The company uses this right to lay underground ore pipelines (pipelines to transport iron ore slurry - ore and water), which makes it possible to integrate Samarco's productive process at low cost, connecting the industrial concentration plants located in the municipalities of Mariana and Ouro Preto in Minas Gerais state to the pelletizing plants in Anchieta, Espírito Santo state.

- Fully amortized intangible assets

As of December 31 the following fully amortized items were still in operation:

	Consolidated			
	2010		2009	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Other rights	557	(557)	557	(557)
Software	19,176	(19,176)	17,114	(17,114)
	19,733	**(19,733)**	**17,671**	**(17,671)**

- Research and development

The Company incurred research and development expenses of R$62,186 (R$36,610 in 2009), which were recognized as expenses in the year 2010.

12. ADVANCES ON EXCHANGE CONTRACTS

Advances on exchange contracts ("ACC") commonly involve short-term loans intended to finance the Company’s working capital requirements. The maturities thereof at December 31, 2010 are scheduled for the period January through October 2011, settlement of which will occur by linking amounts to future exports of the Company’s products. This financing is denominated in U.S. Dollars and is subject of interest rates between 1.13% and 1.67% per annum (0.40 % to 8.30% p.a. in 2009 and 3.25% to 5.95% as of 1/1/2009) with varying terms. The variance in the aforesaid interest rates is due to effects arising on the domestic and international financial markets over the course of the period. The interest is fixed when the funds are borrowed and established based on the LIBOR in effect on this date plus the bank spread (the “All In Rate”).

	Average Interest Rate	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Various Financial institutions	1.48%	1,099,164	537,425	1,763,831	1,099,164	537,425	1,763,831
		1,099,164	**537,425**	**1,763,831**	**1,099,164**	**537,425**	**1,763,831**

As of December 31, 2010 the ACC contracts were subject to the following annual interest rates:

	Parent company	Consolidated
1% to 2 %	4,089	4,089
	4,089	**4,089**

13. LOANS AND FINANCING

Domestic and foreign loans and financing break down as follows:

	Parent company					Consolidated		
	Current	Noncurrent	Total 2010	Total 2009	Total January 01, 2009	Total 2010	Total 2009	Total January 01, 2009
Foreign transactions (Prepayment)	416,350	1,831,940	2,248,290	2,001,460	1,868,960	2,248,290	2,001,460	1,868,960
Local currency (Intercompany loan)	3,574	6,456	10,030	-	-	10,030	-	-
Total	**419,924**	**1,838,396**	**2,258,320**	**2,001,460**	**1,868,960**	**2,258,320**	**2,001,460**	**1,868,960**
Current	419,924	-	419,924	348,080	-	419,924	348,080	-
Non-current	-	1,838,396	1,838,396	1,653,380	1,868,960	1,838,396	1,653,380	1,868,960

A major transaction was conducted in 2010 entailing the financing of US$400 million at the end of the last quarter of the year, through an early export payment, with a total term five years and repayment at the end, incurring interest of Libor plus the bank spread, and semi-annual payments.

Two installments of US$100 million were amortized in 2010 under the early export payment amounting to US$800 million, referring to the financing of a project to construct the third pelletizing plant (P3P).

As of December 31, 2010 the loans and financing were subject to the following annual interest rates:

	Parent company	Consolidated
1% to 2 %	5,254	5,254
2% to 3%	399	399
3% to 4%	529	529
Over 4%	859	859
	7,041	**7,041**

The non-current portions mature in the following years:

	Parent company	Consolidated
2012	333,080	333,080
2013	339,536	339,536
2014	499,620	499,620
2015	666,160	666,160
	1,838,396	**1,838,396**

Guarantees and obligations - loans and financing

The Company's non-current financing is guaranteed by promissory notes and is primarily linked to previously defined export receivables. Samarco Mineração S.A. guarantees part of the financing loans of its subsidiary Samarco Finance Ltd. amounting to US$900,000 as of 12/31/2010 (R$1,498,860). These financing loans are subject to covenants mainly related to debt ratios ("*Total Debt / EBITDA" and "Net Debt/ EBITDA"*).

Company Management confirmed all contractual covenants were being complied with as of December 31, 2010.

14. PROVISION FOR LEGAL OBLIGATIONS

The Company is party to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, basically involving tax, civil, labor and environmental issues.

Based on the information and opinions of its internal and external legal advisors, Management has made a provision for contingencies to an amount considered sufficient to cover cases rated as probable losses.

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

	Parent Company and Consolidated						
	1/1/2009	12/31/2009	Additions	Reversals	Incurred	Charges	12/31/2010
Tax proceedings	250,490	249,307	22,533	(52,094)	(11,455)	48,986	257,277
(-) Judicial tax deposits	(70,184)	(82,885)	-	54,347	-	-	(28,538)
Civil claims	32,762	37,694	590	-	(826)	4,909	42,367
Labor claims	157	3,514	580	-	-	-	4,094
(-) Judicial labor deposits	(157)	(1,136)	-	-	647	-	(489)
Environmental proceedings	109	109	-	-	(33)	-	76
	213,177	**206,603**	**23,703**	**2,253**	**(11,667)**	**53,895**	**274,787**

The provisions breakdown as follows:

Parent company and consolidated	**Note**	**2010**			**2009**			**January 01, 2009**		
		Provision	**Judicial deposits**	**Net**	**Provision**	**Judicial deposits**	**Net**	**Provision**	**Judicial deposits**	**Net**
Tax proceedings										
IRPJ – Summer Plan	(a.1)	38,209	-	38,209	9,403	-	9,403	8,957	-	8,957
IRPJ – Real Plan	(a.2)	41,573	-	41,573	40,167	-	40,167	38,741	-	38,741
IRPJ - CMB	(a.3)	33,884	-	33,884	27,659	-	27,659	26,177	-	26,177
ECE - ES	(a.4)	15,089	(15,089)	-	15,089	(15,089)	-	15,089	(15,089)	-
ECE - MG	(a.4)	12,547	(12,547)	-	12,547	(12,547)	-	12,547	(12,547)	-
ICMS – TUSD - MG	(a.5)	-	-	-	52,094	(52,094)	-	39,394	(39,394)	-
PIS – Law 9718/98	(a.6)	10,161	-	10,161	12,580	(2,244)	10,336	14,749	(2,243)	12,506
IRPJ – Tax Loss – PAES	(a.7)	38,184	-	38,184	26,043	-	26,043	24,911	-	24,911
ICMS – Fine – Muniz Freire - ES	(a.8)	10,455	-	10,455	10,240	-	10,240	8,502	-	8,502
ICMS – Rate Differential Property, Plant and Equipment - ES	(a.9)	22,532	-	22,532	-	-	-	-	-	-
IRPJ - IRRF	(a.10)	18,314	-	18,314	18,120	-	18,120	17,408	-	17,408
Attorneys' fees	(a.11)	5,415	-	5,415	9,318	-	9,318	11,105	-	11,105
Other		10,914	(902)	10,012	16,047	(911)	15,136	32,910	(911)	31,999

Total provision for tax proceedings		**257,277**	**(28,538)**	**228,739**	**249,307**	**(82,885)**	**166,422**	**250,490**	**(70,184)**	**180,306**
Other										
Civil claims	(a.12)	42,367	-	42,367	37,694	-	37,695	32,762	-	32,762
Labor claims		4,094	(489)	3,605	3,513	(1,136)	2,377	157	(157)	-
Environmental proceedings		76	-	76	109	-	109	109	-	109
		46,537	**(489)**	**46,048**	**41,317**	**(1,136)**	**40,181**	**33,028**	**(157)**	**32,871**
Total of provision for legal obligations		**303,814**	**(29,027)**	**274,787**	**290,624**	**(84,021)**	**206,603**	**283,518**	**(70,341)**	**213,177**

(a) Legal obligations provisioned for by the Company:

(a.1) IRPJ – Summer Plan – Supported by an injunction, the Company decided to maintain its procedure of deducting the amounts relating to depreciation, depletion and write-off of fixed assets for the purpose of Corporate Income Tax (IRPJ), by applying the variance in the consumer price index (IPC) from January 1989.

(a.2) IRPJ – Real Plan -The Company is claiming in court that when calculating the IRPJ it can apply the variance of the general market price index (IGP-M) for the months of July and August 1994 (with ramifications on the following years) when 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 the final ruling has been delivered.

(a.3) IRPJ -CMB (Balance Sheet Monetary Restatement) – Supported by an injunction, the Company decided to maintain its procedure of monetarily restating the amounts relating to depreciation, depletion, amortization and write-off of fixed assets for IRPJ purposes, even after the enactment of Law 9249/95, which called for the suspension thereof. The Company continues to record the respective liability relating to this case until the final ruling has been delivered.

(a.4) ECE (Emergency Capacity Charges) - ES and MG -The Company is claiming in court that the requirement of these two states to pay the 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. The Company continues to record the respective liability relating to this case until the final ruling has been delivered.

(a.5) ICMS - TUSD (Tariff for Use of Electricity Distribution Systems) - MG -The Company is judicially contesting the legality of this state levying ICMS on the right to use electric power transmission lines. The provision has been reversed due to the change in the case's rating from a probable to possible loss. The Company has obtained an injunction suspending the requirement to pay the tax. The judicial deposit in 2010 amounted to R$68,050 (R$52,094 in 2009 and R$39,394 as of 1/1/2009).

(a.6) PIS – Law 9718/98 - The Company was judicially contesting the constitutionality of Law 9718/98, which broadened the calculation bases of the federal contributions known as the Social Security Finance (COFINS) and Social Integration Program (PIS) contributions, among other measures.

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

(a.7) IRPJ – Tax Loss - PAES – By virtue of the Company's exclusion from the Special Financing Program for Back Taxes (PAES, introduced by Law 10684/2003), the Federal Treasury Attorney's Office ("PGFN") filed for recommencement of the stayed tax enforcement and filed other tax enforcements, all relating to the full offsetting of income tax losses beyond the 30% annual limit.

Due to the fact that it was excluded from the PAES program due to a discrepancy between the amounts declared and those consolidated by the Federal Revenue Service ("SRFB") and the PGFN, in 2007 the Company adjusted the amounts booked in its accounting records to reflect this exclusion, derecognizing the benefits of the fine reduction and Long-Term Interest Rate (TJLP) restatement and recognizing the charges due.

(a.8) ICMS - Fine - Muniz Freire - ES -The Company was assessed for ICMS due on the transfer of electricity from the Muniz Freire power plant, which it owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.

In relation to the ICMS demand, the cases continue to run their course, with the restated amount of the respective assessments as of December 31, 2010 amounting to approximately R$35,085 (R$32,004 in 2009 and R$26,018 as of 1/1/2009). The Company believes it is necessary to maintain the provision for the fine only, because this applies even if the tax is not demanded.

(a.9) ICMS – Rate Differential for Property, Plant and Equipment - ES - The Company did not pay the ICMS rate differential on goods acquired from other states and incorporated into its property, plant and equipment in the period January 2006 to December 2009, pursuant to ICMS Confaz Arrangement 52/91. The Company began provisioning for the amount disputed as a result of SEFAZ Normative Report ES 1, dated April 20, 2010, which did not agree with it.

(a.10) IRPJ - IRRF – On December 22, 2005 the Company received assessment notices from the Brazilian tax authorities, where the respective amount, including principal, fine and interest, as of December 31, 2010 is approximately R$387,974 (R$382,603 in 2009 and R$374,905 as of 1/1/2009), including the separate fine of approximately R$54,029 (R$53,679 in 2009 and R$53,323 as of 1/1/2009), for several alleged infringements of tax legislation with respect to the years 2000 to 2003.

A number of the issues addressed in the assessment notices are 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) disallowance of certain operating expenses; (ii) levying of IRPJ on credits received in ICMS assignments and transfers; (iii) reflexes of items (i) and (ii) on the 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 information and opinions of its internal and external legal advisors, Management maintained a provision of R$18,314 (R$17,864 in 2009 and R$17,408 as of 1/1/2009), an amount it considers sufficient to cover the potential losses on the various matters involved in these assessments.

(a.11) Attorneys' fees - The Company has made a provision for future disbursements to its legal advisors based on the likelihood of winning the respective cases they are handling (success fees).

(a.12) Civil suits – Based on the information and opinions of its internal and external legal advisors, Management has made a provision to an amount considered sufficient to cover potential losses on civil cases relating to indemnities to third parties in ICMS credit transfer proceedings.

(b) Contingent liabilities:

The Company is party to other cases for which Management, based on the information and opinions of its internal and external legal advisors, has not set up a provision for contingencies, since the chance of loss has been rated as possible. The main such cases are described below:

(b.1) CSLL - The Company received tax assessment and tax enforcements relating to the alleged failure to pay the Social Contribution on Net Income (CSLL) in the years 1991, 1992, 1995 to 1998, 2000 to 2003 and 2004 to 2006. As of December 31, 2010 these restated cases amount to approximately R$1,413,114 (R$1,367,421 as of 12/31/2009 and R$497,109 as of 1/1/2009), mainly including fine and interest, already included the separate fine of approximately R$192,373.

These cases relating to CSLL constitute a new attempt by the Federal Government to levy the same contribution, thereby disregarding the legal principal of claim preclusion, inasmuch as the Company had already obtained favorable decisions declaring this tax obligation does not exist. A favorable decision had also been obtained in a suit filed by the government to overturn this ruling, as mentioned in note 2.2 (n).

(b.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"). As of December 31, 2010, this contingency amounts to approximately R$631,240 (R$568,740 as of 12/31/2009 and R$419,430 as of 1/1/2009), including legal charges.

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

(b.3) ICMS – Transfer of iron ore - The Company received a tax assessment and tax enforcement from the offices of the State Treasury Departments of Minas Gerais and Espírito Santo, respectively, relating to the alleged failure to pay ICMS on transfers of iron ore between its plants - from Germano to Ponta Ubu, located in MG and ES, in the period January 2000 to December 2009. The amount of the principal, fine, interest and restatement still being disputed under these proceedings as of December 31, 2010, corresponds to approximately R$307,490 (R$236,917 as of 12/31/2009 and R$203,569 as of 1/1/2009). The Company obtained favorable decisions in the administrative sphere with respect to demand for the fine and interest.

(b.4) PIS on Billing -The Company received tax enforcements regarding the timeliness and respective amounts of PIS paid on a semi-annual basis in the periods September 1989 to August 1994. As of December 31, 2010, the restated cases, including interest and fine, amount to approximately R$21,642 (R$21,138 as of 12/31/2009 and R$26,832 as of 1/1/2009).

(b.5) INSS – Profit Sharing and “Campo de Ideias” Prize, Labor Cooperative. The Company was served notice by the SRFB for social contributions supposedly owed by the Company on payments made to its employees consisting of Profit Sharing and the “Campo de Ideias” (Field of Ideas) Prize awarded to them for coming up with good ideas.

Moreover, other issues were covered by these assessment notices, such as (i) social contributions allegedly due to the National Development Fund (FND) on said payments; (ii) fine for failure to pay social contributions; and (iii) fine for submitting incomplete information in declaration forms known as GFIPs. As of December 31, 2010, the restated assessments, including principal, interest and fine, amount to approximately R$21,865 (R$18,667 as of 12/31/2009 and R$17,999 as of 1/1/2009).

(b.6) The Company is also party to legal proceedings involving environmental risks, in the states of Minas Gerais and Espírito Santo, the amount of which could not be determined reliably at December 31, 2010 and, therefore, could not be recorded in the financial statements. According to the opinion of the Company’s legal advisers, the probability of losing these cases is possible.

15. OTHER LIABILITIES

Other liabilities break down as follows:

	Notes	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Employee benefits	21	-	-	1,133	-	-	1,133
Provision for asset retirement obligation	(a)	73,792	66,554	36,708	73,792	66,554	36,708
Provision for mining rights	11	-	46,836	28,722	-	46,836	28,722
Provision for electricity		30,027	26,929	23,865	30,027	26,929	23,865
Demurrage payable		10,444	17,765	10,300	10,444	17,765	10,300
Accounts payable - financial agreement	(b)	-	-	17,663	-	-	17,663
Provision for purchase of iron ore		1,516	1,786	7,089	1,516	1,786	7,089
Provision for environmental liabilities		6,741	-	-	6,741	-	-
Unrealized revenue	(c)	10,266	9,297	43,874	-	-	-
Other		21,145	20,140	22,842	13,840	11,918	14,930
		153,931	**189,307**	**192,196**	**136,360**	**171,788**	**140,410**
Current		73,398	122,753	150,850	55,827	105,234	99,064
Non-current		80,533	66,554	41,346	80,533	66,554	41,346
		153,931	**189,307**	**192,196**	**136,360**	**171,788**	**140,410**

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

	Parent company			Consolidated		
	2010	2009	January 01, 2009	2010	2009	January 01, 2009
Provision at beginning of year	66,554	36,708	25,365	66,554	36,708	25,365
Provision increase	-	31,077	-	-	31,077	-
Financial settlement in current period	-	(5,869)	8,803	-	(5,869)	8,803
Estimated revisions in cash flows	7,238	4,638	2,540	7,238	4,638	2,540
Provision at end of year	73,792	66,554	36,708	73,792	66,554	36,708

In June 2009 the Company revised its conceptual plan to close down operating units in order to diagnose the environmental situation of the areas, acquire data to support the assessment of the environmental impacts and risks at closing, establish measures to mitigate any risks posed by potential sources of contamination in order to stabilize any potential environmental liabilities and estimate the closing costs according to the phase of the plan. This plan will be reviewed every three years and may be brought forward in the event conditions change significantly.

The increase in the provision is mainly due to the construction of the second concentrator, second ore pipeline and third pelletizing plant that came into operation in 2008. In addition, the previously adopted premise regarding the revenue from the sale of equipment and scrap was discarded from the Company's closing plan.

(b) In 2006 the Company renegotiated the commercial agreement with a certain customer, which resumed the supply of ore interrupted in 2004 and agreed that the Company would pay the customer compensation of US$30 million by 2008, with supply term being extended. Such payments have been made by means of discounts on amounts receivable from sales of iron ore to this customer, which were settled in full in 2009.

(c) The unrealized revenue consists of unrealized profits recorded in the inventory of the subsidiary Samarco Finance Ltd. deriving from sales between them.

16. SHAREHOLDERS' EQUITY

(a) Share capital

As of December 31, 2010 and 2009 and January 01, 2009 the Company's authorized share capital consists of 5,243,306 shares, of which 5,243,298 are common shares and 8 preferred shares, with no par value. All issued shares have been fully paid in. The company's capital is owned as follows:

	Number of Shares		% of Total Capital
	Common	Preferred	
BHP Billiton Brasil Ltda.	2,621,649	4	50
Vale S/A	2,621,649	4	50
	5,243,298	**8**	**100**

Each common share entitles the holder thereof to one vote on General Meeting resolutions. The preferred shares do not entitle the holder thereof to voting rights, but they are assured priority in capital reimbursements, without a premium, in the event of Company dissolution and an annual dividend that is 10% greater than the amount paid out on common shares.

(b) Dividends

One quarter (25%) of the adjusted net income has to be distributed to the shareholders in the form of dividends. The Board of Directors may authorize the distribution of interim dividends, charged to the net income for the year or profit reserves, pursuant to Article 204 of Law 6404/76.

By decision of its Board of Directors the Company may also pay out or credit interest on shareholders' equity pursuant to the existing legislation, the net amount of which is to be included in the mandatory dividend.

Dividends breakdown as follows:

	Parent company			Consolidated		
	2010	2009	January 01, 2009	2010	2009	January 01, 2009
Reclassification for presentation of Reviewed CPC 02	-	47,061	-	-	-	-
Net income for the year (*)	2,247,385	1,429,504	1,310,305	2,247,385	1,474,293	1,263,487
Reclassifications for compliance with CPCs	(7,647)	-	(46,818)	-	-	-
Net income available for distribution	**2,239,738**	**1,476,565**	**1,263,487**	**2,247,385**	**1,474,293**	**1,263,487**
Minimum mandatory dividends - 25%	**(559,935)**	**(369,141)**	**(315,872)**	**(561,846)**	**(368,573)**	**(315,872)**
Interim Dividends	1,639,877	-	616,380	1,639,877	-	616,380
Dividends proposed on net income for the year	599,861	1,476,565	647,107	599,861	1,476,565	647,107
	2,239,738	**1,476,565**	**1,263,487**	**2,239,738**	**1,476,565**	**1,263,487**
Dividends proposed on retained earnings	-	-	205,167	-	-	205,167
Total dividends proposed	**2,239,738**	**1,476,565**	**1,468,654**	**2,239,738**	**1,476,565**	**1,468,654**
Percentage over calculation base	100%	100%	100%	99.7%	100.2%	100%

(*) The net income for 2009, the basis for the dividends, is the one originally reported.

Changes in dividends:

	Consolidated
Balance at January 01, 2009	852,274
Proposed dividends	1,476,565
Dividends paid	(693,176)
Balance at December 31, 2009	1,635,663
Proposed dividends	2,239,738
Dividends paid	(3,275,540)
Balance at December 31, 2010	599,861

(c) Profit retention reserve and retained earnings

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

(d) Recognition of dividends proposed

As of December 31, 2010 the Company recognized proposed dividends amounting to R$599,861 in a specific account of shareholders' equity, as it believed this amount did not meet the legal obligation criteria stipulated by CPC 25.

The remaining portion of the net income in 2010 allocated to the proposed dividends was accordingly recognized in a specific account as additional proposed dividends until a resolution is issued by the annual general meeting.

(e) Cumulative translation adjustments

These adjustments are made for exchange variance resulting from translating the balance sheets and statements of income for the year from the Company's functional currency (US$) to its reporting currency (R$), as follows:

	Parent Company and Consolidated		
	2010	2009	January 01, 2009
Inventories	(16,588)	(4,521)	42,684
Property, plant and equipment	(95,900)	61,051	1,338,905
Intangible assets	(326)	(742)	7,635
Other	(348)	-	132
Deferred income tax	28,983	(10,042)	(250,084)
Total assets	**(84,179)**	**45,746**	**1,139,272**
Revenue	-	-	12,922
Cost of goods sold	2,319	9,307	15,670
Idle capacity	125	125	1,592
Exchange variance on monetary items	295,597	(410,451)	(458,406)
Other	(30,850)	(45,353)	170
Total income	**267,191**	**(446,372)**	**(428,052)**
Cumulative translation adjustments	**183,012**	**(400,626)**	**711,220**

(f) The balance of the legal reserve has reached the maximum limit determined by article 193 of Law 6404/76. No rectified net income for the financial year ended 12/31/2008 has been allocated.

17. REVENUE

The Company derives its revenue from sales of iron ore in the form of pellets and fines. In 2009 the Company restarted to sales into the domestic market, but continued to give priority to exports, selling products to all the world's continents except for Oceania.

The difference between the parent company and the consolidated figures is due to the inventory of pellets kept by the subsidiary Samarco Finance (64,645 Tms in 2010 versus 160,676 Tms in 2009) to serve clients located in the proximity of Rotterdam port in the Netherlands.

Revenue obtained from logistics services at the Company's port, such as rental of boats, supply boats and leasing of land, in addition to sales of energy services and other items, have been allocated to "Other goods and services" in revenue.

Details of the operating revenue are shown below.

	Parent company		Consolidated	
	2010	2009	2010	2009
Gross revenue				
Pellets				
Domestic	277,301	18,097	277,301	18,097
Overseas	5,789,912	2,578,667	5,795,379	2,572,562
Fines				
Domestic	-	-	-	-
Overseas	202,629	196,747	202,629	196,747
Other goods and services	49,038	49,826	49,038	49,826
Total	**6,318,880**	**2,843,337**	**6,324,347**	**2,837,232**
Deduction from gross revenue				
Sales taxes	(61,944)	(6,852)	(61,944)	(6,853)
Freight on sales	(22,604)	(17,679)	(22,604)	(17,678)
Net operating revenue	**6,234,332**	**2,818,806**	**6,239,799**	**2,812,701**

18. OTHER NET OPERATING EXPENSES

Details of other net operating expenses are shown below:

	Note	Parent company		Consolidated	
		2010	2009	2010	2009
Tax		(4,049)	(6,978)	(4,049)	(6,978)
Provision for ICMS losses - ES and MG	7	(192,801)	(67,280)	(192,801)	(67,280)
Provision - ICMS – TUSD - MG	14	-	(12,701)	-	(12,701)
Provision - PIS – Law 9718/98	14	-	2,169	-	2,169
Provision for contingencies	14	(5,889)	(4,931)	(5,889)	(4,931)
Investments and social projects		(13,688)	-	(13,688)	-
Employee profit sharing	(a)	(47,598)	(29,703)	(48,430)	(30,318)
Research expenses	11	(62,186)	(36,610)	(62,186)	(36,610)
Mining rights	22	(84,186)	(45,841)	(84,186)	(45,841)
Idle capacity	(b)	-	(117,422)	-	(117,422)
Other, net		(3,828)	(5,662)	(3,880)	(5,672)
Total		**(414,225)**	**(324,959)**	**(415,109)**	**(325,584)**

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

(b) In December 2008, due to the global financial 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 of plants 1 and 2 were classified as costs of idle capacity and recorded directly under Other operating expenses, net.

19. INCOME TAX

The Company is subject to income tax at the rate of 18% on income derived from incentived exportations and 25% on the non incentived portion. The tax loss for 2009 was completely offset in 2010.

(a) Deferred income tax

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

	Note	2010			2009			January 01, 2009		
Amounts recorded at the rate of:		25%	18%	Total	25%	18%	Total	25%	18%	Total
Non-current assets										
Provision for ICMS losses - ES and MG	7	134,105	-	134,105	85,904	-	85,904	69,084	-	69,084
Provision for IRPJ – Real, Summer and CMB Plans	14	-	3,595	3,595	-	3,340	3,340	-	2,993	2,993
Provision for IRPJ – Summer Plan and CMB immediately payable	14	5,473	-	5,473	-	-	-	-	-	-
Provision for profit-sharing	18	7,575	-	7,575	6,588	-	6,588	6,588	-	6,588
Provision for asset retirement obligations	15	9,183	-	9,183	7,373	-	7,373	9,177	-	9,177
Provision for attorneys' fees		1,354	-	1,354	2,330	-	2,330	2,776	-	2,776
Allowance for doubtful accounts	5	62	-	62	520	-	520	470	-	470
Provision for losses – AIRE		1,058	-	1,058	1,058	-	1,058	1,058	-	1,058
Provision for electricity	15	7,507	-	7,507	6,732	-	6,732	5,966	-	5,966
Provision for IRPJ - IRRF (interest)	14	2,183	-	2,183	2,195	-	2,195	3,316	-	3,316
Provision for ICMS TUSD-MG	14	-	-	-	-	9,377	9,377	-	7,091	7,091
Provision for civil claims	14	10,591	-	10,591	9,423	-	9,423	8,191	-	8,191
Provision for mining rights	18	-	-	-	11,709	-	11,709	7,180	-	7,180
Provision for price rectification		-	-	-	6,762	-	6,762	-	-	-
Provision for ICMS fine – ES	14	8,247	-	8,247	2,560	-	2,560	7,321	-	7,321
Adjustments for compliance with CPCs		-	146,972	146,972	-	2,332	2,332	-	-	-
Other		14,688	5	14,693	15,296	538	15,834	921	9,772	10,693
Total consolidated		**202,026**	**150,572**	**352,598**	**158,450**	**15,587**	**174,037**	**122,048**	**19,856**	**141,904**
Provisions recorded at subsidiaries		15	1,601	1,616	1,687	(1,673)	14	-	9,366	9,366
Total parent company		**202,011**	**148,971**	**350,982**	**156,763**	**17,260**	**174,023**	**122,048**	**10,490**	**132,538**
Non-current liabilities										
Transitional taxation scheme (RTT) of inventory		-	-	-	-	-	-	-	7,683	7,683
Transitional taxation scheme (RTT) of property, plant and equipment		-	-	-	-	10,989	10,989	-	241,003	241,003
Transitional taxation scheme (RTT) of intangible assets		-	-	-	-	-	-	-	1,374	1,374
Transitional taxation scheme (RTT) of net income		-	-	-	-	-	-	-	77,434	77,434
Total consolidated		-	-	-	-	**10,989**	**10,989**	**-**	**327,494**	**327,494**
Provisions recorded at Subsidiaries		-	-	-	-	-	-	-	1,370	1,370
Total parent company		-	-	-	-	**10,989**	**10,989**	-	**326,124**	**326,124**

The expected realization of deferred income tax is shown below:

	Up to 1 year	1 to 3 years	3 to 5 years	5 to 8 years	8 to 10 years	Over 10 years	Total 2010
Tax proceedings	574	233	1,623	9,155	140,717	12,144	164,446
Labor claims	-	431	505	87	-	-	1,023
Environmental proceedings	-	19	-	-	-	-	19
Civil proceedings	1	-	10,428	-	162	-	10,591
Effects resulting from changes to accounting practices Law	146,977	-	-	-	-	-	146,977
Other	17,395	-	-	-	-	12,147	29,542
Total consolidated	**17,970**	**683**	**12,556**	**9,242**	**140,879**	**171,268**	**352,598**
Provisions recorded at subsidiaries	1,616	-	-	-	-	-	1,616
Total parent company	**16,354**	**683**	**12,556**	**9,242**	**140,879**	**171,268**	**350,982**

(b) Income tax in the income statement

	Parent company		Consolidated	
	2010	**2009**	**2010**	**2009**
Net income before income tax	2,775,096	1,531,871	2,774,734	1,541,844
Permanent differences:				
Equity pick-up results	567	13,869	567	13,869
Overseas profits	1,604	2,224	1,604	2,224
Non-deductible tax fines	1,248	1,741	1,248	1,741
Nondeductible donations	6,538	3,920	6,538	3,920
Transitional taxation scheme (RTT)	703,697	(9,788)	702,589	(62,877)
Excess interest Law 12248/10 Art. 25	24,999	-	24,999	-
Other additions (exclusions)	(11,813)	4,071	(15,518)	4,071
Offsetting of tax loss 2009	(49,806)	-	(49,806)	-
Unrealized profit	(1,474)	(43,117)	-	-
Profit deriving from incentived exports	(3,294,226)	(973,325)	(3,294,226)	(973,325)
Calculation basis	156,430	531,465	152,729	531,466
Statutory rate	25%	25%	25%	25%
Income tax calculated	39,107	132,866	38,182	132,867

Income tax on incentived exports 18%	592,961	175,199	592,961	175,199
Tax incentive (PAT)	(2,086)	-	(2,086)	-
Tax paid by companies overseas	-	-	563	654
Deferred income tax on unrealized income	463	(1,673)	463	7,645
Deferred income tax from prior years	17,268	(8,795)	17,268	(8,795)
Deferred income tax adjustment under Summer Plan	11,726	-	11,726	-
Overstated offsetting 2009 declaration	(5,063)	-	(5,063)	-
Deferred income tax on translation differences	(126,665)	(77,583)	(126,665)	(77,583)
Income tax	**527,711**	**220,014**	**527,349**	**229,987**

20. COMMITMENTS

The Company is party in long-term contracts as from 2010 for the supply of raw materials and services, as shown below:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total 2010
Capital expenditure for expansion and overhaul of property, plant and equipment	155,016	4,908	60,719	-	-	220,643
Services and other	48,698	58,857	246,841	133,001	53,996	541,393
Iron ore acquisition	523,202	523,202	523,202	1,046,404	1,046,404	3,662,414
Supply of power and raw materials	544,566	521,830	290,510	368,508	216,144	1,941,558
Freight and logistics costs	12,234	-	-	-	-	12,234
	1,283,716	**1,108,797**	**1,121,272**	**1,547,913**	**1,316,544**	**6,378,242**

21. EMPLOYEE BENEFITS

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social – ValiaPrev, which provide participants and their dependents supplementary benefit or benefits similar to those offered by the official basic pension scheme. The plan is a defined-contribution plan and offers the following benefits:

» Normal retirement income.

» Early retirement income.

» Supplementary disability retirement.

» Supplementary pension for death.

» Pension income for death.

» Deferred benefit income for voluntary departure from Company.

» Supplementary annual bonus.

» Annual income bonus.

» Redemption.

In accordance with CPC 33, the Company discloses information as follows:

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 these obligations is recorded under the item “other” in noncurrent liabilities (note 15).

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

The actuarial report appraised the supplementary disability retirement, pension for death and annual bonus, denominated Risk Plan and retirement income. However, in the financial year ended December 31, 2010 there were no changes to the entity's informal practices which could generate a positive obligation in accordance with item 52 of CPC 33.

1 – Change in present value of the obligations

	2010	2009	January 01, 2009
Present value of the obligations at beginning of year	7,043	7,270	5,375
Current service cost	433	523	341
Interest cost	778	770	542
Benefits paid	(290)	(248)	(180)
Gain/loss on present value of the obligations	3,594	(1,272)	1,192
Present value of the obligations at end of year	11,558	7,043	7,270

2 – Change in fair value of the assets

	2010	2009	January 01, 2009
Fair value of assets at start of year	14,344	9,935	6,260
Company contributions	1,450	1,300	1,105
Employee contributions	-	-	-
Benefits paid	(290)	(248)	(180)
Expected yield on assets' fair value	1,622	1,283	749
Gain/loss on fair value of the assets	(1,338)	2,074	2,001
Fair value of assets at end of year	15,788	14,344	9,935

3 – Reconciliation of assets (liabilities) to be recognized in the balance sheets

	2010	2009	January 01, 2009
Opening balance	11,558	7,042	7,270
Present value of actuarial obligations	15,788	14,344	9,935
Fair value of the assets	-	-	-
Net value of the gains/losses not recognized in the balance sheets	-	-	-
(Liability)/ Asset calculated based on the item of CPC 33	4,230	7,302	2,665
Restriction of the Asset due to the limit (item 58 CPC 33)	(4,230)	(7,302)	(2,665)
(Liability)/ Asset to be recognized (recognized liability) as of December 31	-	-	-

4 – Expenses recognized in the statements of income

	2011 (Projection)	2010	2009
Current service cost	645	433	523
Interest cost	1,225	778	770
Expected return on the plan's assets	(1,927)	(1,621)	(1,283)
Gain amortization	-	-	-
Amortization of the past service cost	-	-	-
Total	**(57)**	**(410)**	**10**

5 – Change in the liability/asset to be recognized in the balance sheets as per CPC 33

	2010	2009	Rule transition January 01, 2009
Liability/ (Asset) at beginning of year	-	-	(1,133)
(Expenses)/ Revenue	410	(9)	-
Company's actual contributions	1,450	1,300	-
Immediate recognition of gains	-	-	3,798
Gains/ (losses) to be recognized in the year	(4,932)	3,346	-
Limit Effect	3,072	(4,637)	(2,665)
Closing balance	-	-	-

6 – Amounts to be recognized immediately in retained earnings and accumulated losses

	2010	2009
(Gain)/ loss on present value of the obligations	3,594	(1,271)
(Gain)/ loss on fair value of the assets	1,338	(2,075)
(Gain)/ loss at end of year	4,932	(3,346)

7 - Actuarial assumptions

	2010	2009	January 01, 2009
Economic			
Discount rate	10.77 % per year	11.29 % per year	10.77 % per year
Expected rate of return on assets	11.77 % per year	10.91 % per year	12.38 % per year
Future salary increases	6.59 % per year	6.59 % per year	4.50 % per year
Increase in social security benefits	4.50 % per year	4.50 % per year	4.50 % per year
Inflation	4.50 % per year	4.50 % per year	4.50 % per year
Capacity factor			
Salaries	100%	100%	100%
Benefits	100%	100%	100%
Demographic			
Mortality table	AT-1983 (H)	AT-1983 (H)	AT-1983 (H)
Mortality table of disabled people	AT-1983 (H)	AT-1983 (H)	AT-1983 (H)
Disability rate table	Aggravated Álvaro Vindas of 3.0	Aggravated Álvaro Vindas of 3.0	Aggravated Álvaro Vindas of 3.0
Turnover rate	Nil	Nil	Nil
Retirement age	First age entitled to one of the benefits	First age entitled to one of the benefits	First age entitled to one of the benefits
% of active participants married at retirement	95%	95%	95%
Age difference between participant and spouse	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands

Samarco Mineração also offers a medical assistance plan (self-management and contributed to by employees for expenses incurred) to its employees and their dependents entitled Assistência Médica Supletiva (A.M.S.), a plan which provides users with health assistance services for ambulatory, hospital and dental procedures and drugstore access, established in the collective-bargaining agreement The Company covers the entire cost of this plan's administrative fee.

22. RELATED PARTIES

The balances of related party assets and liabilities as of December 31, 2010 and 2009, as well as the related-party transactions that affected income for the year, are the result of transactions between the Company and its shareholders, subsidiaries, key management professionals and other related parties.

Commercial purchase and sales transactions for goods, raw materials and the hiring of services, as well as financing transactions involving loans and the raising of funds between the Group's Companies are carried out under the conditions described below.

	Parent company								Consolidated		
	Note	BHP Billiton	Vale	Samarco Finance	Samarco Europe	Total 2010	2009	January 01, 2009	2010	2009	January 01, 2009
Current assets											
Trade receivables	(a)	-	-	903,399	-	**903,399**	**463,080**	**691,146**	**-**	**88**	**71**
Other receivables		942	-	-	194	**1,136**	**222**	**819**	**942**	**-**	**-**
Current liabilities											
Trade payables	(b)	-	83,663	-	-	**83,663**	**18,984**	**605**	**83,663**	**18,984**	**605**
Other payables		-	-	-	-	**-**	**-**	**14,208**	**-**	**-**	**-**
Commission payable	(d)	-	-	-	8,799	**8,799**	**9,650**	**8,564**	**-**	**-**	**-**
Loans and financing	13	-	-	333,080	-	**333,080**	**348,080**	-	**-**	**-**	**-**
Financial charges	13	-	-	5,693	-	**5,693**	**8,939**	**28,050**	**219**	**-**	**-**
Dividends		-	-	-	-	**-**	**-**	-	**-**	**-**	**-**
Other (mining rights)	(c)	-	-	-	-	**-**	**46,836**	-	**-**	**46,836**	**28,722**
Non-current liabilities											
Loans and financing	13	-	-	1,165,780	-	**1,165,780**	**1,566,360**	**1,868,960**	**249,810**	**261,060**	-
Other payables		-	-	-	-	**-**	**-**	**3,504**	-	-	-
Statement of income											
Revenue	(a)	-	-	5,644,773	-	**5,644,773**	**2,646,678**	**-**	-	-	-
Cost of goods sold	(b)	-	(613,171)	-	-	**(613,171)**	**(146,473)**	**-**	**(613,171)**	**(146,473)**	**-**
Operating expenses	(c)	-	(84,186)	-	-	**(84,186)**	**(45,841)**	**-**	**(84,186)**	**(45,841)**	-
Sales expenses	(d)	-	-	-	(14,035)	**(14,035)**	**(12,968)**	**-**	**-**	**-**	-
Financial costs	13	-	-	(34,567)	-	**(34,567)**	**(44,811)**	**-**	**(8,727)**	**-**	-
Net exchange variance		-	(1,467)	-	-	**(1,464)**	**(780)**	-	**9,767**	**(713)**	-

(a) Transactions conducted with the subsidiary Samarco Finance entailing the sale of iron ore acquired from the Parent Company and sold on the international market to other companies. The balances and transactions shown were conducted on an arm's length basis.

(b) Related to the acquisition of iron ore fines direct from the shareholder Vale S.A., for use in production. Of the acquisitions made in 2010, which are carried out on an arm's length basis, R$70,083 remains in inventories (R$16,830 in 2009 and R$88,980 as of 1/1/2009).

(c) 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 (see Note 11).

(d) Agency commission paid to the subsidiary Samarco Iron Ore Europe B.V. for intermediating in iron ore sales.

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social – ValiaPrev, which provide participants and their dependents supplementary benefit or benefits similar to those offered by the official basic pension scheme. Details of this plan can be seen in Note 21.

The compensation of key management staff has been presented below:

	2010	2009	January 01, 2009
Compensation	16,532	14,316	14,097
Medical assistance plan	111	94	97
Private pension	993	918	869
Life insurance	76	79	67
Total	**17,712**	**15,407**	**15,130**

23. INSURANCE COVERAGE

It is Company policy to maintain insurance coverage for amounts it considers necessary to cover the risks involved. The company takes out operating risk insurance, which covers compensation for material damages and losses to gross revenue (interrupted production due to accidents). The assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, they were not examined by our independent auditors.

The assets covered stand at R$4,841,457 as of December 31, 2010 (R$4,706,034 in 2009 and R$6,066,054 as of 1/1/2009) and the compensation ceiling is R$1,203,084 in the year (R$549,309 in 2009 and R$666,974 as of 1/1/2009).

24. FINANCIAL INSTRUMENTS

The Company has financial instruments inherent in its operations, represented by cash and cash equivalents, marketable securities, trade receivables, trade payables, loans and financing, exchange contract advances (ACCs) and bank guarantees.

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

The use of financial instruments for hedging purposes is done through a periodic analysis of the risk exposure that management intends to mitigate (exchange, interest rate etc.) the policies and strategies determined by Company management, approved by the Company's strategy and finances committee.

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

The financial instruments have been classified below:

Financial Instrument	Global
Assets	
Cash and cash equivalents	Assets measured at amortized cost
Short-term investments	Financial assets stated at fair value through profit or loss
Accounts receivable	Loans and receivables
Liabilities	
Trade payables	Liabilities measured at amortized cost
Advance on export contract	Liabilities measured at amortized cost
Loans and financing	Liabilities measured at amortized cost
Bank sureties	Liabilities measured at amortized cost

Financial assets consist of:

Cash, cash equivalents, interest-earning bank deposits and restricted cash investments

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Cash and cash equivalents	(a)	222,089	231,610	357,231	232,820	243,596	376,267
Restricted interest-earning bank deposits	(b)	-	-	-	207,912	70,904	42,974
		222,089	**231,610**	**357,231**	**440,732**	**314,500**	**419,241**

(a) Cash and cash equivalents:

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

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

Marketable Securities – Funds invested in conservative, highly liquid bank products. Investment Funds, Certificates of Bank Deposits and Debentures.

(b) Collection account maintained owing to the export prepayment of US$800 million for the expansion project of the third plant (P3P).

Trade receivables

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

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Trade receivables	(a) and (b)	952,854	457,582	739,523	726,535	362,476	604,090

(a) Credit risk

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

Gross sales revenue amounted to R$6,324 billion in 2010 (R$2,837 billion in 2009), while the allowance for doubtful accounts made in 2010 was R$258 (R$2,080 in 2009 and R$1,880 as of 1/1/2009). 43.27% of the outstanding accounts receivable is secured by letter of credit in 2010 (52.56% in 2009 and 28.17% as of 1/1/2009).

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

The exposure of receivables to credit risk at the reporting date is shown in the table below by geographical distribution:

	Parent company		Consolidated	
	2010	2009	2010	2009
Middle East / Africa	22%	24%	22%	24%
China	24%	37%	24%	37%
Asia (except China)	19%	16%	19%	16%
Europe	19%	15%	19%	15%
Americas	16%	8%	16%	8%

(b) Price risk

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

Financial liabilities consist of:

Loans, financings and ACCs

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

For further details about advances on exchange contracts and loans and financings see notes 12 and 13.

The geographical distribution by region of the Company's loans, financings and ACCs as of December 31, 2010 is shown in the table below:

	Parent company		Consolidated	
	2010	2009	2010	2009
Brazil	66.96%	78.83%	66.96%	78.83%
USA	33.04%	21.17%	33.04%	21.17%

	Note	Parent company			Consolidated		
		2010	2009	January 01, 2009	2010	2009	January 01, 2009
Loans, financings and ACCs	(a)	3,357,484	2,538,885	3,632,791	3,357,484	2,538,885	3,632,791

(a) Interest rate risk

This arises from the possibility of the Company and its subsidiaries sustaining gains or losses arising from fluctuations in interest rates on its financial assets and liabilities, and inflation.

Most of the Company's loans and financings as of December 31, 2010 are denominated in United States Dollars, with approximately R$1,099 billion bearing interest at fixed rates and R$2,248 billion at floating rates corresponding to the variance in the LIBOR plus a contractual spread. The Company has no hedge against LIBOR variance, in accordance with its internal and its shareholders' guidelines. Interest-rate risk also derives from the small amount of debt referenced to the IGP-DI price index and short-term investments referenced to CDI.

Bank sureties

The Company has bank sureties issued for an indefinite term to guarantee the suspension of amounts demanded under tax enforcements amounting to a restated total as of December 31, 2010 of R$747 million; the total amount originally contracted is R$529 million. In September and December 2010 the Company renewed its fixed term bank sureties for one year. These sureties are used to guarantee the payment of electricity purchases and full performance of obligations required in the transmission system usage agreement amounting to a total of R$10.7 million.

Bank	Amount secured	Restated amount	Index
Banco Bradesco S.A	246,823	290,714	Selic
Banco Bradesco S.A	64,408	68,671	VRTE
Banco Votorantim S.A.	238	238	-
Banco Votorantim S.A.	111,042	206,456	Selic
Banco Itaú / Unibanco S.A	10,526	10,526	-
Banco Itaú S.A.	80,542	149,396	Selic
Banco Safra S.A.	26,254	32,098	INPC

The Company does not have derivatives embedded in financial instruments.

The operations of the Company and its subsidiaries are also subject to the risk factors described below:

1) Exchange rate risk

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

	Consolidated		
Assets	**2010**	**2009**	**January 01, 2009**
Current assets			
Cash and cash equivalents	15,361	7,972	35,810
Domestic trade receivables	31,898	10,707	15,749
Recoverable taxes	87,063	125,134	156,408
Prepaid expenses	579	673	991
Other assets	7,550	6,012	7,130
Non-current			
Judicial deposits	72,759	134	950
Recoverable taxes	4,961	149,315	222,902
Deferred income tax	352,598	174,037	141,904
Other assets	21,385	19,890	18,074
Liabilities			
Current liabilities			
Trade payables	(233,033)	(90,521)	(100,227)
Domestic loans and financings	(3,574)	-	-
Financial charges payable in Brazil	(348)	-	-
Payroll, provisions and social charges	(56,197)	(48,527)	(43,321)
Taxes payable	(11,747)	(7,094)	(11,072)
Provision for income tax	(81,945)	(31,589)	(16,930)
Other liabilities	(45,383)	(87,468)	(88,763)
Non-current liabilities			
Domestic loans and financings	(6,456)	-	-
Financial charges payable in Brazil	(510)	-	-
Provision for legal obligations	(274,787)	(206,603)	(213,177)
Deferred income tax	-	(10,989)	(327,494)
Other liabilities	(80,533)	(66,554)	(41,346)
Net exposure recorded in the balance sheets	**(200,359)**	**(55,471)**	**(242,412)**
Liabilities not recorded in the balance sheets			
Tax proceedings			
Chance of defeat remote	(437,459)	(123,159)	(108,996)
Chance of defeat possible	(2,438,501)	(2,547,883)	(1,505,170)
Labor claims			
Chance of defeat remote	(160,228)	(7,841)	-
Chance of defeat possible	(10,542)	(16,343)	(10,304)
Civil claims			
Chance of defeat remote	(19,243)	(465)	(963)
Chance of defeat possible	(42,496)	(46,623)	(7,237)
Environmental proceedings			

Chance of defeat remote	(18)	(18)	(18)
Chance of defeat possible	(28,612)	(1,919)	(1,525)
Exposure not recorded in the balance sheets	**(3,137,099)**	**(2,744,251)**	**(1,634,213)**
Total net exposure	**(3,337,458)**	**(2,799,722)**	**(1,876,625)**

The Company does not have any operations to hedge its assets and liabilities in Reais, in accordance with the internal guidelines of management and shareholders, understanding that there is a natural hedge/balance against variations in the exchange rate when the assets and liabilities in Dollars and Reais are taken into account.

Foreign-currency assets and liabilities are translated to the functional currency at the exchange rate as of the balance sheets date, with US$1.00 being equal to R$1.6654 as of December 31, 2010 and US$1.00 equal to R$1.7404 as of December 31, 2009.

The Parent Company's assets and liabilities exposed to exchange variance risks are the same as the consolidated statement.

Management did not disclose the fair value of its financial instruments as of December 31, 2010, as it believes the book values thereof at this date are reasonably close to their fair value.

2) Capital structure risk

This arises from the choice between equity capital (financial resources provided by shareholders and retaining of profits) and third-party capital that the Company and its subsidiaries use to finance their operations. To mitigate liquidity risks and to optimize the weighted average cost of capital, the Company and its subsidiaries permanently monitor their level of indebtedness in accordance with market standards and covenants established in loans and financings contracts, where the main debt indexes are Total Debt / EBITDA and Net Debt / EBITDA.

3) Liquidity risk

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

Management believes the Company does not have a liquidity risk due to its cash generation capacity and its capacity to borrow funds in advance, where necessary, thereby enabling it to perform its scheduled commitments and obligations.

	Consolidated			
	12/31/2010			
	Note	Amount	Up to 12 months	1 – 5 years
Trade payables	(a)	(233,033)	(233,033)	-
Loans, financings and ACCs	(a)	(3,357,484)	(1,519,088)	(1,838,396)
Financial charges payable		(11,130)	(10,620)	(510)

(a) Refers to book value

Financial liabilities	Amount practice	Contractual cash flow	2011		2012	2013	2014	2015
			0 - 6 months	6 - 12 months				
Trade payables	233,033	233,033	233,033	-	-	-	-	-
Loans	3,357,484	3,357,484	736,350	782,738	333,080	339,536	499,620	666,160
Financial charges	11,130	172,543	26,305	28,802	37,591	35,156	30,359	14,330
Total	3,601,647	3,763,060	995,688	811,540	370,671	374,692	529,979	680,490

4) Sensitivity analysis

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and loans and financings.

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

Long-term financings at floating rates are recorded at the value closest to market value.

Short-term investments are linked to CDI and recorded at market value, in accordance with periodical restatements based on prices disclosed by the financial institutions.

In order to identify the sensitivity of the index in the short-term investments to which the Company was exposed as of December 31, 2010, three different scenarios were determined. Based on market projections and the official interest rate (Selic) in force at said date, the Company thought it was reasonable to use the rate of 10.75% p.a. of CDI for the sensitivity analysis, a rate defined as the probable scenario. Based on this probable scenario, two more scenarios were determined with a deterioration of 25% and 50%.

Operation	Note	Risk	Probable Scenario I	Scenario II	Scenario III
Short-term investments		CDI	10.75% p.a.	8.06% p.a.	5.38% p.a.
Yields as of December 31, 2010	(a) and (b)		363	353	343

(a) The gross financial expenses were calculated, not including the taxes and flow of maturities.

(b) The sensitivity analysis was projected over the following 12 months. Amounts relating to the index and rates specified, over the total balance of short-term investments as December 31, 2010.

In order to identify the sensitivity of the index in the long-term investments to which the Company was exposed as of December 31, 2010, three different scenarios were determined, in order to embrace the following 12 months. Based on the accumulated IGP-DI price index and Libor rate in force for 12 months, calculated by the Brazilian Central Bank, in force at December 31, 2010, the Company determined a probable scenario and two other additional scenarios (II and III), with increases of 25% and 50% respectively.

Operation	Note	Risk	Probable scenario I	Scenario II	Scenario III
Overseas financings		Libor	0.78094% p.a.	0.97618% p.a.	1.17141% p.a.
Interest as of December 31, 2010	(c)		17,802	22,252	26,702
Domestic financings		IGP-DI	11.31%	14.14%	16.97%
Interest as of December 31, 2010	(c)		1,134	1,418	1,702

(c) Amounts corresponding to the indexes and fees specified over the total long-term debt as of December 31, 2010, with repayment at the end of the period only (effect of simulation).

In order to identify the sensitivity of the changes in foreign currency to which the Company was exposed as of December 31, 2010, three different scenarios were determined, where scenarios II and III entail an exchange-rate decrease of 25% and 50%.

Financial liabilities	Risk	Scenario Probable I	Scenario II	Scenario III
Exchange rate	R$ / US$	1.6654	1.2491	0.8327
Total Assets		594,154	493,874	599,918
Total liabilities		(794,513)	(549,345)	(842,330)
Net exposure in Reais recorded in the balance sheets		**(200,359)**	**(55,471)**	**(242,412)**

25. FINANCIAL RESULTS

The Company's financial income (consolidated and parent company) breaks down as follows:

	2010	2009
Financial income		
Earnings on investments	642	2,421
Interest received from clients	2,519	4,380
Discounts obtained	1,081	148
Other financial income	1,831	(1,053)
	6,073	5,896
Finance costs		
Financings charges	(36,301)	(35,443)
Finance costs on exchange contract	(17,420)	(36,663)
Commission and bank interest	(12,337)	(12,322)
IOF - Tax on financial transactions	(415)	(592)
Other finance costs	(7,350)	(5,326)
	(73,823)	(90,346)
Net financial expenses - consolidated	**(67,750)**	**(84,450)**
Revenue recorded of subsidiaries	28	1,158
Net financial expenses - parent company	**(67,722)**	**(83,292)**

The balance of exchange variance breaks down as follows:

	Parent Company and Consolidated	
	2010	2009
Exchange variance		
Cash and cash equivalents	800	709
Trade receivables	(282,548)	(31,991)
Recoverable taxes	30,826	276,293
Property, plant and equipment	2,193	(9,991)
Trade payables	214,950	(56,819)
Payroll obligations	61,039	60,438
Tax obligations	10,730	(9,733)
Dividends	(640,674)	410,958
Provision for legal obligations	(2,591)	(47,574)
Cumulative translation adjustment	(34,128)	-
Other	(11,244)	32,451
Net foreign exchange variance - consolidated	**(650,647)**	**624,741**
Net exchange variance of subsidiaries	(260)	67
Net foreign exchange variance - parent company	**(650,907)**	**624,808**

26. SUBSEQUENT EVENTS

The Executive Board authorized the conclusion of these financial statements on February 10, 2011. There were no subsequent events between the end of the year - December 31, 2010 - and the date these financial statements were authorized, in accordance with CPC 24 - Subsequent events.

Noteworthy events in January 2011 included the loan of US$231 million obtained by the Company to finance capital expenditure projects (electrostatic precipitator for the furnaces of plants I and II); raising the capacity of concentrator II by 1.0 MMT of iron ore slurry, and building a high-voltage electricity grid in Germano and converting the burners of the three plants' furnaces from fuel oil to natural gas.

The funds were borrowed from a syndicate of banks, with final maturity after 10 (ten) years and a grace period of 3.5 years, incurring interest at the rate of Libor plus the bank spread, and semi-annual payments.

This loan is guaranteed by a promissory note and linked to previously determined export receivables.

27. STATEMENTS OF ADDED VALUE

The state taxes (consolidated and parent company) break down as follows:

	Notes	Parent company		Consolidated	
		2010	2009	2010	2009
State tax expenses	(a)	227,416	71,556	227,416	71,556
State tax credits	(b)	(130,239)	(117,981)	(130,332)	(118,072)
Total state taxes		**97,177**	**(46,425)**	**97,084**	**(46,516)**

(a) State tax expense consist of ICMS payable on domestic iron ore sales, logistics services and other items, in addition to the provision for loss of ICMS credits. In 2010 we observed that the expenses were greater than the credits due to the increase in the provision for loss of ICMS credits in Minas Gerais state, as explained in note 7.

(b) State tax credits consist of ICMS credits on acquisitions of materials, consumables and property, plant and equipment.

The yield on company capital (consolidated and parent company) breaks down as follows:

	Notes	Parent Company and Consolidated	
		2010	2009
Interim dividends	16	1,639,877	-
Dividends proposed	16	599,861	1,476,565
Reclassification adjustment for presentation of CPCs		7,647	(164,708)
Total yield on company capital		**2,247,385**	**1,311,857**

28. EXPLANATION OF THE MAIN EFFECTS RESULTING FROM THE ADOPTION OF NEW STANDARDS IN BR GAAP

The Company adopted the standards described below in the course of the financial year ended December 31, 2010, including for the comparative period of December 31, 2009 and the opening balance sheets as of January 01, 2009. The application of these standards ("new standards") impacted the amounts previously reported in the Company's financial statements, as shown below in item (1).

CPC standards adopted in 2010.

CPC 24 - Subsequent Events
CPC 26 - Presentation of Financial Statements
CPC 32 – Income Taxes
CPC 43 – Initial Adoption of CPC Technical Pronouncements 15 to 43

1) See below the reclassifications and adjustments for the purpose of presenting the financial statements for the financial year ended December 31, 2009 and the opening balance sheets as of January 01, 2009:

	Parent company							
	January 01, 2009				December 31, 2009			
Assets	Note	Previously presented	Adoption of the new standards	After the adoption of the standards	Note	Previously presented	Adoption of the new standards	After the adoption of the standards
Cash and cash equivalents		357,231	-	357,231		231,610	-	231,610
Trade receivables		739,523	-	739,523		457,582	-	457,582
Inventories		299,145	-	299,145		153,367	-	153,367
Recoverable taxes		156,325	-	156,325		125,109	-	125,109
Deferred income tax	(a)	14,986	(14,986)	-	(a)	35,028	(35,028)	-
Prepaid expenses		880	-	880		506	-	506
Other assets		7,530	-	7,530		6,122	-	6,122
Total current assets		**1,575,620**	**(14,986)**	**1,560,634**		**1,009,324**	**(35,028)**	**974,296**
Judicial deposits		950	-	950		134	-	134
Recoverable taxes		222,902	-	222,902		149,315	-	149,315
Deferred income tax	(a)	117,552	14,986	132,538	(a)	137,173	36,850	174,023
Other assets		18,052	-	18,052		19,890	-	19,890
Investments		33,308	-	33,308		19,439	-	19,439
Property, plant and equipment		4,919,966	-	4,919,966		3,610,269	-	3,610,269
Intangible assets		37,436	-	37,436		25,124	-	25,124
Total non-current assets		**5,350,166**	**14,986**	**5,365,152**		**3,961,344**	**36,850**	**3,998,194**
Total Assets		**6,925,786**	**-**	**6,925,786**		**4,970,668**	**1,822**	**4,972,490**

	Parent company							
	January 01, 2009				December 31, 2009			
Liabilities	Note	Previously presented	Adoption of the new standards	After the adoption of the standards	Note	Previously presented	Adoption of the new standards	After the adoption of the standards
Trade payables		104,342	-	104,342		91,627	-	91,627
Advance on export contracts		1,763,831	-	1,763,831		537,425	-	537,425
Loans and financings		-	-	-		348,080	-	348,080
Financial charges payable		66,070	-	66,070		21,145	-	21,145
Payroll, provisions and social charges		42,317	-	42,317		47,808	-	47,808
Taxes payable		11,026	-	11,026		7,051	-	7,051
Provision for income tax		15,220	-	15,220		29,717	-	29,717
Dividends	(d)	899,335	(899,335)	-	(d)	1,635,663	(1,635,663)	-
Deferred income tax	(a)	6,313	(6,313)	-		-	-	-
Other liabilities		99,329	51,521	150,850	(c)	105,809	16,944	122,753
Total current liabilities		**3,007,783**	**(854,127)**	**2,153,656**		**2,824,325**	**(1,618,719)**	**1,205,606**
Loans and financings		1,868,960	-	1,868,960		1,653,380	-	1,653,380
Provision for legal obligations		213,177	-	213,177		206,603	-	206,603
Deferred income tax	(a)	242,377	83,747	326,124		10,989	-	10,989
Other liabilities		41,346	-	41,346		66,554	-	66,554
Total non-current liabilities		**2,365,860**	**83,747**	**2,449,607**		**1,937,526**	**-**	**1,937,526**
Total liabilities		**5,373,643**	**(770,380)**	**4,603,263**		**4,761,851**	**(1,618,719)**	**3,143,132**
Share capital		297,025	-	297,025		297,025	-	297,025
Capital reserve		2,476	-	2,476		2,476	-	2,476
Profit reserves	(b) (c)	294,549	7,918	302,467	(b) (c)	294,549	7,918	302,467
Cumulative translation adjustments	(b)	958,093	(246,873)	711,220	(b)	(385,233)	(15,393)	(400,626)
Additional dividends proposed	(d)	-	852,274	852,274	(d)	-	1,635,663	1,635,663
Retained earnings (accumulated losses)		**-**	**157,061**	**157,061**			**(7,647)**	**(7,647)**
Total shareholders' equity		**1,552,143**	**770,380**	**2,322,523**		**208,817**	**1,620,541**	**1,829,358**
Total liabilities and shareholders' equity		**6,925,786**	**-**	**6,925,786**		**4,970,668**	**1,822**	**4,972,490**

	Parent company			
	December 31, 2009			
	Note	Previously presented	Adoption of the new standards	After the adoption of the standards
Revenue	(c)	2,754,988	63,818	2,818,806
Cost of goods sold	(c)	(1,342,859)	(20,702)	(1,363,561)
Gross profit		**1,412,129**	**43,116**	**1,455,245**
Operating expenses				
Sales		(91,236)	-	(91,236)
General and administrative		(34,826)	-	(34,826)
Other net operating expenses		(324,959)	-	(324,959)
Equity pick-up results		(13,869)	-	(13,869)
Operating income before financial results		**947,239**	**43,116**	**990,355**
Financial income		7,038	-	7,038
Finance expenses		(90,330)	-	(90,330)
Net foreign exchange variance		624,808	-	624,808
Operating income		**1,488,755**	**43,116**	**1,531,871**
Income tax	(b)	(59,251)	(160,763)	(220,014)
Net income for the year		**1,429,504**	**(117,647)**	**1,311,857**

	Parent company							
	January 01, 2009				December 31, 2009			
Assets	Note	Previously presented	Adoption of the new standards	After the adoption of the standards	Note	Previously presented	Adoption of the new standards	After the adoption of the standards
Cash and cash equivalents		376,267	-	376,267		243,596	-	243,596
Restricted interest-earning bank deposits		42,974	-	42,974		70,904	-	70,904
Trade receivables		604,090	-	604,090		362,476	-	362,476
Inventories		349,185	-	349,185		170,183	-	170,183
Recoverable taxes		156,408	-	156,408		125,134	-	125,134
Deferred income tax	(a)	24,352	(24,352)	-	(a)	35,346	(35,346)	-
Prepaid expenses		991	-	991		673	-	673
Other assets		7,130	-	7,130		6,012	-	6,012
Total current assets		**1,561,397**	**(24,352)**	**1,537,045**		**1,014,324**	**(35,346)**	**978,978**
Judicial deposits		950	-	950		134	-	134
Recoverable taxes		222,902	-	222,902		149,315	-	149,315
Deferred income tax	(a)	117,552	24,352	141,904	(a) (b)	137,173	36,864	174,037
Other assets		18,074	-	18,074		19,890	-	19,890
Property, plant and equipment		4,919,996	-	4,919,996		3,610,291	-	3,610,291
Intangible assets		37,438	-	37,438		25,128	-	25,128
Total non-current assets		**5,316,912**	**24,352**	**5,341,264**		**3,941,931**	**36,864**	**3,978,795**
Total Assets		**6,878,309**	**-**	**6,878,309**		**4,956,255**	**1,518**	**4,957,773**

Liabilities	Consolidated							
	January 01, 2009				December 31, 2009			
	Note	Previously presented	Adoption of the new standards	After the adoption of the standards	Note	Previously presented	Adoption of the new standards	After the adoption of the standards
Trade payables		104,521	-	104,521		91,795	-	91,795
Advance on export contracts		1,763,831	-	1,763,831		537,425	-	537,425
Loans and financings		-	-	-		348,080	-	348,080
Financial charges payable		66,070	-	66,070		21,145	-	21,145
Payroll, provisions and social charges		43,321	-	43,321		48,527	-	48,527
Taxes payable		11,072	-	11,072		7,094	-	7,094
Provision for income tax		16,930	-	16,930		31,589	-	31,589
Dividends	(d)	852,274	(852,274)	-	(d)	1,635,663	(1,635,663)	-
Deferred income tax	(a)	7,683	(7,683)	-		-	-	-
Other liabilities		91,417	7,647	99,064		97,587	7,647	105,234
Total current liabilities		**2,957,119**	**(852,310)**	**2,104,809**		**2,818,905**	**(1,628,016)**	**1,190,889**
Loans and financings		1,868,960	-	1,868,960		1,653,380	-	1,653,380
Provision for legal obligations		213,177	-	213,177		206,603	-	206,603
Deferred income tax	(a) (b)	242,377	85,117	327,494		10,989	-	10,989
Other liabilities		41,346	-	41,346		66,554	-	66,554
Total non-current liabilities		**2,365,860**	**85,117**	**2,450,977**		**1,937,526**	**-**	**1,937,526**
Total liabilities		**5,322,979**	**(767,193)**	**4,555,786**		**4,756,431**	**(1,628,016)**	**3,128,415**
Share capital		297,025	-	297,025		297,025	-	297,025
Capital reserve		2,476	-	2,476		2,476	-	2,476
Profit reserves	(a) (b)	294,549	7,918	302,467	(a) (b)	292,277	10,190	302,467
Cumulative translation adjustments	(b)	961,280	(250,060)	711,220	(b)	(391,954)	(8,672)	(400,626)
Additional dividends proposed	(d)	-	852,274	852,274	(d)	-	1,635,663	1,635,663
Retained earnings (accumulated losses)		-	157,061	157,061		-	(7,647)	(7,647)
Total shareholders' equity		**1,555,330**	**767,193**	**2,322,523**		**199,824**	**1,629,534**	**1,829,358**
Total liabilities and shareholders' equity		**6,878,309**	**-**	**6,878,309**		**4,956,255**	**1,518**	**4,957,773**

	Consolidated			
	December 31, 2009			
	Note	Previously presented	Adoption of the new standards	After the adoption of the standards
Revenue	(c)	2,812,701	-	2,812,701
Cost of goods sold	(c)	(1,362,155)	-	(1,362,155)
Gross profit		**1,450,546**	**-**	**1,450,546**
Operating expenses				
Sales		(88,583)	-	(88,583)
General and administrative		(34,826)	-	(34,826)
Other net operating expenses		(325,584)	-	(325,584)
Operating income before financial results		**1,001,553**	**-**	**1,001,553**
Financial income		5,896	-	5,896
Finance expenses		(90,346)	-	(90,346)
Net foreign exchange variance		624,741	-	624,741
Operating income		**1,541,844**	**-**	**1,541,844**
Income tax	(b)	(67,551)	(162,436)	(229,987)
Net income for the year		**1,474,293**	**(162,436)**	**1,311,857**

(a) Under CPCs 32, 37 and 43, when the entity presents current and non-current assets and current and non-current liabilities, classified separately in the balance sheets, it should not classify deferred tax assets and deferred tax liabilities as current.

The Company reclassifies the net deferred income tax previously classified as current assets and liabilities, to deferred income tax and non-current liabilities.

(b) According to CPC 32, current and deferred taxes should be recognized as revenue or expenses and included in the income statement for the period, except when the tax derives from a transaction or event recognized in the same period or different period outside the income statement, in other comprehensive statements or directly in the shareholders' equity.

The Company reclassified deferred income tax deriving from the functional currency difference for non-monetary assets and liabilities classified in net income to cumulative translation adjustments in the shareholders' equity.

(c) Under CPCs 26 and 43, when the entity has different accounting criteria and net income and shareholders' equity between the individual and consolidated financial statements, it is necessary to adjust the individual financial statements so that when consolidated they produce the same asset, liability, shareholders' equity and net income figures as the consolidated statements.

The Company reclassified the adjustments to the individual financial statements relating to unrealized profit in the inventory of its subsidiary Samarco Finance Limited, so that the net income and shareholders' equity contain the same figures as the consolidated statements.

(d) Under CPC 24 and ICPC08, if dividends are declared after the accounting period reported by the financial statements, but before the date the issuance of these statements has been authorized, the excess portion of minimum mandatory dividends should not be recognized as a liability at the end of that period, as they do not comply with the legal obligation criteria at the reporting date, as specified by CPC 25. These dividends should be disclosed in the notes in accordance with CPC 26.

The Company reclassified the proposed dividends previously classified under current liabilities to the shareholders' equity.

SAMARCO MINERAÇÃO S.A.

BOARD OF DIRECTORS

Serving members

Marcus Philip Randolph – Chairman
José Carlos Martins – Deputy chairman
Ian Robert Ashby
Pedro Gutemberg Quarishi Netto

Deputies

Christopher Michael Campbell
Marconi Tarbes Vianna
Rogério Tavares
Renato Lopes Peixoto Neves

Executive Board

José Tadeu de Moraes
Chief Executive Officer

Roberto Lúcio Nunes de Carvalho
Commercial and Corporate Services Officer

Paulo José Barros Rabelo
Development and Planning Officer

Ricardo Vescovi de Aragão
Operations and Sustainability Officer

Eduardo Bahia Martins Costa
Chief Financial Officer

Accountant Responsible

Lucas Brandão Filho
Accountant - CRC-MG 046442-ES