MANAGEMENT REPORT AND FINANCIAL STATEMENTS

December 31, 2014

SAMARCO

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ABOUT THIS REPORT

This publication describes the performance of Samarco Mineração S.A. in the financial year ended 31 December 2014. The financial statements have been prepared in accordance with Brazilian generally accepted accounting principles (BR GAAP) and have been audited by PricewaterhouseCoopers (PwC). Contents describing our strategy, future vision and social and environmental management have not been taken from the financial statements, nor reviewed by independent auditors.

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For an in-depth look at our economic, social and environmental performance in 2014, read our *Annual Sustainability Report*, which will be available from June 2015 at www.samarco.com

MESSAGE FROM MANAGEMENT

At Samarco we believe that a combination of responsible and ethical business practices and prudent execution of our strategy and business sustainability efforts is key to delivering our Vision 2022. To double our company value and be recognised by employees, customers and broader society as the best in the industry, we are focussed on Excellence, Compliance and Growth – three pillars reflecting our strategy and drawing on 37 years of industry experience.

The year 2014 began with a monumental challenge: delivering the Fourth Pellet Plant Project (P4P) to expand our production capacity and ability to serve the seaborne iron ore pellet market. The year was also punctuated by Brazil's presidential elections as well as a challenging drought – which still lingers and is expected to continue into 2015, affecting the availability of water resources in the regions where we operate. At a global level, we were faced with a decline in per-tonne iron ore prices to 47% below the levels in 2013, and the increase in global supply, combined with a slowdown in strategic consumer markets, means these conditions are likely not to be temporary and should also continue into the year.

With the increase in production capacity following completion of the Fourth Pellet Plant Project, our production in 2014 was 25.075 Mt of iron ore pellets and fines, up 15.4% from the previous year. This volume is still short of our projected increase due to the normal adjustments inherent to the post-expansion ramp-up period, which will ultimately unlock an additional 37% increase in nominal production capacity. Total sales volumes were 25.1 Mt evenly distributed across 36 overseas customers in 19 countries. Net income was R$2,805.5 million, an outstanding result for our industry and one we are very pleased to report given the current outlook for the mining industry.

Ricardo Vescovi, CEO

In challenging times such as those we faced in 2014, and may well continue to face over the coming years, we must leverage our greatest resource: our people and the trust that has been placed in our organisation. Experience has taught us that people are uniquely capable of empowering change and overcoming adversity. The employees and contractors who make Samarco what it is in their day-to-day work – and their engagement with our purpose – are our greatest asset.

We also believe that the gains achieved through the growth of our business must bring lasting benefits to all our stakeholders, delivering shared value. This is the mentality behind initiatives such as the Fourth Pellet Plant Project, one of the largest expansion projects in Brazil's private sector, with total investments of R$6.4 billion. The project provided an opportunity to expand our positive social and economic impact on surrounding communities in both Minas Gerais and Espírito Santo. Throughout the expansion, R$8.6 million was invested in social and institutional programmes. We also generated approximately R$590 million in taxes and neutralised all greenhouse gas emissions during construction through compensation initiatives receiving R$1.9 million in funding.

In addition to our investments throughout the Fourth Pellet Plant Project, we continued to run our standing community, people and environmental preservation programmes with more than R$10.4 million invested in social and institutional initiatives and R$88.3 million in environmental programmes in areas such as water resources, emissions, waste and tailings. Investments in safety, an uncompromising priority at Samarco, totalled R$10 million toward reducing critical risks, with particularly important progress achieved in our human/machine segregation programme. However, our lost-time injury rate for the year was 0.42, an increase from 2013, while our total reported injury rate was 1.27. This has led to a range of improvements and adjustments being prioritised for 2015.

We are aware of the scale of the challenges facing us over the coming years and how we must respond to deliver on our Vision 2022. We believe we are in a position to play a leading role in creating a new model for the mining business. We will require a combination of high productivity across the board, from our industrial operations to supporting functions; competitive production costs to enhance profitability; quality that meets market expectations; and a solid and strong reputation as a leader in Brazil's mining industry.

A number of initiatives to achieve this are currently in progress or will be enhanced in 2015. In operating excellence, we have invested in programmes such as Lean Six Sigma and Kaizen – which together generated R$287 million in savings in 2014 – and in our Maximum Capacity Programme (PMC), which will optimise asset utilisation Company-wide. In technology, innovation and eco-efficiency, we invested R$14 million during the year in nearly 50 ongoing studies into process and product improvements and new business opportunities.

We have also incorporated a long-term perspective into our strategic planning that takes the social and environmental dimensions of the business into account. Our Sustainability Model establishes strategic goals and indicators that address income opportunities, local development, climate change and engagement with stakeholders, all of which contribute to Samarco's long-term vision.

We believe this strategic focus will help lead us into the future as a more productive, efficient and profitable company, recognised by society for our ability to be remain true to our values as we face the challenges ahead in the global iron ore market. From strategic initiatives to routine operations, 2015 will be a year of change – for the better – in the way we do business. We will tackle adversity with confidence, and we will uphold our reputation and corporate responsibility as a differentiator that will establish us as a company in close touch with the market and society.

Ricardo Vescovi de Aragão

Chief Executive Officer

ESSENCE

ABOUT SAMARCO

With 37 years of mining history, operations in two Brazilian states and a workforce of some 3 thousand direct employees and 3.5 thousand contractors, Samarco Mineração S.A. is a Brazilian-based, privately held company with a leading position in the iron ore pellets and fines market.

Samarco is equally owned by two shareholders – BHP Billiton Brasil Ltda. and Vale S.A. – and has long been positioned as one of Brazil's leading exporters, ranking 10th in 2014 according to the Brazilian Ministry of Development, Industry and Foreign Trade.

Essentially an exporting business, we provide industrial clients globally with two core products: iron ore pellets – including direct reduction (DR) and blast furnace (BF) pellets – and fines (pellet feed and sinter feed).

Our operations are located in two Brazilian states: Minas Gerais, where iron ore is extracted and then beneficiated at the Germano Unit; and Espírito Santo, where pelletising and ship loading operations are carried out at the Samarco-owned Ubu port terminal. Three slurry pipelines approximately 400 kilometres long convey iron ore slurry from Germano to Ubu.

We also operate marketing offices in Brazil and overseas, a hydroelectric power station in Muniz Freire (ES) and have an interest in the Guilman-Amorim hydropower joint venture in Antônio Dias and Nova Era (MG). In 2014, these hydroelectric power stations supplied 14.5% of our electric power requirement.

OUR ATTITUDE

MISSION

Produce and supply iron ore pellets, applying technology intensively to optimize the use of natural resources and generating economic and social development, with respect for the environment.

VISION 2022

Double the value of the Company and be recognized as the best in the industry by employees, customers and society.

VALUES

Respect for people
Integrity
Mobilization for results

MANAGEMENT PILLARS

Compliance
Excellence
Growth

HEADLINES

PRODUCTION & SALES

25.075 million
tonnes produced

25.129 million
tonnes exported (pellets + fines)

FOURTH PELLET PLANT PROJECT (P4P)

1.1 thousand
direct and indirect jobs created upon completion

R$6.4 billion
invested (2011-2014)

R$590 million
in **taxes generated** by Germano (MG), Ubu (ES) and the slurry pipeline (2011-2014)

FINANCIAL

R$7,601.3 million
in **gross revenue** for 2014

R$2,805.5 million
in **net income**

R$1,812.8 million
paid in dividends to shareholders

R$1.3 billion
in **total investments** in our operations

COMMUNITY

More than R$10.4 million
invested voluntarily in social and **institutional programmes** (excluding P4P)

SAFETY

0,42 lost-time **injury rate** and
1.27 total reported **injury rate** (lost time plus non-lost time injuries).

ENVIRONMENT

R$88.387 million
in **environmental investments** (excluding P4P)

GOVERNANCE AND MANAGEMENT

At Samarco, corporate governance is underpinned by four core pillars: Corporate Responsibility, Transparency, Fairness and Accountability. Our shareholders work with our executive management to fulfil our strategy and deliver on our future vision in accordance with our Code of Conduct, Bylaws and Shareholders Agreement.

With four members and four substitutes appointed by shareholders BHP Billiton Brasil Ltda. and Vale S.A., our Board of Directors meets on a four-monthly basis and its duties include establishing strategic guidance, approving business plans, investments and budgets, and monitoring business performance. Board duties also include approving dividend payments to shareholders and reinvestment, and deliberating on changes to capital structure. Directors hold no executive positions and serve a term of three years, subject to reappointment.

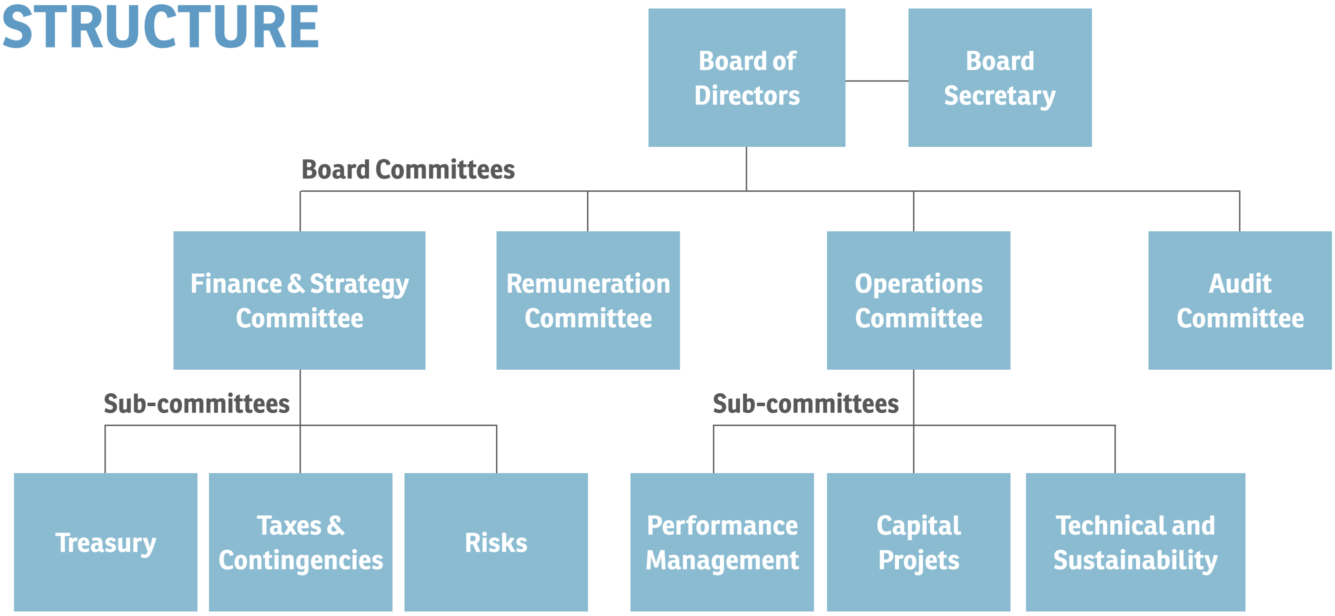
The Board is advised on its decisions by four committees: Finance and Strategy; Operations; Audit; and Compensation. The Finance and Strategy Committee has four sub-committees for Tax; Contingencies; Treasury and Risk, while the Operations Committee has Performance Management; Capital Expenditure Projects; and Technical and Sustainability subcommittees.

In 2014 we created an Audit Committee as well as a Risk subcommittee under the Finance and Strategy Committee. The Technical subcommittee was renamed as the Technical and Sustainability subcommittee and continues to advise the Operations Committee. The Fourth Pellet Plant Committee was discontinued on completion of the project.

Our senior management consists of the Chief Executive and executives for Operations and Infrastructure; Finance and Procurement; Project and Eco-Efficiency; Commercial; and Planning, Management and Sustainability.

As a matter of good governance practice, our shareholders' representatives abstain from deliberating on matters that could involve a conflict of interest.

GOVERNANCE STRUCTURE



ETHICAL CONDUCT

Compliance is among our pillars of management at Samarco. Our Compliance programme includes communication channels, policies and training on subjects such as corruption, fraud and business ethics. Samarco's principal sources of reference are our:

- **Code of Conduct;**
- **Anti-corruption Policy and Anti-fraud Policy;**
- **Antitrust Compliance Policy;**
- **Policy on Offering and Accepting Gifts and Hospitality.**

Compliance with our policies is monitored by our Ombudsman's Office, which is responsible for managing our Code of Conduct and addressing reports and concerns expressed by employees and the public. The identities of whistle blowers remain anonymous and their concerns are investigated by a Business Conduct Committee in a fair and impartial manner.

The Committee consists of the Chief Executive and the heads of the Human Resources, Legal and Internal Controls functions, as well as the ombudsman. A total of 146 reports were submitted in 2014, of which 119 were investigated and concluded. Of these, 40% were considered fully or partially accurate.

HUMAN RIGHTS COMMITTEE

Since 2013, Samarco has addressed human rights issues through a Human Rights Management Committee. The group consists of the chief executive and the heads of the Human Resources; Legal; Procurement; and Communication & Social and Institutional Development functions, as well as the Ombudsman and Compliance functions.

Human rights issues in processes Company-wide are assessed in quarterly meetings. A few of the highlights in 2014 include implementation of 19 action plans, a seminar on the risk of human rights violations and implementation of a human rights assessment framework for suppliers.

RISK MANAGEMENT

At Samarco we monitor, analyse and mitigate the impacts of risks potentially affecting our operations and business strategy. Our current model, described in our Risk Management Policy, incorporates industry best practice and guidance from our shareholders.

We classify risk according to its nature and criticality. Five categories are currently used: Strategic, Operational, Project, Financial & Compliance and Health & Safety risk.

We perform annual reviews involving our functions and management to identify material – or critical – risks within these categories and evaluate their severity and likelihood of occurring.

Throughout 2014 we held over 30 risk assessment seminars attended by more than 300 employees. In total, 24 material risks and 48 non-material risks were mapped, and more than 500 initiatives to address these risks were put forward.

Throughout the year, six collective drills were organised to assess our crisis readiness and procedures for managing events with a potential to disrupt our operations. Drawing on lessons learned and the challenges we faced throughout the year, in 2015 we plan to deepen our analysis of controls and include new topics, and further develop our crisis prevention and management system.

STRATEGY AND VISION 2022

Through a robust planning and management framework, Samarco seeks to anticipate opportunities, mitigate risks and develop a business model that is able to address the challenges of the seaborne iron ore pellet market.

Our current priorities are **high productivity** through optimal use of available assets across our operations; **low production costs** to remain competitive; **high quality standards** in line with market requirements; and a **strong reputation** reflecting our positive relationships with customers, employees, business partners and broader society.

To achieve this we are investing on a number of fronts, including research and development, productivity programmes and operational excellence initiatives. The applicable guidelines are contained in our Strategic Roadmap, which translates the challenges we will face in the period 2012-2022.

Our strategy is monitored through a range of management routines including weekly Senior Management meetings, the Safety Management and Organisational Performance Forum and half-yearly strategy meetings involving senior and middle management. Our Senior Management agenda in 2014 included critical matters such as our products and the market, reputation, risk and productivity.

During the year, we performed a consistency and sufficiency analysis on our pipeline of projects being developed to deliver our strategy, evaluating their contribution to realising Samarco's Vision 2022. In 2015 we will run a review process to ensure our strategy remains up-to-date with the social, environmental, legal, technological, market and economic challenges we face. We also plan to implement an integrated and collaborative competitive intelligence process.


From industrial operations to the market environment, Samarco is aware of the externalities that can affect their business.

SUSTAINABILITY MODEL

For the past two years we have incorporated social and environmental guidelines and goals into our decision-making through our Sustainability Model – a set of guidelines that steer our actions in line with our Strategic Roadmap and help us build a bond of trust with society.

In 2013 and 2014, we worked toward defining sustainability goals for each of the pillars, with a focus on issues such as social and economic development, natural resource management, biodiversity and climate change.

READ MORE +
about our Sustainability Model in our *Annual Sustainability Report 2014* at www.samarco.com

EXCELLENCE & PRODUCTIVITY

A major challenge in the mining industry today is ensuring competitive costs and using available resources – material, human and natural – efficiently. One of the ways we address this is through operational excellence based on Lean Six Sigma, an excellence programme that uses methodologies designed to maximise the results of our Lean Six Sigma (LSS), Kaizen and Lean Office programmes.

The first is a methodology for solving medium to high complexity problems; Kaizen helps technical and operational staff to implement quick-win projects; and Lean Office is geared to supporting functions.

In 2014, a total of 104 LSS projects and 834 Kaizens were implemented, generating R$287 million in savings for Samarco – 47% more than in 2013 (R$195.9 million). Cost savings combined with high productivity have enabled Samarco to achieve greater profitability in line with our strategy and Vision 2022.

MAXIMUM CAPACITY PROJECT (PMC)

Under development since 2014, this Project is helping Samarco improve production capacity by utilising assets to optimal efficiency levels in our operations. The goal is to ensure the sustainability of the business by maintaining high standards of operating excellence and competitive costs while building mutually beneficial relationships – focused on productivity – with business partners (suppliers).

READ MORE +
about the PMC programme in our *Annual Sustainability Report 2014*

INNOVATION

Another strategic front is innovation – which involves not only research and studies focusing on the final product, but also creating business opportunities and process improvements. For the past three years we have developed a pipeline of approximately 50 initiatives grouped under six themes: Mineral Resources; Tailings and Waste Rock; Water Resources; Renewable and/or Alternative Energy Sources; Energy Efficiency; and Emissions.

In 2014, five initiatives were completed and delivered for implementation. Some of the most significant initiatives include new underflow and overflow thickening processes; a waste wood-fuelled power generation process; and production of biomass in the form of coconut briquettes as fuel for pelletising furnaces in replacement of fuel oil and natural gas. Investments in these initiatives totalled R$14 million during the year and should increase to R$24 million in 2015.

IMAGE AND REPUTATION

Present in our Vision 2022 and Strategic Roadmap, being recognised for responsible business practices is an important competitive differentiator given the significance of our day-to-day impacts and the reputational challenges faced by the mining industry.

In 2014 we conducted a third Samarco Reputation Survey to track the status of our organisational reputation among employees, contractors, customers, governments, neighbouring communities, suppliers and opinion makers. Using Reputation Institute's RepTrak™ Deep Dive methodology, we scored a reputation indicator of 74.9, which means our reputation remains "Strong", a level considered excellent for our industry.

Reputation management , innovation, excellence and high productivity are among Samarco's strategic drivers.

PERFORMANCE AND OUTLOOK

MARKET LANDSCAPE

The year was marked by an increasingly complex and competitive external landscape for the mining industry. A combination of slower growth in developing countries, declining iron ore prices and increased global production created a new market environment in which the performance of large exporters will hinge on aspects such as costs, productivity and profitability.

Globally, some economies in Europe and the United States experienced general economic recovery with growth in Gross Domestic Product. Among developing countries, growth was led by China and India.

In Brazil, exports fell by 7%, hurt by the declining prices of commodities and especially iron ore, corn and soybeans, as well as factors related to oil prices, Brazil's grain harvest and the foreign exchange rate.

In the mining industry, iron ore prices took a steep downturn. FOB (Free on Board) prices for iron ore from Brazil fell from US$ 100.5/tonne in January 2014 to US$ 53.3/tonne in December – a 47% decline.

Prices are likely to stabilise at a significantly lower level in 2015, affected by slower growth in strategic markets and decreasing demand for seaborne iron ore, with Chinese steelmakers using work-in-process inventory.

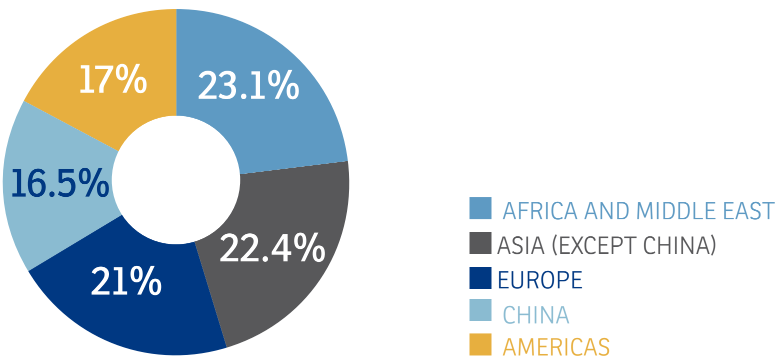
While a gradual recovery in prices is expected over the remainder of the decade as a better supply-and-demand balance is achieved, companies in the industry are being compelled to adapt to new commercial dynamics.

HOW WE HAVE RESPONDED TO THESE CHALLENGES

At Samarco, exposure to the risk of iron ore price volatility and fluctuation has been mitigated by a new marketing approach based on portfolio segmentation, investments in quality and geographical diversification. Samarco sells iron ore pellets and fines to 19 countries in markets such as the Americas, the Middle East, Asia and Europe (*see graph*) in a bid to increase resiliency against abrupt changes in the international market and invest in geographies with good long-term prospects.

SALES

by region

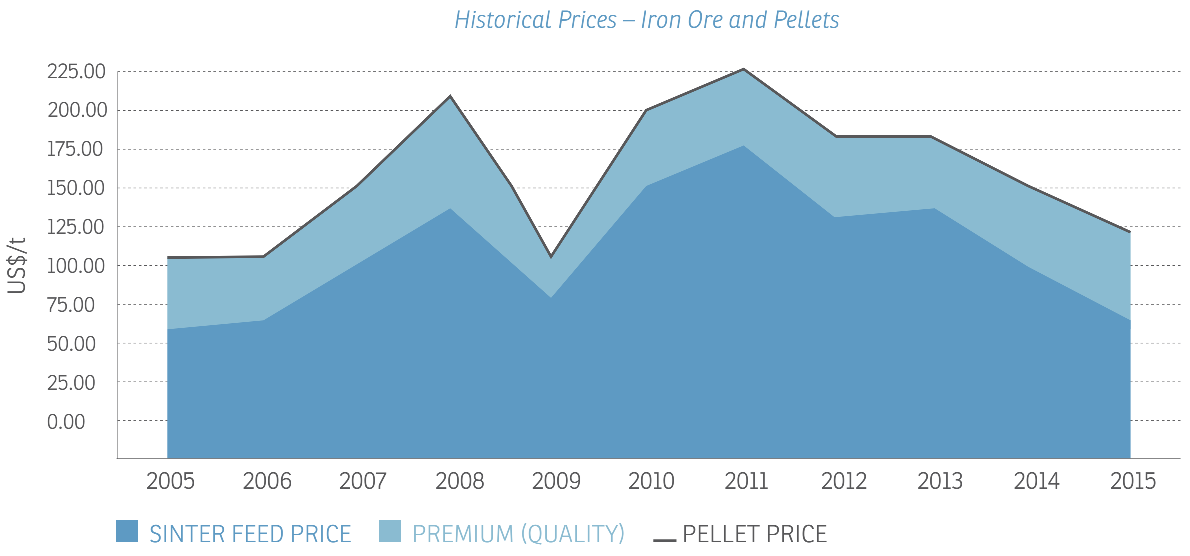


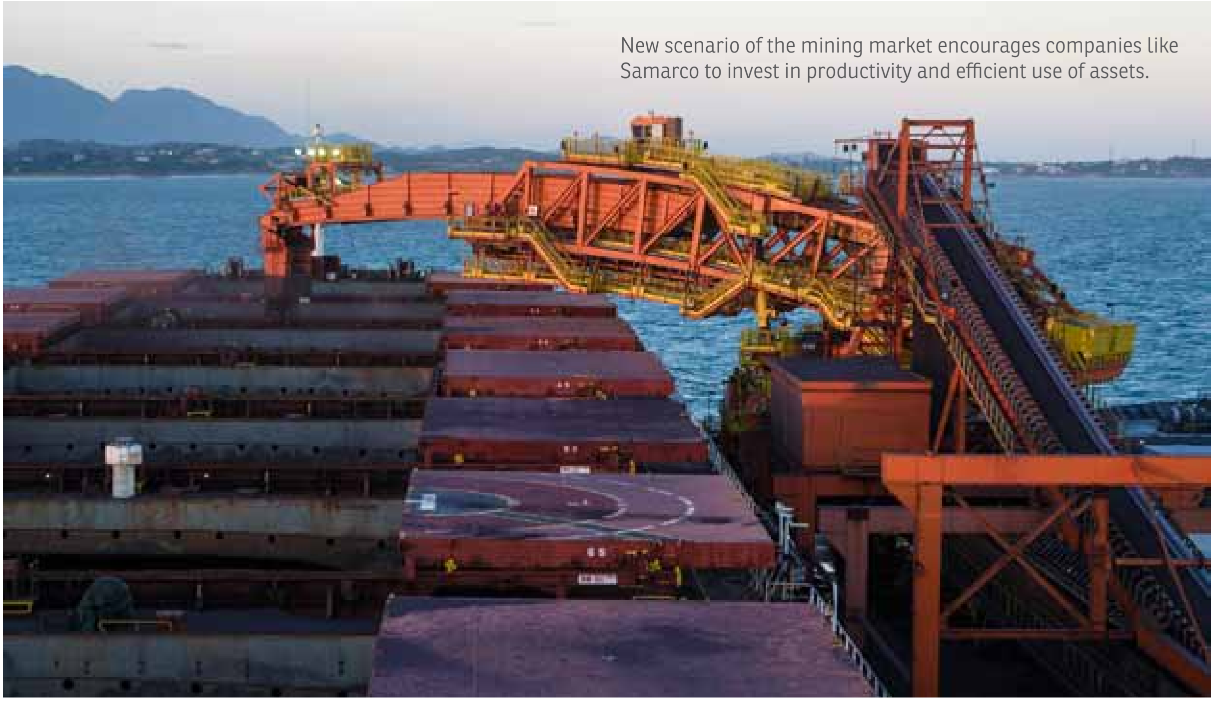
In 2014, with the added production capacity following the completion of the fourth pellet plant line (P4P), we implemented a strategy of balancing our direct reduction and blast furnace pellet production as well as the markets we serve in order to mitigate risks and focus on our more profitable products.

Despite the price decline, the higher quality of iron ore pellets compared with other ore products – such as fines – remains a competitive advantage that has kept average prices on the products we offer above the market average (*see graph*).

Another important way we address product pricing challenges is by reducing costs through a combination of high productivity, optimal asset utilisation and increased efficiency. A highlight in this aspect was the improvement provided by the P4P project, which helped reduce production costs and offset potential pricing losses through increased capacity.

PRICE (FOB) EXPORT OF IRON ORE - 2014





New scenario of the mining market encourages companies like Samarco to invest in productivity and efficient use of assets.

BUSINESS PERFORMANCE

FINANCIAL HIGHLIGHTS

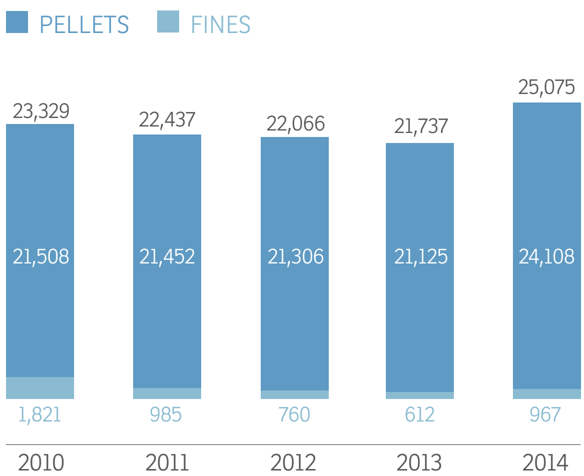
(in R$million)

	2014	2013	2012	2011	2010
Gross revenue	7,601	7,240	6,611	7,117	6,324
Net revenue	7,537	7,204	6,550	7,059	6,240
Gross margin (%)	58.0	62.8	61.3	63.9	64.8
Profit	2,806	2,731	2,646	2,914	2,247
EBIT	3,410	3,653	3,357	3,922	3,493
EBITDA	3,762	3,870	3,554	4,113	3,671
EBITDA margin (%)	49.9	53.7	54.3	58.3	58.8
Capital expenditure	629	521	643	420	294
Capital expenditure (P4P)	660	2,160	2,709	935	24
Total assets	19,557	15,032	11,001	7,095	5,542
Equity	4,313	3,758	3,274	1,807	1,377
Gross debt	11,648	9,030	5,987	4,388	3,369
Net debt	9,531	8,475	5,215	3,888	2,928
Gross Debt/ EBITDA	3.1x	2.3x	1.7x	1.1x	0.9x
ROCE	17.6	22.5	29.3	55.2	67.2

Total iron ore pellets and fines production in 2014 was 25.075 Mt, up 15.4% from 21.737 Mt in the previous year, helped by first production from the fourth pellet plant line in 2014, which increased our maximum annual capacity by 37%. Samarco's entire production output was successfully sold, with sales totalling 25.129 Mt.

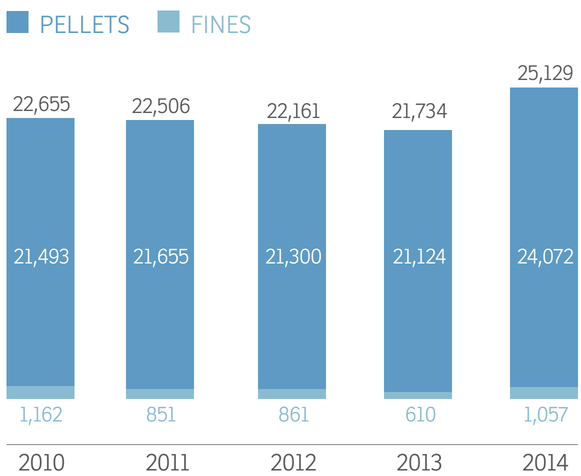
PRODUCTION

(thousand tonnes)



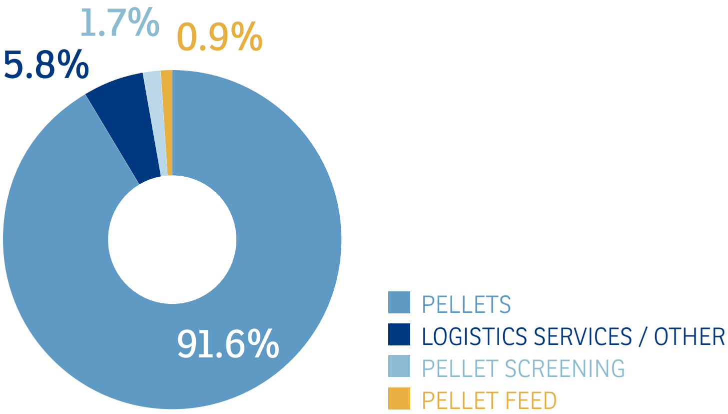
SALES

(thousand tonnes)



GROSS REVENUE COMPOSITION 2014

(%)



RESULTS

Gross revenue in 2014 was R$7,601.3 million, an increase of 5% from R$7,240.2 million in 2013. The increase reflects higher sales volume (15.6%) following completion of the Fourth Pellet Plant Project, as well as gains from a weakening domestic currency (2014 – 2.6556 x 2013 – 2.3420) and the favourable impact of R$405.2 million (R$36 million in 2013) from the sale of surplus electricity in the spot market through contract management. These gains were offset, however, by a decrease of approximately 20.1% in the US dollar selling price for pellets (2014 – US$ /dmt 123.1 x 2013 – US$ /dmt 154.1) as a result of the sharp price drops observed globally for most commodities, including iron ore.

Net income for the year was R$2,805.5 million, up 2.7% from R$2,731.4 million in 2013. The increase in net income was helped by higher financial revenue (R$178.9 million) deriving from indexation of judicial deposits (R$148.0 million) largely relating to litigation over ICMS tax on the use of the power distribution system (R$58.7 million), Social Contribution on Net Income (CSLL – R$42.0 million) and Emergency Capacity Charges on power supply in the states of Espírito Santo and Minas Gerais (R$35.1 million).

Income tax effects were also reduced (R$287.6 million) primarily as a result of a reversal of deferred income tax deriving from functional currency differences (R$174.0 million) and realisation of deferred income tax on the provision for ICMS losses in the state of Minas Gerais in 2013 (R$107.8 million).

COST OF PRODUCTS SOLD AND GROSS MARGIN

Unit costs per tonne of pellets sold decreased by 6.5% from US$ 57.11 in 2013 to US$ 53.42 in 2014. This is directly linked to Samarco's strategic goal of being uniquely positioned in the industry in terms of production costs through efforts to improve cost efficiencies.

These efficiencies are the result of systemic productivity improvements as well as upgrade projects within the Lean Six Sigma Programme to enhance efficiency by reducing the consumption of specific inputs and utilities and improving operating performance. Also significant are the gains of scale achieved following first production from the Fourth Pellet Plant line, which have delivered important contract and labour cost synergies across the value chain. The new and more technologically advanced industrial facilities have also provided improved performance.

These efforts enabled us to maintain high gross margins in 2014 (58%) despite the hostile global commodity market environment, in which average pellet prices declined sharply by 20.1%. Despite these efforts, however, gross margin in domestic currency declined 7.6% compared with the previous year (2014 – 58.3% x 2013 – 62.8%), though remaining high compared with peers.

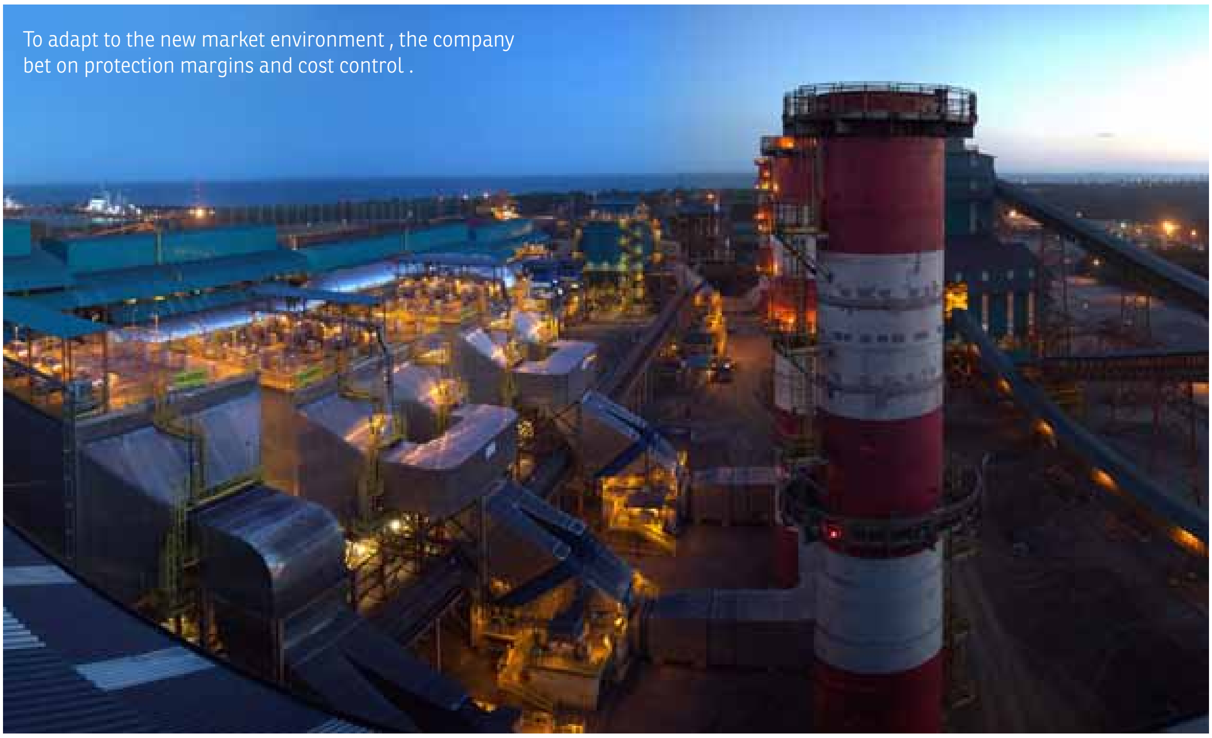
However, costs of products sold increased by 18% to R$3,168.1 million in 2014 from R$2,679.9 million in 2013 to support the expansion of production volume. Added costs include process inputs (R$154.7 million), outsourced services (R$100.6 million), miscellaneous materials (R$62.3 million), electric power (R$55.1 million) and costs related to plant shut downs and maintenance throughout 2014 (R$46.4 million).

Workforce expenses also increased (R$37.8 million) as a result of salary increases, benefit adjustments under a collective bargaining agreement, as well as the full impact in 2014 of new hires throughout 2013. The decrease in commodities prices helped reduce third-party iron ore purchasing costs by R$156.2 million, partly offsetting losses compared with 2013.

OPERATING EXPENSES

Operating expenses were R$958.9 million in 2014 or 12.7 % of net revenue, versus R$871.4 million or 12.1% of net revenue in the previous year. The higher percentage of net revenue is primarily related to the increase in sales volumes in 2014, which increased our marketing expenses (R$43.0 million) relating to demurrage and commission. In addition, we established a provision of R$247.1 million (2013 – R$101.9 million) for ICMS losses in Espírito Santo not expected to be realised.

The smaller provision in 2013 was due to a reversal for credit accrued in the state of Minas Gerais which was offset against taxes due on transfers from Minas Gerais to Espírito Santo. Higher research and development expenditure (R$48.9 million) also contributed to the increase during the period. A reduction in mining rights (R$33.3 million) combined with a decrease in dividends and attorneys' fees (R$19.4 million) partly offset these losses.



To adapt to the new market environment , the company bet on protection margins and cost control .

EBITDA

Our EBITDA (earnings before interest, taxes, depreciation and amortisation) in 2014 reflects the Company's operational excellence and management's responsiveness to the changing domestic and global business environment. By absorbing the significant decline in iron ore prices through initiatives to reduce production costs and sustain sales revenues by delivering superior product quality, Samarco has maintained an EBITDA margin approximating 50%, a level that is remarkable for the iron ore industry.

EBITDA declined 2.8% from R$3,869.9 million in 2013 to R$3,762.5 million in 2014. EBITDA margin fell 3.7 percentage points year-on-year (2014: 49.9% x 2013: 53.7%).

EBITDA
(R$million)

	Consolidated	
	2014	2013
Operating profit	3,347,465	3,560,878
(+) Depreciation and amortisation	352,615	216,796
(+) Net exchange variance	(161,389)	(261,188)
(+) Net financial expense/revenue	223,777	353,383
Ebitda	**3,762,468**	**3,869,869**

DEBT AND FINANCIAL TRANSACTIONS

Loans and financing are instruments used by the Company to finance its long-term projects and ventures. Gross debt in 2014 was R$11,648.2 million, increasing by 29%, or R$2,618.1 million, from R$9,030.1 million in the previous year. Of this total, 99% is denominated in US dollars – as is our revenue – providing a "natural hedge" against foreign exchange variance.

The increase in debt in recent years is inherent to Samarco's investment programme, which includes the Fourth Pellet Plant Project, a total investment of R$6.53 billion initiated in 2011 and completed in 2014. Another factor increasing our debt in local currency is foreign exchange effects. Because 99% of Samarco's debt is denominated in US dollars, the strengthening of the US dollar against the real over the past five years (R$/US$2.6556 in 2014 x R$/US$1.6654 in 2010) has negatively affected our financial statements in domestic currency.

Cash and cash equivalents on hand as at year-end 2014 were R$2,118 million. This higher-than-historical level positively affected our net debt to EBTIDA ratio, which at year-end was 2.1x, a slight increase from 1.9x in 2013. The increase in cash and cash equivalents compared with previous years is part of the Company' strategy to accommodate potential constraints in light of the current climate of uncertainty, including potential ore price fluctuations and the risk of electric power rationing.

(R$million)	2014	2013	2012	2011	2010
Gross Debt	11,648	9,030	5,987	4,388	3,369
Short-term investments	7	118	249	42	25
Net Debt	9,531	8,475	5,215	3,888	2,928

Our principal financial transactions during the year were:

- a disbursement of R$1,088.8 million (US$ 410 million) in connection with four export prepayment transactions made in 2013;
- R$1,327.8 million (US$500 million) through a new international bond issuance;
- loan repayments totalling R$729.1 million (US$300 million) as part of two export prepayment transactions.

Funding arrangements have been selected to ensure competitive terms and maintain the current average debt horizon. As at year-end 2014, Samarco's average debt maturity was 6.1 years, compared with 6.2 years in 2013.

Our maturity profile consists of 11.6% (R$1,356.7 million) in short-term debt and the remaining 88.4% (R$10,291.5 million) in long-term financing payments.

RATINGS

Samarco retained its investment-grade rating in 2014 as determined by two credit rating agencies: Fitch Ratings (BBB), which has rated the Company since 2005, and Standard & Poor's (BBB-), which has rated the Company since 2012.

DIVIDENDS

Total dividends paid to shareholders were R$1,816.9 million, of which R$682.9 million was paid in April (the minimum mandatory dividend of 25% of 2013 profit). In August, another R$1,133.9 million was paid, with the remaining R$918.5 million out of 2013 profit remaining to be paid in 2015.

CAPITAL EXPENDITURE

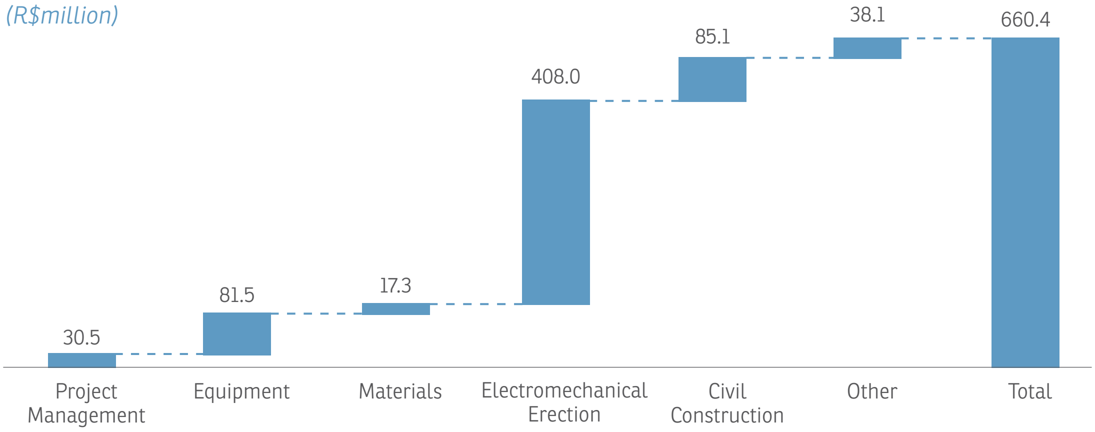
Total capital expenditure in 2014 was R$1.3 billion, of which R$660.4 million was invested in the Fourth Pellet Plant Project (P4P), R$206.6 million in optimisation projects and R$422.6 million in maintaining current operations.

Capital expenditure declined in comparison with the previous year largely as a result of the completion of P4P in 2014. Expenditure on optimisation projects was higher in 2014 than in 2013, primarily as a result of mine fleet purchases.

The Fourth Pellet Plant Project, initiated in 2011, was completed in 2014 with a total investment of R$6.53 billion and expenditure to date of R$6.48 billion. Secondary activities involved in completing the facilities and a number of civil construction and mechanical erection punch list items are still in progress, and are expected to be completed in 2015.

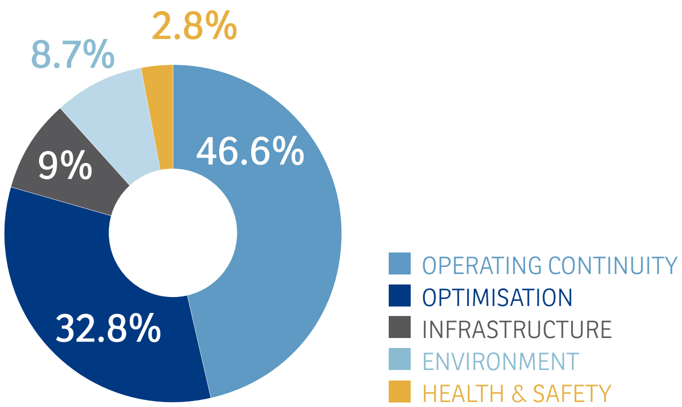
CAPITAL EXPENDITURE P4P – 2014

(R$million)



Other capital expenditure investments, optimisation projects and upkeep expenditure totalled R$629.2 million, broken down as shown in the graph below.

CAPITAL EXPENDITURE BREAKDOWN 2014



MAIN CAPEX PROJECTS

	Expenditure	Goal
Replace current rental fleet	**R$150.5 million**	Purchase mine fleet to replace the current rental contract. Status: In progress, to be completed in 2015.
Germano HV grid connection (MG)	**R$25.4 million**	Reduce electricity transmission costs by connecting to the high-voltage grid and increasing power supply reliability. Status: completed in 2014, initiated in 2010.
Acquisition of land	**R$22.3 million**	Acquisition of land to expand statutory protected areas and tailings disposal areas. Status: in progress.
Mobile equipment shop	**R$18.1 million**	Initiated in 2011, this project entails construction of a maintenance shop in replacement of current facilities to accommodate the growing fleet of medium and heavy vehicles. Status: completed in 2014, initiated in 2011.

ADDED VALUE

In 2014, Samarco generated total wealth of R$9,242.2 million, a decrease of 10% from R$10,266.6 million in 2013. Net added value was R$3,999 million in 2014, an increase of 3.2% from R$3,678.7 million in 2013. Added value to be distributed was R$4,677.8 million, up 4.6 % from R$4,214.9 million in 2013.

Wealth distribution was as follows:

- R$469.5 million (R$419 million in 2013) was distributed through compensation for 2,969 employees, through the creation of approximately 531 direct and indirect jobs, and 176,474.88 training hours, or an average of 281 hours per person;
- R$597.7 million was distributed through taxes, charges and contributions (R$279.5 million in 2013);
- R$804.9 million was distributed through interest on debt (R$785.0 million in 2013);
- R$2,805.5 million was distributed through interest on shareholders' equity (R$2,731.4 million in 2013).

ADDED VALUE

(R$million)

	Consolidated	
	2014	2013
Revenue (wealth created)	9,242.2	10,266.6
Inputs purchased from third parties	4,890.3	(6,371.2)
Gross added value	4,351.9	3,895.5
Depreciation	(352.6)	(216.8)
Net added value	3,999.3	3,678.7
Financial revenue	678.5	536.2
Total added value to be distributed	4,677.8	4,214.9
Staff	469.5	419.0
Taxes, charges and contributions	597.7	279.5
Interest expenses	804.9	785.0
Interest on equity	2,805.5	2,731.4
Distribution of added value	4,677.8	4,214.9

SOCIAL AND ENVIRONMENTAL PERFORMANCE

Year after year, Samarco has empowered local development by connecting social actors, positively influencing communities and working as a collaborative network to enhance quality of life in our direct area of influence.

Throughout 2014 we conducted a new materiality analysis to update the aspects seen by our stakeholders as most material to our business. We conducted a survey of internal (employees and contractors) and external (community, suppliers, government, contractors, opinion makers) stakeholders, as well as industry benchmarking analyses and assessments of our practices and policies, involving more than 200 people.

ENVIRONMENT

Investments in environmental management in 2014 were focused on improving resource efficiency, ensuring compliance and managing impacts in areas such as waste, tailings, water and greenhouse gas and particulate emissions. In total, R$88.3 million was invested during the year, excluding the R$31.5 million invested as part of the Fourth Pellet Plant Project (P4P).

Water management, one of our priorities, became especially critical in 2014 due to the severe drought in the Southeast of Brazil. We are committed to full compliance with environmental regulations as well as implementing our own Water Resource Master Plan. During 2014, we progressed in structuring a dynamic water balance that will help assess the water management equipment and systems we use in our production process.

In mining, no water is incorporated into the final product, which means that after its use and treatment to meet applicable regulations, it can be returned into the environment.

Approximately 90% of the water used at Samarco is recycled, ensuring maximum utilisation of abstracted water. Part of the water used for ore beneficiation in Minas Gerais, for example, is re-utilised to convey slurries through the slurry pipelines. In Espírito Santo, the water is then treated and recycled into the production process, without the need to abstract additional water. This reduces reliance on water resources and significantly diminishes our environmental footprint.

COMMUNITY

In line with our social transformation strategy, Samarco's community relations investments and practices are centred on three main areas: education and income opportunities; enhancing institutional capital; and citizenship and social engagement.

The programmes we support and develop involve employment and income opportunities, culture, education, citizenship, internal engagement and cooperation towards the social development of our direct area of influence. Grants are provided in accordance with our Social and Institutional Investment Policy and totalled more than R$10.4 million in voluntary investments in 2014 (*see graph*).

Other socially oriented voluntary investments were also made as part of P4P, including grants for new equipment and social programmes amounting to a total of R$8.6 million (2011-2014). As part of our commitments and environmental license requirements, we have undertaken a range of investments in social programmes that have had a positive social impact on the communities directly affected by our expansion projects.

In addition to these programmes, we have also developed channels to improve our social communications. Among these are community relations forums which in 2014 engaged more than 2.9 thousand participants within our direct area of influence in Minas Gerais and Espírito Santo.

TOTAL INVESTMENT

(R$)

	2014	2013
Social and Institutional Investment Policy	10,470,185.00	9,061,856.65
Social investment within P4P	2,473,956.56	3,877,731.54
Requirement 53	3,437,978.90	3,634,988.37
Social and Environmental Commitment	7,393,327.83	3,173,364.68
Santa Bárbara Commitment	410,923,45	1,511,692.00
Total	**24,186,371.74**	**21,259,633.24**

OUR PEOPLE

In 2014, following the completion of the Fourth Pellet Plant Project, our workforce increased to 2,969 employees. Excluding trainees and interns, 248 employees were hired during the year, of which 57% live in our direct area of influence.

Acting on our Climate, Culture and Reputation surveys, we have invested in making our labour practices more transparent, fair and efficient.

Another highlight was the involvement of our internal stakeholders in reviewing and implementing a new model to support our Performance and Career Management process, empowering each employee to take the reins of their career.

We have also invested in developing our leaders – approximately 55% of our leadership team – to be increasingly consistent in their roles as people and business managers as part of our continuing development programme, in which we invested over R$8.9 million in a total of 281 training hours per person in 2014, coordinated by Saber Samarco, our Corporate Education service.

Another important challenge was productivity – eliminating waste and reorganising our processes and functions to ensure we remain competitive as a business.

Investment in human capital includes development and qualification of people and management of climate and culture.

SUPPLIER MANAGEMENT

In 2014 Samarco's supplier base included over 6.9 thousand suppliers of process inputs, services, equipment and materials. Our Strategic Procurement Matrix establishes guidelines on suitability and procedures for due diligence. Business partners are assessed on a regular basis on social, environmental and quality performance. We recognise best practice and promote engagement through the Samarco Excellence Awards, which reached their 13th edition in 2014, and Supplier Meetings, which will see their fifth edition held in 2015. Stimulating local economies is another priority at Samarco: in 2014, 38% of our purchases were sourced from suppliers within our direct area of influence.

HEALTH & SAFETY

Respect for people is one of our core values. We have policies and practices in place to protect the integrity of our employees and contractors based on three pillars – Leadership, Behaviour and Systems.

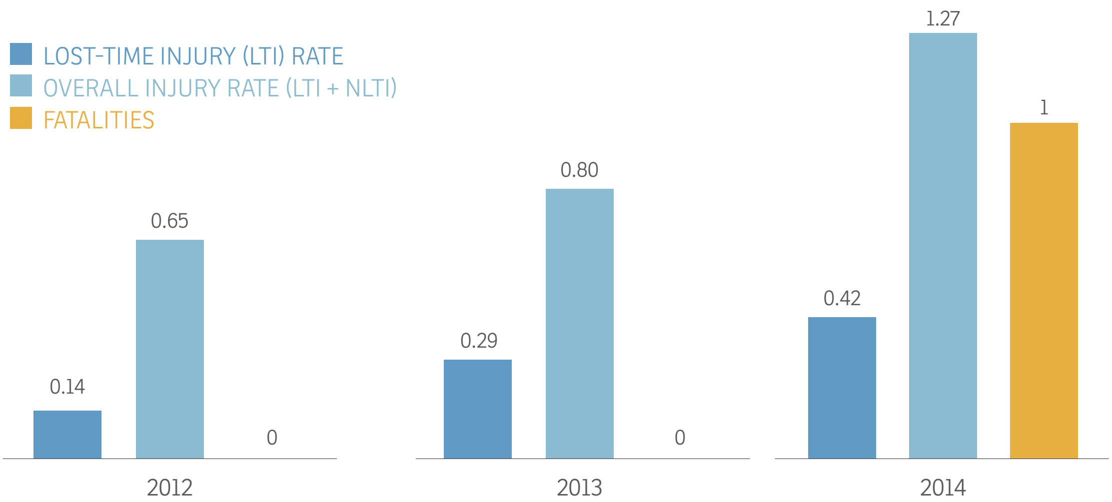
In 2014, our total reported injury rate (lost time injuries + non-lost time injuries) increased compared with the previous period, exceeding our target of less than 1.00.

This reflects the challenges faced in implementing the Fourth Pellet Plant Project (P4P), which was commissioned into operation in March, and especially injuries involving new contractor employees. To counter this negative trend, we are currently investing in enhanced training and induction processes.

Unfortunately, despite significant efforts to prevent injuries, we had a fatal injury involving a contractor during a move from the old mobile equipment shop at our unit in Minas Gerais.

SAFETY INDICATORS – OPERATIONS

(Samarco and contractor employees)



READ MORE +
about Samarco's health and safety management system in our *Annual Sustainability Report 2014.*

INDEPENDENT AUDITORS' REPORT

(A free translation of the original in Portuguese)

Independent auditors' report on the individual and consolidated financial statements

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

We have audited the accompanying financial statements of Samarco Mineração S.A. ("Parent Company"), which comprise the balance sheet as at December 31, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Samarco Mineração S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

PricewaterhouseCoopers, Rua dos Inconfidentes 911, 17º e 18º, Belo Horizonte, MG, Brasil 30140-120, Caixa Postal 289
T: (31) 3269-1500, F: (31) 3261-6950, www.pwc.com/br

Samarco Mineração S.A.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samarco Mineração S.A. and of Samarco Mineração S.A. and its subsidiaries as at December 31, 2014, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil.

Other matters

Supplementary information - statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2014, as supplementary information to the accounting practices adopted in Brazil, which are the responsibility of the Company's management. The presentation of these statements is required by Brazilian corporate legislation only for listed companies. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Belo Horizonte, March 16, 2015

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

Myrian Buenos Aires Moutinho
Contador CRC 1MG070919/O-8

FINANCIAL STATEMENTS

December 31, 2014

BALANCE SHEET

At December 31
In thousands of Reais

ASSETS	Note	Parent Company 2014	Parent Company 2013	Consolidated 2014	Consolidated 2013
Current					
Cash and cash equivalents	3	2,090,026	418,487	2,117,649	436,858
Restricted short-term investments	4	-	117,808	20	117,942
Trade accounts receivable	5	644,192	857,122	637,264	856,980
Inventories	6	459,071	337,532	459,071	337,532
Recoverable taxes	7	232,424	277,759	232,473	277,773
Prepaid expenses		9,129	4,414	9,995	4,937
Other assets	8	61,727	31,540	59,262	31,523
Total current assets		**3,496,569**	**2,044,662**	**3,515,734**	**2,063,545**
Non-current					
Judicial deposits	18	706,287	409,563	706,287	409,563
Recoverable taxes	7	53,479	31,393	53,477	31,393
Other assets	8	36,786	36,066	36,952	36,238
		796,552	**477,022**	**796,716**	**477,194**
Investments	9	46,306	34,025	-	-
Property, plant and equipment.	11	15,176,276	12,457,306	15,176,630	12,457,821
Intangible assets	12	68,027	33,330	68,027	33,331
Total non-current assets		**16,087,161**	**13,001,683**	**16,041,373**	**12,968,346**
Total assets		**19,583,730**	**15,046,345**	**19,557,107**	**15,031,891**

BALANCE SHEET

At December 31
In thousands of Reais

LIABILITIES	Note	Parent Company		Consolidated	
		2014	2013	2014	2013
Current					
Suppliers	13	348,779	290,441	347,763	290,514
Loans and financing	14	1,281,371	888,679	1,281,371	888,679
Financial charges payable	14	75,301	50,364	75,301	50,364
Payroll, provisions and social contributions	16	110,953	90,278	113,547	92,345
Taxes payable	17	62,293	208,356	62,380	208,518
Provision for income tax	27	-	-	68	-
Dividends	21	1,619,936	682,850	1,619,936	682,850
Other provisions	19	112,712	60,842	112,712	60,842
Other liabilities	20	188,581	35,752	160,254	19,051
Total current liabilities		**3,799,926**	**2,307,562**	**3,773,332**	**2,293,163**
Non-current					
Loans and financing	14	10,291,321	8,090,632	10,291,321	8,090,632
Financial charges payable	14	177	438	177	438
Provision for contingencies	18	126,678	145,989	126,678	145,989
Deferred income tax	27	512,771	419,561	512,742	419,523
Other provisions	19	367,043	155,852	367,043	155,852
Other liabilities	20	172,483	168,262	172,483	168,245
Total non-current liabilities		**11,470,473**	**8,980,734**	**11,470,444**	**8,980,679**
Equity					
Capital	21	297,025	297,025	297,025	297,025
Capital reserve	21	2,476	2,476	2,476	2,476
Revenue reserves	21	294,549	294,549	294,549	294,549
Carrying value adjustments	21	1,615,120	1,115,452	1,615,120	1,115,452
Additional dividends proposed	21	2,104,161	2,048,547	2,104,161	2,048,547
Total shareholders' equity		**4,313,331**	**3,758,049**	**4,313,331**	**3,758,049**
Total liabilities and shareholders' equity		**19,583,730**	**15,046,345**	**19,557,107**	**15,031,891**

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

STATEMENT OF INCOME

Years ended December 31
In thousands of Reais

	Note	Parent Company		Consolidated	
		2014	2013	2014	2013
Revenue	22	7,536,864	7,204,417	7,536,864	7,204,417
Cost of goods sold and services rendered	23	(3,168,056)	(2,679,880)	(3,168,056)	(2,679,880)
Gross profit		**4,368,808**	**4,524,537**	**4,368,808**	**4,524,537**
Operating expenses					
Sales	24	(183,007)	(133,493)	(172,927)	(129,879)
General and administrative	24	(64,394)	(56,765)	(64,394)	(56,765)
Other operating expenses, net	25	(728,403)	(682,915)	(721,634)	(684,820)
Equity in the earnings of subsidiaries	9	15,767	1,394	-	-
Operating income before financial result		**3,408,771**	**3,652,758**	**3,409,853**	**3,653,073**
Financial result					
Financial income	26	185,972	7,024	186,082	7,147
Financial expenses	26	(409,813)	(360,490)	(409,859)	(360,530)
Net exchange variances	26	161,663	261,081	161,389	261,188
Operating income		**3,346,593**	**3,560,373**	**3,347,465**	**3,560,878**
Income tax	27	(541,045)	(828,976)	(541,917)	(829,481)
Net income for the year		**2,805,548**	**2,731,397**	**2,805,548**	**2,731,397**

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

COMPREHENSIVE STATEMENT OF INCOME

Years ended December 31
In thousands of Reais

	Parent Company and Consolidated	
	2014	2013
Net income for the year	2,805,548	2,731,397
Other comprehensive income		
Items that will not be reclassified to the result	-	-
Translation adjustments in the year	500,980	420,107
Remeasurement of retirement benefit obligations	(1,312)	-
Other comprehensive income for the year	499,668	420,107
Total comprehensive income	3,305,216	3,151,504

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31
In thousands of Reais, unless otherwise stated

	Note	Capital	Capital reserves			Revenue reserves			Carrying value adjustments	Retained earnings	Additional dividends proposed	Total
			Special monetary re-statement of property, plant and equipment	Goodwill on share subscription	Tax incentive reserves	Depletion reserve incentive	Legal reserve	Profit retention reserve				
Balances at January 1, 2013		297,025	785	1,681	10	1,517	59,404	233,628	695,345	-	1,984,733	3,274,128
Net income for the year		-	-	-	-	-	-	-	-	2,731,397	-	2,731,397
Other comprehensive income												
Translation adjustment for the year, net of tax	21	-	-	-	-	-	-	-	420,107	-	-	420,107
Total comprehensive income		-	-	-	-	-	-	-	420,107	-	-	420,107
Net income allocation:												
Dividends (R$378.53 per common share)	21	-	-	-	-	-	-	-	-	-	(1,984,733)	(1,984,733)
Minimum mandatory dividends		-	-	-	-	-	-	-	-	(682,850)	-	(682,850)
Transfer to additional proposed dividends	21									(2,048,547)	2,048,547	-
Balances at December 31, 2013		297,025	785	1,681	10	1,517	59,404	233,628	1,115,452	-	2,048,547	3,758,049
Net income for the year		-	-	-	-	-	-	-	-	2,805,548	-	2,805,548
Other comprehensive income												
Translation adjustment for the year, net of tax	21	-	-	-	-	-	-	-	500,980	-	-	500,980
Remeasurement of retirement benefit obligation	21	-	-	-	-	-	-	-	(1,312)	-	-	(1,312)
Total comprehensive income		-	-	-	-	-	-	-	499,668	-	-	499,668
Reversal of reserves	21	-	-	-	-	-	-	(233,628)	-	233,628	-	-
Constitution of reserve	21	-	-	-	-	-	-	233,628	-	(233,628)	-	-
Net income allocation:												
Dividends (R$390.70 per common share)	21	-	-	-	-	-	-	-	-	-	(2,048,547)	(2,048,547)
Minimum mandatory dividends		-	-	-	-	-	-	-	-	(701,387)	-	(701,387)
Transfer to additional proposed dividends	21	-	-	-	-	-	-	-	-	(2,104,161)	2,104,161	-
Balances at December 31, 2014		297,025	785	1,681	10	1,517	59,404	233,628	1,615,120	-	2,104,161	4,313,331

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

STATEMENT OF CASH FLOWS

Years ended December 31
In thousands of Reais

	Note	Parent Company 2014	Parent Company 2013	Consolidated 2014	Consolidated 2013
Cash flows from operating activities					
Net income before income tax		3,346,593	3,560,373	3,347,465	3,560,878
Adjustments to reconcile net income to the cash provided by operations:					
Depreciation and amortization	11 and 12	352,409	216,728	352,615	216,796
Allowance (reversal of allowance) for doubtful accounts	5	4,699	(2,333)	4,631	(2,314)
Provision for price review	5	368,738	-	368,738	-
Provision for inventory losses	6	2,288	195	2,288	195
Provision for loss on realization of recoverable taxes	7	247,149	101,856	247,149	101,856
Provision (reversal of provision) for losses on realization of other assets		2,509	(399)	2,509	(399)
Provision (reversal of provision) for contingencies	18	(19,992)	(162,697)	(19,992)	(162,697)
Provision for other liabilities		79,775	33,938	79,775	33,854
Loss on the sale of property, plant and equipment	11	13,773	1,158	13,773	1,158
Equity in the earnings of subsidiaries	9	(15,767)	(1,394)	-	-
Financial charges		319,850	183,603	319,850	183,603
Exchange variances – assets and liabilities		175,635	32,419	175,591	38,022
		4,877,659	3,963,447	4,894,392	3,970,952
(Increase) decrease in operating assets:					
Restricted short-term investments		117,808	(117,808)	117,922	131,086
Trade receivables		(160,507)	138,592	(153,653)	(110,244)
Inventories		(105,634)	26,866	(105,634)	26,866
Recoverable taxes		(446,989)	(512,934)	(447,022)	(512,893)
Judicial deposits		(296,724)	(260,817)	(296,724)	(260,817)
Prepaid expenses		(4,715)	(3,439)	(5,058)	(4,161)
Other assets		(29,930)	(17,961)	(30,962)	(17,751)

CONTINUE »

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

STATEMENT OF CASH FLOWS

Years ended December 31
In thousands of Reais

CONTINUATION »

	Note	Parent Company		Consolidated	
		2014	2013	2014	2013
Increase (decrease) in operating liabilities:					
Suppliers		58,338	(47,494)	57,249	(47,447)
Taxes payable		(154,361)	179,371	(154,436)	179,425
Payroll, provisions and social contributions		1,639	8,022	2,166	8,055
Income tax paid	27	(216,448)	(176,632)	(217,252)	(177,105)
Other liabilities		358,741	159,553	347,141	155,795
Net cash provided by operations		**3,998,877**	**3,338,766**	**4,008,129**	**3,341,761**
Cash flows from investment activities					
Acquisition of property, plant and equipment and intangible assets	11 e 12	(1,474,847)	(2,659,143)	(1,474,847)	(2,659,595)
Proceeds on sale of property, plant and equipment and intangible assets		409	87	409	87
Net cash used in investment activities		**(1,474,438)**	**(2,659,056)**	**(1,474,438)**	**(2,659,508)**
Cash flows from financing activities					
Financing obtained from third parties		2,164,385	4,209,706	2,164,385	4,209,706
Repayments of financing		(911,489)	(2,170,267)	(911,489)	(2,170,267)
Interest payments		(295,173)	(161,469)	(295,173)	(161,469)
Dividend payments	21	(1,812,848)	(2,646,311)	(1,812,848)	(2,646,311)
Net cash used in financing activities		**(855,125)**	**(768,341)**	**(855,125)**	**(768,341)**
Exchange variance on cash and cash equivalents		2,225	(86)	2,225	(86)
Increase (decrease) in cash and cash equivalents, net		**1,671,539**	**(88,717)**	**1,680,791**	**(86,174)**
Cash and cash equivalents at the beginning of the year		418,487	507,204	436,858	523,032
Cash and cash equivalents at the end of the year		2,090,026	418,487	2,117,649	436,858
		1,671,539	**(88,717)**	**1,680,791**	**(86,174)**

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

STATEMENT OF ADDED VALUE

Years ended December 31
In thousands of Reais

	Parent Company		Consolidated	
	2014	2013	2014	2013
Revenue				
Sales of goods, products and services	7,601,335	7,240,165	7,601,335	7,240,179
Other revenue	5,680	6,868	5,680	6,868
Revenue relating to construction of company assets	1,639,803	3,017,238	1,639,803	3,017,278
Allowance (reversal of allowance) for doubtful accounts	(4,699)	2,333	(4,631)	2,314
	9,242,119	10,266,604	9,242,187	10,266,639
Consumables acquired from third parties				
Cost of goods sold and services rendered	(4,684,900)	(6,109,798)	(4,679,155)	(6,104,280)
Material, electricity, outsourced services and other	(229,469)	(267,955)	(209,483)	(264,090)
Loss/recovery of asset values	(1,674)	(2,788)	(1,674)	(2,788)
	(4,916,043)	(6,380,541)	(4,890,312)	(6,371,158)
Gross added value	4,326,076	3,886,063	4,351,875	3,895,481
Depreciation and amortization	(352,409)	(216,728)	(352,615)	(216,796)
Added value produced by the Company	3,973,667	3,669,335	3,999,260	3,678,685
Transferred added value				
Equity in the earnings of subsidiaries	15,767	1,394	-	-
Financial income	678,114	535,924	678,498	536,199
	693,881	537,318	678,498	536,199
Total added value to be distributed	4,667,548	4,206,653	4,677,758	4,214,884
Distribution of added value	4,667,548	4,206,653	4,677,758	4,214,884
Personnel				
Direct remuneration	354,827	315,746	361,852	321,433
Benefits	87,627	78,863	89,305	80,771
Government Severance Indemnity Fund for Employees (FGTS)	18,363	16,773	18,363	16,773
Taxes and contributions				
Federal	650,941	616,586	652,054	617,304
State *	(104,340)	(357,276)	(104,541)	(357,441)
Municipal	50,232	19,642	50,232	19,642
Interest expenses				
Interest on loans, financing and other debt items	804,350	784,922	804,945	785,005
Interest on shareholders' equity				
Minimum mandatory dividends	701,387	682,850	701,387	682,850
Additional dividends proposed	2,104,161	2,048,547	2,104,161	2,048,547

* The ICMS credits on the acquisitions of materials, consumables and other property, plant and equipment exceeded the ICMS charges on the domestic sale of iron ore, logistics services and other items.

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

MANAGEMENT NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

(All amounts in thousands of Reais, unless otherwise stated)

1. OPERATIONS

Samarco Mineração S.A. ("Samarco", "Company" or "Parent Company"), a privately held corporation, is a joint venture between Vale S.A. ("Vale") and BHP Billiton Brasil Ltda. ("BHP Billiton"). Its registered office is at Rua Paraíba, no. 1122, Bairro Funcionários, Belo Horizonte – State of Minas Gerais (MG). Samarco operates an integrated enterprise, located at Germano/Alegria, Mariana-MG, consisting of the mining, processing and concentration of low-grade iron ore, as well as the movement of this concentrated ore through ore pipelines, connecting the Company's two operating plants located in Minas Gerais and Espírito Santo (ES). The pelletizing – transformation of concentrated iron ore into pellets, the Company's core product, takes place at the Ubu plant, in Anchieta, ES, in addition to the outbound shipments of the produce through the Company's own marine terminal (Anchieta, Espírito Santo). The production is principally sold on the international market.

Samarco's reserves are located in the municipalities of Mariana and Ouro Preto (MG), and comprise geological resources of around 7.471 billion tons of iron ore.

In accordance with the technical and economic context and considering the mineral resource and its specific characteristics, the recoverable or mineable reserves amount to around 2,909 billion tons. The production of concentrated iron ore in 2014 was 26,292 million dry metric tons (2013 – 22,321 million dry metric tons).

The Company has equity interests in the following companies (referred to jointly with Samarco as "Group" or "Consolidated"):

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

- **Samarco Asia Ltd. ("Samarco Asia") – direct interest of 100% –** headquartered in Hong Kong, this company was acquired on July 10, 2001 by Samarco Europe to provide marketing and selling services through commercial representation in the Asia-Pacific region.

- **Samarco Finance Ltd. ("Samarco Finance") – direct interest of 100% –** headquartered in the Cayman Islands, this company was incorporated on February 21, 2000 with the objective of optimizing the Company's foreign trade operations, in order to facilitate exports (resale) of iron ore acquired from the Company for designated customers, and also to borrow funds on the international market and subsequently repass them to the Company.

The Executive Board approved the issue of these financial statements on March 16, 2015.

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are presented below. These policies were consistently applied in the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

(a) Individual and consolidated financial statements

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

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

The individual and consolidated financial statements have been prepared in accordance with accounting practices adapted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), and ratified by the regulatory agencies.

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

(b) Changes in accounting policies and disclosures
The following pronouncements were adopted for the first time in the financial year commencing on January 1, 2014 and had impacts on the Group.

OCPC 07 – "Disclosures of General Financial and Accounting Reports" addresses the quantitative and qualitative nature of disclosures in notes to financial statements, reinforcing the existing requirements of accounting standards and emphasizing that only information of relevance to the readers of financial statements should be disclosed.

ICPC 19/IFRIC 21 – "Levies" provides guidance on the recognition of an obligation to pay a levy if that liability is within the scope of IAS 37 – "Provisions". The interpretation addresses what the obligating event is that generates the payment of a levy and when a liability should be recognized. Other amendments and interpretations in force for the financial year commencing January 1, 2014 are not relevant to the Group.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

(i) Allowance for doubtful accounts
The allowance for doubtful accounts is presented as a reduction of accounts receivable and is constituted based on the profile of the customer portfolio, aging list, economic scenario and risks involved in each case, at an amount considered sufficient to cover any losses on the realization of such credits.

(ii) Income tax
Current and deferred income tax are calculated in accordance with the prudent interpretations of existing legislation. This process normally involves complex estimates to determine the taxable income and the deductible or taxable and temporary differences. The measurement of the recoverability of deferred income tax on temporary differences takes into account the estimated future taxable income and is based on conservative fiscal assumptions.

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

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

lives of the mines could impact the estimated provision for environmental expenses, the recovery thereof and impairment analyses.

(v) Deactivation of assets

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

(vi) Provision for contingencies

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

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

(vii) Retirement benefits for employees

The assets and liabilities of retirement benefits are computed in accordance with a series of factors determined based on actuarial calculations which utilize a number of assumptions to determine the costs and liabilities, amongst others. One of the assumptions utilized to determine the value to be recorded is the interest rate for discount and restatement. Any changes in these assumptions will affect the amounts reflected in the accounting records.

The Company, in conjunction with its independent actuaries, annually reviews the assumptions which should be utilized for the following year. These assumptions are utilized for the restatement and discounting of the assets and liabilities, costs and expenses and the determination of the present value of estimated future cash disbursements necessary to settle obligations incurred with the pension plans.

(viii) Provision for price reduction

The provision for price reduction is presented as a reduction of accounts receivable and is constituted based on the volatility of the global iron ore sector. Based on the trend of falling iron ore prices, Management realized an individual evaluation of the contracts of each customer and constituted a provision in an amount sufficient to cover any losses.

2.3 CONSOLIDATION

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

(a) Subsidiaries

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

(b) Joint ventures

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

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional currency

The items included in the financial statements of each of the Group's entities are measured in U.S. dollars (US$) which is the functional currency of the Company and its subsidiaries because it is the currency of the principal economic environment in which they operate, generate and consume cash.

(b) Presentation currency

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

- Assets and liabilities are converted at the closing rate at the respective reporting date.

- The statements of income, comprehensive income, cash flows and added value are converted at the average monthly exchange rates.

• Shareholders' equity is converted at historical formation value.

The exchange variances resulting from the above mentioned translation are recognized in a specific account in shareholders' equity, titled "Carrying value adjustments".

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

Exchange gains and losses relating to operations in currencies other than the functional currency are presented in the results as finance income or expenses.

The individual and consolidated financial statements in the functional currency (US$) are as follows:

BALANCE SHEET

In thousands of U.S. Dollars

	Parent Company		Consolidated	
	2014	2013	2014	2013
Current assets				
Cash and cash equivalents	787,008	178,678	797,410	186,522
Restricted short-term investments	-	50,302	7	50,359
Trade accounts receivable	242,573	365,983	239,965	365,903
Inventories	172,863	144,115	172,863	144,115
Recoverable taxes	87,522	118,599	87,537	118,602
Prepaid expenses	3,438	1,885	3,764	2,108
Other assets	23,238	13,460	22,305	13,448
Total current assets	**1,316,642**	**873,022**	**1,323,851**	**881,057**
Non-current				
Judicial deposits	265,961	174,875	265,961	174,875
Recoverable taxes	20,138	13,405	20,139	13,406
Other assets	13,852	15,399	13,917	15,475
	299,951	**203,679**	**300,017**	**203,756**
Investments	17,437	14,528	-	-
Property, plant and equipment	5,714,820	5,319,089	5,714,953	5,319,309
Intangible assets	25,617	14,231	25,617	14,232
Total non-current assets	**6,057,825**	**5,551,527**	**6,040,587**	**5,537,297**
Total assets	**7,374,467**	**6,424,549**	**7,364,438**	**6,418,354**

BALANCE SHEET

In thousands of U.S. Dollars

	Parent Company		Consolidated	
	2014	2013	2014	2013
Current liabilities				
Suppliers	131,332	124,014	130,951	124,050
Loans and financing	482,516	379,453	482,516	379,453
Financial charges payable	28,356	21,505	28,356	21,505
Payroll, provisions and social contributions	41,795	38,562	42,772	39,445
Taxes payable	23,458	88,965	23,492	89,035
Provision for income tax	-	-	26	-
Dividends	610,007	291,567	610,007	291,567
Other provisions	42,443	25,979	42,443	25,979
Other liabilities	70,987	15,278	60,313	8,110
Total current liabilities	1,430,894	985,323	1,420,876	979,144
Non-current				
Loans and financing	3,875,328	3,454,583	3,875,328	3,454,583
Financial charges payable	66	187	66	187
Provision for contingencies	47,705	62,335	47,705	62,335
Deferred income tax	193,091	179,146	193,080	179,130
Other provisions	138,215	66,546	138,215	66,546
Other liabilities	64,953	71,846	64,953	71,846
Total non-current liabilities	4,319,358	3,834,643	4,319,347	3,834,627
Equity				
Capital	409,774	409,774	409,774	409,774
Capital reserve	1,619	1,619	1,619	1,619
Revenue reserves	164,485	97,025	164,485	97,025
Carrying value adjustments	(494)	-	(494)	-
Additional dividends proposed	1,048,831	1,096,165	1,048,831	1,096,165
Total shareholders' equity	1,624,215	1,604,583	1,624,215	1,604,583
Total liabilities and shareholders' equity	7,374,467	6,424,549	7,364,438	6,418,354

STATEMENT OF INCOME

In thousands of U.S. Dollars

	Parent Company		Consolidated	
	2014	2013	2014	2013
Revenue	3,215,180	3,332,679	3,215,180	3,332,679
Cost of goods sold and services rendered	(1,342,334)	(1,241,107)	(1,342,334)	(1,241,107)
Gross profit	1,872,846	2,091,572	1,872,846	2,091,572
Operating expenses				
Sales	(79,379)	(63,577)	(74,988)	(61,549)
General and administrative	(27,405)	(26,270)	(27,405)	(26,270)
Other operating expenses, net	(236,489)	(227,936)	(237,532)	(228,721)
Equity in the earnings of subsidiaries	2,909	1,069	-	-
Operating income before financial result	1,532,482	1,774,858	1,532,921	1,775,032
Financial result				
Financial income	77,163	3,220	77,209	3,272
Financial expenses	(168,142)	(159,482)	(168,161)	(159,501)
Net exchange variances	76,946	128,151	76,837	128,197
Operating income	**1,518,449**	**1,746,747**	**1,518,806**	**1,747,000**
Income tax	(205,501)	(359,015)	(205,858)	(359,268)
Net income for the year	**1,312,948**	**1,387,732**	**1,312,948**	**1,387,732**

COMPREHENSIVE STATEMENT OF INCOME

In thousands of U.S. Dollars

	Parent Company and Consolidated	
	2014	2013
Net income for the year	1,312,948	1,387,732
Other comprehensive income		
Remeasurement of retirement benefit obligations	(494)	-
Other comprehensive income for the year	(494)	-
Total comprehensive income	**1,312,454**	**1,387,732**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of U.S. Dollars

		Capital reserves			Revenue reserves						
	Capital	Special monetary restatement of PP&E	Goodwill on share subscription	Tax incentive reserves	Depletion reserve incentive	Legal reserve	Profit retention reserve	Carrying value adjust-ments	Retained earnings	Addi-tional dividends proposed	Total
Balances at January 1, 2013	409,774	-	1,616	3	935	38,538	57,552	-	-	1,094,271	1,602,689
Net income for the year	-	-	-	-	-	-	-	-	1,387,732	-	1,387,732
Net income allocation:											
Dividends (US$208,70 per common share)	-	-	-	-	-	-	-	-	-	(1,094,271)	(1,094,271)
Minimum mandatory dividends	-	-	-	-	-	-	-	-	-	(291,567)	(291,567)
Transfer to additional proposed dividends	-	-	-	-	-	-	-	-	(1,387,732)	1,387,732	-
Balances at December 31, 2013	409,774	-	1,616	3	935	38,538	57,552	-	-	1,096,165	1,604,583
Net income for the year	-	-	-	-	-	-	-	-	1,312,948	-	1,312,948
Other comprehensive income											
Remeasurement of retirement benefit obligation	-	-	-	-	-	-	-	(494)	-	-	(494)
Total comprehensive income	-	-	-	-	-	-	-	(494)	-	-	(494)
Reversal of reserves	-	-	-	-	-	-	(57,552)	-	57,552	-	-
Constitution of reserve	-	-	-	-	-	-	125,012	-	(125,012)	-	-
Net income allocation:											
Dividends (US$196,19 per common share)	-	-	-	-	-	-	-	-	-	(1,028,705)	(1,028,705)
Minimum mandatory dividends	-	-	-	-	-	-	-	-	(264,117)	-	(264,117)
Transfer to additional proposed dividends	-	-	-	-	-	-	-	-	(981,371)	981,371	-
Balances at December 31, 2014	**409,774**	**-**	**1,616**	**3**	**935**	**38,538**	**125,012**	**(494)**	**-**	**1,048,831**	**1,624,215**

STATEMENT OF CASH FLOW

In thousands of U.S. Dollars

	Parent Company		Consolidated	
	2014	2013	2014	2013
Cash flows from operating activities				
Net income before income tax	1,518,449	1,746,747	1,518,806	1,747,000
Adjustments to reconcile net income to the cash provided by operations:				
Depreciation and amortization	184,564	125,923	184,658	125,957
Allowance (reversal of allowance) for doubtful accounts	1,743	(1,174)	1,713	(1,171)
Provision for price review	138,853	-	138,853	-
Provision for inventory losses	511	(339)	511	(339)
Provision for loss on realization of recoverable taxes	42,383	(12,980)	42,383	(12,980)
Provision (reversal of provision) for losses on realization of other assets	789	(185)	789	(185)
Provision (reversal of provision) for contingencies	(14,954)	(88,878)	(14,954)	(88,878)
Provision for other liabilities	16,689	2,070	16,689	2,070
Loss on the sale of property, plant and equipment	7,790	693	7,620	649
Equity in the earnings of subsidiaries	(2,909)	(1,069)	-	-
Financial charges	132,663	84,160	132,663	84,160
Exchange variances – assets and liabilities	(72,174)	(119,754)	(72,170)	(119,758)
	1,954,397	1,735,214	1,957,561	1,736,525
(Increase) decrease in operating assets:				
Restricted short-term investments	50,302	(50,302)	50,352	71,541
Trade receivables	(17,213)	121,427	(14,654)	(367)
Inventories	(29,259)	27,315	(29,259)	27,315
Recoverable taxes	(219,272)	(271,176)	(219,285)	(271,149)
Judicial deposits	(91,087)	(102,064)	(91,087)	(102,064)
Prepaid expenses	(1,532)	(1,732)	(1,635)	(1,808)
Other assets	(50,112)	(26,745)	(49,012)	(26,591)

CONTINUE »

STATEMENT OF CASH FLOW

In thousands of U.S. Dollars

CONTINUATION »

	Parent Company		Consolidated	
	2014	2013	2014	2013
Increase (decrease) in operating liabilities:				
Suppliers	7,759	(38,045)	7,342	(38,024)
Taxes payable	(48,870)	84,937	(48,904)	84,954
Payroll, provisions and social contributions	1,190	3,634	1,284	3,521
Income tax paid	(89,928)	(84,397)	(90,259)	(84,634)
Other liabilities	138,366	66,644	134,861	65,793
Net cash provided by operations	**1,604,741**	**1,464,710**	**1,607,305**	**1,465,012**
Cash flows from investment activities				
Acquisition of property, plant and equipment and intangible assets	(599,471)	(1,201,084)	(599,477)	(1,201,290)
Proceeds on sale of property, plant and equipment and intangible assets	169	44	169	44
Net cash used in investment activities	**(599,302)**	**(1,201,040)**	**(599,308)**	**(1,201,246)**
Cash flows from financing activities				
Financing obtained from third parties	911,050	1,933,717	911,050	1,933,717
Repayments of financing	(378,374)	(1,016,006)	(378,374)	(1,016,006)
Interest payments	(125,658)	(76,393)	(125,658)	(76,393)
Dividend payments	(805,854)	(1,174,506)	(805,854)	(1,174,506)
Net cash used in financing activities	**(398,836)**	**(333,188)**	**(398,836)**	**(333,188)**
Exchange variance on cash and cash equivalents	1,727	(80)	1,727	(80)
Increase (decrease) in cash and cash equivalents, net	**608,330**	**(69,598)**	**610,888**	**(69,502)**
Cash and cash equivalents at the beginning of the year	178,678	248,276	186,522	256,024
Cash and cash equivalents at the end of the year	787,008	178,678	797,410	186,522
	608,330	**(69,598)**	**610,888**	**(69,502)**

STATEMENT OF ADDED VALUE

In thousands of U.S. Dollars

	Parent Company		Consolidated	
	2014	2013	2014	2013
Revenue				
Sales of goods, products and services	3,242,707	3,349,838	3,242,707	3,349,838
Other revenue	2,455	3,191	2,455	3,191
Revenue relating to construction of company assets	666,659	1,366,221	666,659	1,366,238
Allowance (reversal of allowance) for doubtful accounts	(1,743)	1,174	(1,713)	1,171
	3,910,078	4,720,424	3,910,108	4,720,438
Consumables acquired from third parties				
Cost of goods sold and services rendered	(1,922,717)	(2,799,928)	(1,920,266)	(2,797,523)
Material, electricity, outsourced services and other	(68,782)	(115,436)	(64,207)	(113,294)
Loss/recovery of asset values	627	5	627	5
	(1,990,872)	(2,915,359)	(1,983,846)	(2,910,812)
Gross added value	1,919,206	1,805,065	1,926,262	1,809,626
Depreciation and amortization	(184,564)	(125,923)	(184,658)	(125,957)
Added value produced by the Company	1,734,642	1,679,142	1,741,604	1,683,669
Transferred added value				
Equity in the earnings of subsidiaries	2,909	1,069	-	-
Financial income	288,244	252,905	288,241	253,024
	291,153	253,974	288,241	253,024
Total added value to be distributed	2,025,795	1,933,116	2,029,845	1,936,693
Distribution of added value	2,025,795	1,933,116	2,029,845	1,936,693
Personnel				
Direct remuneration	147,325	145,127	150,188	147,567
Benefits	37,545	36,321	38,268	37,135
Government Severance Indemnity Fund for Employees (FGTS)	7,766	7,705	7,766	7,705
Taxes and contributions				
Federal	254,196	230,866	254,656	231,218
State	(89,437)	(236,593)	(89,513)	(236,663)
Municipal	21,608	9,035	21,609	9,035
Interest expenses				
Interest on loans, financing and other debt items	333,844	352,923	333,923	352,964
Interest on shareholders' equity				
Minimum mandatory dividends	264,117	291,567	264,117	291,567
Additional dividends proposed	1,048,831	1,096,165	1,048,831	1,096,165

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the balances of cash, bank deposits and investments in marketable securities with immediate liquidity, the maturities of which as of the effective date of the investment are equal to or less than 90 days and present an insignificant risk of change in fair value.

2.6 RESTRICTED SHORT-TERM INVESTMENTS

These restricted investments are represented by financial assets stated at fair value through profit or loss, which have a liquidity of more than 90 days, but present a negligible risk of impairment.

2.7 FINANCIAL INSTRUMENTS

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

(a) Recognition and measurement

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

As of December 31, 2014 and 2013 the Company did not have any financial instruments classified as available-for-sale and held-to-maturity.

(b) Offsetting of financial instruments

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

(c) Provision for impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets presents an impairment loss only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and that event (or events) had an impact on the estimated future cash flows of that financial asset that can be estimated reliably.

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

2.8 ACCOUNTS RECEIVABLE

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

The allowance for doubtful accounts, when applicable, is constituted at an amount considered sufficient by Management to cover any potential losses on amounts receivable, based on individual appraisals of the credits and the financial situation of each customer, including the history of their relationship with the Company.

The provision for sales price reductions is constituted based on the volatility of the global iron ore sector. Based on the trend of falling iron ore prices, Management realizes an individual evaluation of the contracts of each customer and constitutes a provision at an amount considered sufficient to cover any losses.

2.9 INVENTORIES

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

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

2.10 INVESTMENTS

In the individual financial statements subsidiaries are valued under the equity method based on the financial statements of the investees. The financial statements for overseas investments are prepared in accordance with accounting practices compatible with those adopted by the Company. The subsidiaries have the same functional currency as the parent company, i.e. the US Dollar.

2.11 PROPERTY, PLANT AND EQUIPMENT

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

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

- Acquisition price, plus import taxes and unrecoverable purchase taxes, after deducting any commercial discounts and rebates

- Any direct costs attributable to bringing the asset to its location and condition necessary for it to be operated as intended by Management.

- The initial estimate of the cost of deactivating and removing the item and recovering the area where it is located. These costs comprise the obligation incurred by the Company on acquiring the item or as a result of having used the item for a certain period.

Depreciation and amortization commence from the date the assets are installed and ready for use. For the items directly related to the respective productive areas, the depreciation is calculated by the units produced method. For the remainder, the depreciation is calculated based on the straight-line method taking into consideration the years disclosed in Note 11.

The gains and losses arising on the sale of property, plant and equipment are determined by comparing the funds obtained on the sale against the book value of the property, plant and equipment, and are recorded in "Other operating expenses, net" in the results.

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

2.12 INTANGIBLE ASSETS

Intangible assets acquired separately comprise rights of way, mining rights and software and are measured on initial recognition at their acquisition cost and, subsequently, less the accumulated amortization and impairment losses, when applicable.

Intangible assets with a defined useful life are amortized according to their estimated economic lives, as mentioned in note 12, and when indications of impairment are identified, the assets are submitted to impairment testing.

Removal of tailings to access the mine deposits

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

The cost of tailings incurred during production are added to the value of the inventory, except when a specific extraction campaign is realized to access deposits located deeper in the reserve. In this case, the costs are capitalized and recorded in non-current assets when the ore is extracted, and amortized over the reserve's useful life.

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

Impairment losses are recognized when the book value of an asset or its cash generating unit exceeds its estimated recoverable value. Impairment losses are recognized in the result. For the financial years ended December 31, 2014 and 2013, the Company did not identify any evidence of impairment of its non-financial assets.

2.14. TRADE PAYABLES

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

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

2.15 LOANS AND FINANCING

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

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

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

2.16 PROVISION FOR CONTINGENCIES

A provision is constituted for legal obligations when losses and resulting outflows are evaluated as probable and the amounts can be measured reliably.

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

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

2.17 PROVISIONS FOR DEACTIVATION OF ASSETS AND ENVIRONMENTAL RECUPERATION

(a) Asset deactivation obligations

An asset deactivation obligation is recognized when there is an approved detailed asset deactivation plan. The expenses incurred on shutting down mines after mining operations have been completed are recorded as asset deactivation obligations. The obligations primarily consist of shutting-down costs. The asset deactivation 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 life.

(b) Environmental recuperation

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

2.18 ADJUSTMENT OF ASSETS AND LIABILITIES TO PRESENT VALUE

Monetary assets and liabilities are adjusted to their present values when the transaction is originally recorded, taking into consideration the contractual cash flows, the explicit, and in certain cases implicit, interest rate of the respective assets and liabilities and the rates practiced in the market for similar transactions. This interest is subsequently reallocated to financial expenses and income in the statement of income by utilizing the effective interest rate method for contractual cash flows.

2.19 INCOME TAX

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

The Company has a tax benefit for exports that entails a reduction of income tax based on its exploitation profit.

The Company has obtained a final and unappealable decision in its favor which ruled that the social contribution on net income ("CSLL") is unconstitutional. It is therefore not paying this contribution, as stated in Note 18.

2.20 EMPLOYEE BENEFITS

(a) Retirement obligation

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

The Company makes the actuarial calculation for the defined-benefit portion in the plan (ValiaPrev), which represents a constructive obligation. When the benefits of a plan are increased, the portion of the increase in the benefit related to the past service of employees is recognized immediately in the results.

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

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

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

(c) Medical assistance
The Company awards life insurance and healthcare insurance benefits to its employees and their dependents, which are recorded on the accrual basis and are discontinued in the event the employee leaves the Company.

(d) Profit sharing
Based on its variable remuneration policy, the Company grants Profit Participation ("PLR") to its employees, subject to the attainment of targets, the evaluation of results and the achievement of specific goals, which are established and agreed at the beginning of each year. A provision is recognized when the Company has a contractual obligation or a past event that has created a not formalized obligation.

2.21 CAPITAL
Each common share entitles the holder thereof to one vote at General Meetings. Preferred shares are classified as shareholders' equity if they are not redeemable or can only be redeemed when determined by the Company's. The preferred shares do not carry voting rights, but are assured priority in capital reimbursements. Preferred shares are entitled to a dividend that is 10% higher than that attributed to the common shares.

2.22 PAYMENT OF DIVIDENDS
Minimum mandatory dividends paid to the Company's shareholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to its bylaws. The amounts referring to the portion exceeding the minimum obligation required by law or the bylaws is maintained in a specific account in shareholders' equity, and is only provisioned when approved by a resolution at the Shareholders' Annual General Meeting.

2.23 DETERMINATION OF RESULTS
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 non-current assets and liabilities. The attributable income-tax amounts are charged/credited to the statement of income.

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

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

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

(c) Financial income and expenses
Finance income comprises interest income on funds invested and changes in the fair value of financial assets measured at fair value through profit and loss.

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

Interest income and expenses are recognized in the results, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

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

2.25 NEW STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards have been issued by the International Accounting Standards Board (IASB) but are not effective for 2014. Although encouraged by the IASB, the early adoption of the standards in Brazil is not permitted by the Brazilian Accounting Pronouncements Committee (CPC).

- IFRS 15 – "Revenue from Contracts with Customers" specifies the principles which an entity should apply to determine the measurement of revenue and when it should be recognized. It becomes effective on January 1, 2017 and replaces IAS 11 – Construction Contracts and IAS 18 Revenue. Management in evaluating the impacts of its adoption.

- IFRS 9 – "Financial Instruments" – addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 1, 2018. It has replaced the guidelines of IAS 39, which outlines the requirements for the recognition and measurement of financial instruments. IFRS 9 retains but simplifies the combined measurement model and establishes three categories of main measurements for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also includes a new expected credit loss model, replacing the current incurred loss impairment model. IFRS 9 relaxes the hedge effectiveness requirements and requires an economic relationship between the hedged item and the hedging instrument, and that the hedge ratio used for accounting should be the same as that used for risk management purposes. Management in evaluating the total impact of its adoption.

There are no other IFRS standards and IFRIC interpretations that are not yet effective which the Company expects to have a material impact on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of the balance of cash and cash equivalents is as follows:

		Parent Company		Consolidated	
		2014	2013	2014	2013
Cash and bank deposits					
Domestic		-	1,225	-	1,225
Foreign	(a)	1,417,868	412,218	1,425,829	413,327
Short-term investments					
Time Deposit / MMDA	(b)	664,776	-	684,438	17,262
Financial Investment fund	(c)	7,382	5,044	7,382	5,044
		2,090,026	**418,487**	**2,117,649**	**436,858**

(a) Remunerated accounts linked to the current accounts denominated in US dollars at overseas financial institutions, with a yield equivalent to the overnight Fed Fund rate.

(b) Time Deposit and MMDA (Money Market Deposit Account) short-term investments denominated in US dollars at overseas financial institutions, with a yield based on the US Treasuries bond rate.

(c) The financial investment fund refers to operations with domestic financial institutions that have immediately liquidity. They are linked to current accounts, yielding 10% of the official interest (Selic) rate, substituting 20% of the Interbank Deposit Certificate (CDI) rate, which was in force until October 13, 2014. These short-term investments are recorded at market value, in accordance with periodical restatements based on prices disclosed by the financial institutions.

4. RESTRICTED SHORT-TERM INVESTMENTS

	Parent Company		Consolidated	
	2014	2013	2014	2013
Short-term investments				
Restricted cash	-	117,808	20	117,942
	-	**117,808**	**20**	**117,942**

At December 31, 2013 the Company recorded restricted cash, maintained in specific bank in collection accounts, linked to some loans and financing, as disclosed below:

- From Union Bank NY-Branch, linked to financing transactions, amounting to US$231 million, US$335 million and US$450 million.
- From BNP Paribas NY-Branch, linked to the export prepayment of US$400 million.

For the accounts at Union Bank, it was necessary to provide the resources for payment of the principal and interest 30 days in advance (loans of US$231 million and US$450 million) and 10 days in advance (loan of US$400 million and US$335 million).

The objective of these investments was to provide a cash guarantee to the creditor, not being the payment of the portion of loans and financing net of the investment.

5. ACCOUNTS RECEIVABLE

		Parent Company		Consolidated	
		2014	2013	2014	2013
Domestic receivables		3,332	7,635	3,332	7,635
Foreign receivables	(a)	1,014,812	850,002	1,007,919	849,963
Allowance for doubtful accounts	(b)	(5,214)	(515)	(5,249)	(618)
Provision for price reductions	(c)	(368,738)	-	(368,738)	-
		644,192	**857,122**	**637,264**	**856,980**

(a) R$414,817 of the consolidated foreign trade receivables of R$1,007,919 in 2014 (R$849,963 in 2013) is secured by letters of credit or insurance (R$268,964 in 2013). The remaining balance was released by analyzing the credit of each customer, in order to mitigate the risk of default.

(b) The allowance for doubtful accounts of R$5,214 and R$5,249 in 2014 in the parent company and consolidated statements, respectively, (R$515 and R$618 in 2013) was constituted based on an individual analysis of each customer, considering invoices more than 60 days overdue.

(c) As described in Note 2.23 (a), revenue is recognized at the dispatch date (FOB sales) based on an estimated fair value of the amount receivable. A provision for price reductions was necessary in 2014 due to falling international prices.

The aging of the Company's accounts receivables is as follows:

	Parent Company		Consolidated	
	2014	2013	2014	2013
Not yet due	994,906	845,537	995,226	845,508
Overdue up to 30 days	15,528	11,327	8,306	11,354
Overdue from 31 to 60 days	2,343	164	2,470	118
Overdue from 61 to 90 days	22	198	22	198
Overdue for more than 90 days	5,345	411	5,227	420
	1,018,144	**857,637**	**1,011,251**	**857,598**

At December 31, 2014, accounts receivable of R$18,024 and R$10,776 (R$11,585 and R$11,472 in 2013) in the individual and consolidate statements, respectively, were overdue but not impaired. These receivables refer to a series of independent clients with no recent history of default.

6. INVENTORIES

The composition of and changes in inventories are as follows:

(A) COMPOSITION	Parent Company and Consolidated	
	2014	2013
Finished goods	25,427	25,136
Goods in process	69,182	22,935
Consumables	92,889	62,415
Consumption and maintenance materials	268,403	212,762
Provision for loss of materials	(9,237)	(6,949)
Advances to suppliers	12,407	21,233
	459,071	**337,532**

(B) CHANGES	Parent Company and Consolidated	
	2014	2013
Changes in finished goods		
Balances at December 31	**25,136**	**21,142**
Additions	3,154,834	2,515,245
Write-offs due to sale	(3,158,882)	(2,513,722)
Addition (write-off) of inventory adjustment	4,160	1,040
Conversion	179	1,431
Balances at December 31	**25,427**	**25,136**

The Company evaluated its inventories at the reporting date and concluded that they were not in excess of realization values. However, certain storeroom materials considered obsolete or slow-moving were subject to a provision for impairment of R$2,288 (R$195 in 2013).

7. RECOVERABLE TAXES

		Parent Company		Consolidated	
		2014	2013	2014	2013
ICMS – Minas Gerais (MG)	(a)	85,358	68,892	85,358	68,892
ICMS – Espírito Santo (ES)	(b)	1,252,332	1,005,183	1,252,332	1,005,183
Provision for ICMS losses – ES	(b)	(1,252,332)	(1,005,183)	(1,252,332)	(1,005,183)
PIS and COFINS	(c)	129,018	140,971	129,018	140,971
Income tax recoverable	(d)	68,957	98,774	68,957	98,774
Other		2,570	515	2,617	529
Total		**285,903**	**309,152**	**285,950**	**309,166**
Current assets		232,424	277,759	232,473	277,773
Non-current assets		53,479	31,393	53,477	31,393

(a) Primarily Value-added States Tax (ICMS) credits on the acquisition of property, plant and equipment.

(b) Refers to credits on the acquisition of property, plant and equipment, consumables, materials and other. In view of the history of non-realization of ICMS tax credits in the State of Espírito Santo, the Company constituted a provision to cover 100% of the credits.

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

(d) Recoverable income tax in respect of overpaid monthly estimates.

8. OTHER ASSETS

		Parent Company		Consolidated	
		2014	2013	2014	2013
Recoverable insurance	(a)	5,510	9,591	5,510	9,591
Amount receivable for electricity	(b)	45,958	4,492	42,737	4,492
UHE Guilman Amorim Consortium		2,704	2,283	2,704	2,283
Advances to employees		7,422	12,948	7,446	12,945
Other		133	2,226	865	2,212
Current		**61,727**	**31,540**	**59,262**	**31,523**
COHESA	(c)	16,601	16,374	16,601	16,374
(-) Adjustment to present value – COHESA	(c)	(572)	(1,283)	(572)	(1,283)
Insurance amounts recoverable		13,726	13,726	13,726	13,726
Advances to employees		5,662	5,880	5,828	6,052
Other		1,369	1,369	1,369	1,369
Non-current		**36,786**	**36,066**	**36,952**	**36,238**

(a) Refer to expenses incurred on recovering damaged property, plant and equipment.

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

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

9. INVESTMENTS

The Company recorded equity in the earnings of its subsidiaries of R$15,767 in 2014 (R$1,394 in 2013) and did not receive dividends deriving from these investments. None of the shares of the investees are traded on stock exchanges.

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

2013	Holding	Number of shares or units	Current assets	Non-current assets	Total assets	Current liabilities	Shareholders' equity	Total liabilities	Revenue	Costs and expenses	Net income for the year
Samarco Finance Ltd.	100%	50,000	1,297,600	-	1,297,600	1,280,313	17,287	1,297,600	4,502,885	(4,502,823)	62
Samarco Iron Ore Europe B.V	100%	180	18,681	2,324	21,005	4,267	16,738	21,005	18,872	(17,540)	1,332
Total			**1,316,281**	**2,324**	**1,318,605**	**1,284,580**	**34,025**	**1,318,605**	**4,521,757**	**(4,520,363)**	**1,394**

10. RELATED PARTIES

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

		Shareholders		Subsidiaries		Parent Company		Consolidated	
		BHP Billiton	Vale	Samarco Finance	Samarco Europe	2014	2013	2014	2013
Current assets									
Trade accounts receivable	(a)	-	153	170,551	-	170,704	577,295	153	82
Inventories	(b)	-	65,938	-	-	65,938	77,516	65,938	77,516
Other assets		-	-	-	2,365	2,365	266	-	-
Current liabilities									
Trade payables (Note 13)	(b)	-	34,798	-	-	34,798	67,174	34,798	67,174
Other liabilities (commission payable)	(d)	-	-	-	28,993	28,993	17,481	-	-
Loans and financing (Note 14)		-	-	-	-	-	702,600	-	351,300
Financial charges payable (Note 14)		-		-	-	-	476	-	238
Dividends (Note 21)		809,968	809,968	-	-	1,619,936	682,850	1,619,936	682,850
Other (mining rights)	(c)	-	70,208	-	-	70,208	27,314	70,208	27,314
Statement of operations									
Revenue	(a)	-	-	2,287,956	-	2,287,956	4,502,885	-	-
Cost of goods sold and services rendered	(b)	-	(375,346)	-	-	(375,346)	(597,503)	(375,346)	(597,503)
General and administrative expenses	(c)	-	(115,408)	-	-	(115,408)	(106,703)	(115,408)	(106,703)
Sales expenses	(d)	-	-	-	(28,566)	(28,566)	(18,869)	-	-
Financial expenses		(11,286)	-	(10,810)	-	(22,096)	(24,175)	(11,286)	(11,191)

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

(b) Refers to the acquisition of fine grain iron ore direct from the shareholder Vale, for use in production. The amount presented under "Inventory" refers to the iron ore purchased but not yet consumed in the production process of Samarco.

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

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

The price established in the contract is not fixed, and was established as a percentage of the gross dividends paid. For the year ended December 31, 2014 the payments totaled R$72,513 (R$105,852 in 2013).

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

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social – ValiaPrev, which provide participants and their dependents supplementary benefits or benefits similar to those offered by the government basic pension scheme. Details of this plan are disclosed in Note 15.

The remuneration of key management is presented below:

	2014	2013
Remuneration (i)	23,515	22,616
Medical assistance plan	105	197
Private pension	1,333	1,275
Life insurance	146	123
	25,099	**24,211**

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

Key management personnel are considered to be members of the executive board and general managers.

11. PROPERTY, PLANT AND EQUIPMENT

The Company made a number of investments throughout 2014 to increase its production capacity and the productivity of its industrial plants, ensure operational continuity and improvements, replace equipment of the industrial plants and to achieve sustainable development in accordance with the standards, policies and legislation regarding the environment and health and safety.

The composition of the Company's property, plant and equipment is as follows:

		Consolidated									Parent Company
		Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated systems	Plant decommission-ing	Data processing equipment and furni-ture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Construction assets	Total	Total
Cost											
Balances at December 31, 2013		**32,269**	**5,178,865**	**2,173,563**	**59,166**	**102,689**	**114,207**	**107,524**	**7,742,517**	**15,510,800**	**15,509,832**
Additions	(a)	-	-	-	-	-	-	-	1,377,046	1,377,046	1,377,046
Capitalized interest	(b)	-	-	-	-	-	-	-	64,057	64,057	64,057
Transfers – entries	(b)	1,180	3,850,064	2,719,244	-	32,426	71,555	19,395	-	6,693,864	6,693,850
Transfers – exits	(b)	-	(4,607)	(18)	-	-	-	(16)	(6,689,211)	(6,693,852)	(6,693,850)
Sales	(c)	-	(35,880)	(442)	-	(12,731)	(1,116)	(163)	-	(50,332)	(50,332)
Effect of exchange rate variances	(d)	5,264	1,754,805	1,124,086	7,922	17,894	33,779	20,391	(823,211)	2,140,930	2,140,781
Balances at December 31, 2014		**38,713**	**10,743,247**	**6,016,433**	**67,088**	**140,278**	**218,425**	**147,131**	**1,671,198**	**19,042,513**	**19,041,384**
Accumulated depreciation											
Balances at December 31, 2013		**-**	**(2,133,968)**	**(764,617)**	**(5,497)**	**(58,476)**	**(69,197)**	**(21,224)**	**-**	**(3,052,979)**	**(3,052,526)**
Depreciation in the year		-	(205,265)	(110,985)	(1,608)	(11,274)	(11,734)	(4,966)	-	(345,832)	(345,626)
Sales	(c)	-	22,707	137	-	12,103	1,114	89	-	36,150	36,150
Effect of exchange rate variances	(d)	-	(332,533)	(143,342)	(644)	(8,234)	(13,596)	(4,873)	-	(503,222)	(503,106)
Balances at December 31, 2014		**-**	**(2,649,059)**	**(1,018,807)**	**(7,749)**	**(65,881)**	**(93,413)**	**(30,974)**	**-**	**(3,865,883)**	**(3,865,108)**
Balances											
At December 31, 2013		**32,269**	**3,044,897**	**1,408,946**	**53,669**	**44,213**	**45,010**	**86,300**	**7,742,517**	**12,457,821**	**12,457,306**
At December 31, 2014		**38,713**	**8,094,188**	**4,997,626**	**59,339**	**74,397**	**125,012**	**116,157**	**1,671,198**	**15,176,630**	**15,176,276**

(a) As regards additions, the main ventures as of December 31, 2014 were as follows:

	Start date	End date	2014	2013
Fourth pelletizing plant project	2011	2014	664,003	2,153,597
Waterproofing of slurry basin	2013	2014	10,246	18,837
IT management systems 2013 – acquisition of software and licenses	2013	2015	3,220	13,901
Germano basic network	2010	2014	22,347	96,216
Mobile equipment workshop of mine	2011	2014	18,037	22,807
Tractors, trucks, loaders and motor graders	2014	2017	149,364	-
Spare parts of Germano/Ubu	2014	2014	49,249	-
Land	2014	2014	22,305	-
Metal frames for aligning the rotary-control	2014	2014	11,701	-
Raising of embankment	2013	2014	6,899	10,331
Wind Fence in the pellets patios	2011	2014	655	35,449
Additional fleet to increase production in concentrator 3	2013	2014	-	10,121
Other	-	-	419,020	141,272
Total			**1,377,046**	**2,502,531**

(b) The investments in property, plant and equipment and intangible assets are recorded in assets under construction. When these investments are concluded and enter 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. Costs of loans and financing of R$64,057 were recorded in the year ended December 31, 2014 (R$156,612 in 2013) referring to the execution of several projects (Germano basic network, vehicle workshop, wind fence, NR-10, enhancement of automation level, low and medium voltage circuit breakers and the fourth pelletizing plant project). Of the interest capitalized in 2014, R$59,876 (R$143,970 in 2013) related to the fourth pelletizing plant project, at a rate of 2.99% per annum.

(c) The sales in 2014 primarily consisted of scrap written-off as a result of changing the shiploader and the inventory count. The residual amount written off was R$14,182.

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

11. 1 IMPAIRMENT ANALYSIS

In the financial years 2014 and 2013, the Company evaluated whether there were indications that certain assets might be recorded at amounts above their recoverable amounts. This evaluation did not identify any asset impairment.

11.2 RESIDUAL VALUE

It is Company policy to extend the useful life of its assets as much as possible by carrying out preventive and corrective maintenance. These policies enable the Company to maintain its assets in a perfect operational state for lengthy periods of time until they become obsolete or are scrapped. Therefore, there are no expectations that the value of property, plant and equipment will be recovered by sales or that their residual values will approximate to zero.

11.3 PLEDGED ASSETS

At December 31, 2014 the Company had assets pledged as collateral in judicial processes. These assets are recorded under property, plant and equipment as machinery and equipment, vessels and related systems, in the amount of R$64,954 (R$67,906 in 2013).

11.4 USEFUL LIFE

In December 2014 the Company concluded the studies concerning the review of the useful lives of property, plant and equipment.

Presented below are summary descriptions of the property, plant and equipment accounts and the useful life by accounting nature of the assets. Depreciation is calculated 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 remainder.

		2014		2013	
ITEM	ACCOUNT DESCRIPTION	Average weighted useful life in years	Years of depreci-ation	Average weighted useful life in years	Years of depreci-ation
Buildings	Buildings, warehouses, security cabins, road surfacing and civil works improvements.	34	10 to 50	32	10 to 50
Machinery and equipment	Furnace, pelletizing disks, ship loader, loaders, precipitators, ball mills, grid cars and other similar items.	20	10 to 50	20	10 to 50
Ore pipeline and correlated systems	Pipelines to transport iron ore and industrial installations, such as conveyor belts, cabling and others	18	20 to 43	19	20 to 43
Plant decommissioning	Environmental obligations to discontinue the pipeline and industrial facilities of Germano and Ubu.	43	43	43	43
Data processing equipment	Personal computers, printers, monitors, notebooks, servers, optical interfaces, collectors, switches, hubs, patch panels, racks, etc.	4	5	5	5
Furniture and fixtures	Chairs, tables, cupboards and other such furniture	8	10	9	10
Vessels	Boats, ferries, speed boats and dredgers.	16	9 to 24	18	9 to 24
Vehicles	Automobiles, trucks, forklifts, cranes, tractors, loaders.	10	4 to 25	11	4 to 25
Tools	Impact keys, multimeters, torque wrenches, microscopes, and other small devices.	12	10 to 25	13	10 to 25
Rotating assets	Parts of machinery and equipment and industrial installations.	20	10 to 27	23	10 to 27
Mass assets	Circuit breakers, capacitors, hydraulic pumps and other small items.	20	5 to 24	23	5 to 24

12. INTANGIBLE ASSETS

		Consolidated						Parent Company
		Right of way	Mining rights	Other rights	Tailings removal	Applications and software	Total	Total
Cost								
Balances at December 31, 2013		**8,728**	**29,625**	**1,351**	**-**	**77,167**	**116,871**	**116,870**
Additions	(a)	5,278	1	-	14,262	14,203	33,744	33,744
Effect of exchange rate variances	(b)	2,255	3,967	180	1,832	13,504	21,738	21,737
Balances at December 31, 2014		**16,261**	**33,593**	**1,531**	**16,094**	**104,874**	**172,353**	**172,351**
Accumulated amortization								
Balances at December 31, 2013		**(3,096)**	**(19,443)**	**(1,348)**	**-**	**(59,653)**	**(83,540)**	**(83,540)**
Amortization in the year	(c)	(127)	(163)	-	(465)	(6,028)	(6,783)	(6,783)
Effect of exchange rate variances	(b)	(499)	(2,733)	(183)	(56)	(10,532)	(14,003)	(14,001)
Balances at December 31, 2014		**(3,722)**	**(22,339)**	**(1,531)**	**(521)**	**(76,213)**	**(104,326)**	**(104,324)**
Balances at December 31, 2013		**5,632**	**10,182**	**3**	**-**	**17,514**	**33,331**	**33,330**
Balances at December 31, 2014		**12,539**	**11,254**	**-**	**15,573**	**28,661**	**68,027**	**68,027**

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

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

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

12.1 USEFUL LIFE

Presented below are summary descriptions of the intangible asset accounts and the useful life by accounting nature of the assets:

ITEM	ACCOUNT DESCRIPTION	2014		2013	
		Average weighted useful life in years	Years of amortization	Average weighted useful life in years	Years of amortization
Right of way	Rights acquired to utilize the land easement for the passage of the pipeline.	43	43	43	43
Mining rights	Mining rights for exploration of iron ore deposits.	43	43	43	43
Other rights	Oil pipeline usage right.	14	15	14	15
Tailings removal	Cost of removing tailings, incurred in the surface mine during the production phase.	14	14	-	-
Applications and software	Software and licenses.	5	5	5	5

12.2 RESEARCH AND DEVELOPMENT

The Company incurred research and development expenses of R$104,570 (R$55,650 in 2013), which were recognized as other operating expenses in 2014.

13. SUPPLIERS

	Parent Company		Consolidated	
	2014	2013	2014	2013
Domestic	302,704	205,785	302,719	205,793
Foreign	11,277	17,482	10,246	17,547
Related parties (Note 10)	34,798	67,174	34,798	67,174
	348,779	**290,441**	**347,763**	**290,514**

14. LOANS AND FINANCING

Loans and financing are instruments utilized by the Company to finance its long-term projects and ventures. Loans and financing generally have a term in excess of 1 (one) year and are mainly obtained in US dollars:

	Parent Company				Consolidated	
	Current	Non-current	Total 2014	Total 2013	Total 2014	Total 2013
Overseas transactions (export prepayments)	1,269,377	10,133,202	11,402,579	8,113,601	11,402,579	8,464,901
Foreign transactions with related parties (export prepayments)	-	-	-	702,600	-	351,300
Local transactions	11,994	158,119	170,113	163,110	170,113	163,110
Total	**1,281,371**	**10,291,321**	**11,572,692**	**8,979,311**	**11,572,692**	**8,979,311**
Current	1,281,371	-	1,281,371	888,679	1,281,371	888,679
Non-current	-	10,291,321	10,291,321	8,090,632	10,291,321	8,090,632

The principal financing transactions in 2014 were:

(i) Disbursement of the remaining portion of each of the loan and financing operations in the form of EPP – Export Pre-Payments entered into in the fourth quarter of 2013 with the banks Bank of America (US$200 million, total term of 5 years), Bank of Tokyo Mitsubishi UFJ (US$200 million, total term of 5 years), HSBC (US$250 million, total term of 5 years) and Mizuho (US$125 million, total term of 7 years), totaling US$775 million. The amount disbursed in 2014 was US$410 million.

(ii) Financing of US$500 million raised during the third quarter of 2014 through an international bond issue with a total maturity of ten years and repayment on final maturity, carrying fixed interest paid semi-annually;

Settlements amounting to US$300 million were made on December 22, 2014 for export prepayment loans from Banco do Brasil (US$150 million) and BHP Billiton (US$150 million).

A local-currency financing contract was signed with The National Bank for Economic and Social Development (BNDES) in the fourth quarter of 2014, amounting to R$201 million. The amount has not yet been disbursed (there is a grace period of up to 2 years). The transaction is subject to fixed interest paid quarterly during the grace period and monthly thereafter.

As of December 31, 2014 the provision for interest on foreign-currency loans and financing, which represented 98.5% (98.2% in 2013) of the total, was as follows:

	2014		2013	
	Principal value	Provision for interest	Principal value	Provision for interest
0% to 2 %	4,549,043	13,883	3,223,727	12,445
2% to 3%	1,062,240	1,859	936,800	1,436
3% to 4%	-	-	702,600	476
Over 4%	5,791,296	56,785	3,953,074	34,175
	11,402,579	**72,527**	**8,816,201**	**48,532**

As of December 31, 2014 the provision for interest on local currency loans and financing, which represented 1.5% (1.8% in 2013) of the total, was as follows:

	2014		2013	
	Principal value	Provision for interest	Principal value	Provision for interest
3% to 4%	159,226	1,010	155,425	397
Over 4%	10,887	1,941	7,685	1,873
	170,113	**2,951**	**163,110**	**2,270**

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

As of December 31, 2014 the loans and financing payments presented the following maturities:

	Parent Company and Consolidated										
	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Loans and financing	11,572,692	1,281,371	221,371	228,557	2,903,527	354,151	354,151	133,736	2,789,336	1,984,362	1,322,130

The fair value of financial liabilities related to the loans and financing, whose balances are measured at amortized cost, is calculated as follows: (i) the fair value of the bonds is obtained from the quotation for the securities in the secondary market (utilizing the closing value informed by Bloomberg); (ii) for EPP – Export Pre-Payment loans, which are not disclosed in the secondary debt market or for which the secondary market does not have enough liquidity, is close to fair value, as the floating rates are periodically restated (in accordance with the interest period of the operations). There are other smaller transactions which are subject to fixed rates and floating rates, also restated periodically. Presented below are the estimated fair values of the loans and financing:

	2014		2013	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Bonds	5,848,081	5,914,403	3,987,249	4,021,597
EPPs (export pre payments)	5,627,025	5,627,025	4,877,484	4,877,484
Other	173,064	173,064	165,380	165,380
	11,648,170	**11,714,492**	**9,030,113**	**9,064,461**

GUARANTEES AND OBLIGATIONS – LOANS AND FINANCING

The Company's non-current loans and financing are guaranteed by promissory notes and primarily linked to previously defined export receivables.

Some loans and financing have contractual clauses regarding the observance of certain covenants, some of which are linked to the indebtedness ratio – "Net Debt/ EBITDA", limited to 3:1 and in certain cases 4:1. In 2014 this ratio was 2.1.

Company Management confirmed that all contractual covenants were being complied with as of December 31, 2014 and 2013.

15. EMPLOYEE BENEFITS

15.1 RETIREMENT BENEFITS

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

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

(a) Defined-contribution plan

The resources of the plan are provided by regular contributions precisely matching participant contributions and limited to 9% of the amount by which contribution salaries exceed 10 reference plan units, as well as by contributions to guarantee risk benefits (disability and death at work and annual bonus) and plan administration expenses. In 2014, the Company made contributions to the defined contribution plan of R$10,715 (R$10,240 in 2013).

(b) Portion of the defined benefit plan.

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

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

The actuarial report appraised the defined benefit portion in the plan, which represents the constructive obligation referring to supplementary pensions for disability, pensions for death and annual bonuses, denominated Risk Plan, and retirement income.

1 – Change in present value of the obligations

	2014	2013
Present value of the actuarial liability at the beginning of the year	19,611	26,949
Current service cost	1,467	2,409
Interest on actuarial obligation	2,309	2,522
Actuarial (gains)/losses – experience	3,357	774
Actuarial (gains)/losses – demographic assumptions	(3,622)	-
Actuarial (gains)/losses – financial hypothesis	2,803	(12,292)
Benefits paid by the plan	(1,196)	(751)
Present value of the actuarial liability at the end of the year	**24,729**	**19,611**

2 – Change in fair value of the assets

	2014	2013
Fair value of assets at start of year	34,558	26,874
Real return on investments	11,896	6,054
Contributions paid by the Company	2,612	2,381
Benefits paid by the plan	(1,196)	(751)
Fair value of assets at end of year	**47,870**	**34,558**

3 – Change in irrecoverable surplus

	2014	2013
Irrecoverable surplus at end of previous year	14,947	-
Interest on irrecoverable surplus	1,800	-
Change in irrecoverable surplus during year	6,394	14,947
Irrecoverable surplus at end of current year	**23,141**	**14,947**

4 – Cost of defined benefit

4.1 – Result for the year

	2014	2013
Current service cost of the Company	1,467	2,409
Net interest of net liabilities/ (assets)	(167)	119
Cost of defined benefit in the result	**1,300**	**2,528**

4.2 – Other comprehensive income (ORA)

	2014	2013
Actuarial gains(losses) of change in liabilities	3,357	774
Actuarial gains(losses) of changes in hypothesis	(820)	(12,292)
Actuarial gains(losses) arising in the year	**2,537**	**(11,518)**
Yields on plan assets (greater)/ smaller than discount rate	(7,619)	(3,651)
Change in irrecoverable surplus	6,394	14,947
Re-measurement of effects in Other comprehensive income	**1,312**	**(222)**

4.3 – Cost of defined benefit

	2014	2013
Current service cost	1,467	2,409
Net interest on net value of liabilities/(asset)	(167)	119
Remuneration of effects recognized in ORA	1,312	(222)
Cost of defined benefit	**2,612**	**2,306**

5 – Change in net liability/asset

5.1 – Net (liability)/asset

	2014	2013
Present value of obligation (VPO)	(24,729)	(19,611)
Fair value of the assets	47,870	34,558
Net total (liability)/asset to be recognized	**23,141**	**14,947**

5.2 – Reconciliation in net total (liability)/asset

	2014	2013
Net total (liability)/asset at beginning of year	-	(75)
Service Cost	(1,467)	(2,409)
Net interest on net value of liabilities/(assets)	167	(119)
Remuneration of effects recognized in ORA	(1,312)	222
Contributions paid by the Company	2,612	2,381
Net total (liability)/asset at end of year	**-**	**-**

6 – Estimated cost of defined benefit for 2015

Current service cost	1,370
Net interest of net liabilities (assets)	(162)
Cost to be recognized in the result	**1,208**

7 – Expected cash flows for 2015

Company Contributions	2,875
Benefits paid by the plan	1,142

8 – Actuarial assumptions

	2014	2013
Economic		
Discount rate	5.77% per year	8.68 % per year
Salary growth rate	7.30% per year	6.59 % per year
Inflation	5.20% per year	4.50 % per year
Growth of benefits	5.20% per year	4.50 % per year
Return on non-current assets	11.27% per year	12.04 % per year
Demographic		
Mortality table	AT-1983 (H)	AT-1983 (H)
Mortality table of disabled people	AT-1983 (H)	AT-1983 (H)
Disability rate table	Zimmerman 0.45	Aggravated Álvaro Vindas of 3.0
Turnover rate	Nil	Nil
Retirement age	First age entitled to one of the benefits	First age entitled to one of the benefits
% of active participants married at retirement	95%	95%
Age difference between participant and spouse	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands

9 – Summary of data of participants

	2014	2013
Active and self-sponsored employees		
Number	2,959	2,740
Average age	37.22	37.18
Average length of service (years)	9.04	9.24
Annual average payroll	65,219	59,806
Participants with assisted benefits		
Number	67	59
Annual average payroll	16,364	12,606

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

ASSETS BY CATEGORY	2014	2013
Fixed income	306,812	247,279
Variable income	61,611	54,753
Loans	54,952	47,668
	423,375	**349,700**

15.2 OTHER EMPLOYEE BENEFITS

The Company also offers employee benefits such as a health care plan, which is self-managed and to which employees also contribute (for expenses incurred), entitled Assistência Médica Supletiva (A.M.S), which is also extended to dependents. The plan covers outpatient, inpatient and dental care as well as medication for beneficiaries and is ensured by a Collective Labor Agreement. The Plan management fees are fully borne by the Company. Expenses with other benefits were recognized in the statement of income as follows:

	Parent Company		Consolidated	
	2014	2013	2014	2013
Remuneration and charges	(337,529)	(306,980)	(344,462)	(312,384)
Social security charges	(67,062)	(60,545)	(67,062)	(60,545)
Retirement plan benefits	(12,568)	(11,811)	(12,779)	(12,009)
Meal vouchers	(23,041)	(18,830)	(23,041)	(18,830)
Health insurance	(17,244)	(14,780)	(17,299)	(14,817)
Other	(22,305)	(20,550)	(23,689)	(22,089)
	(479,749)	**(433,496)**	**(488,332)**	**(440,674)**

15.3 SHARE-BASED PAYMENTS

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

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

The theoretical shares are cancelled when a participant leaves the Company voluntarily or is dismissed. If a participant is dismissed with just cause, retires, dies or becomes permanently incapacitated, in certain conditions their theoretical options can be exercised in proportion to the period between the date the options were awarded and the date the employment contract was terminated. At its sole discretion, the Remuneration Committee determines the rights of executives and key personnel in relation to their theoretical shares in the event of dismissal for reasons not stipulated in the long-term share plan regulations. At any time and at its sole discretion the Remuneration Committee can also change the regulations or suspend or terminate the long-term share plan.

At the concession date of the phantom stocks, the fair value was calculated based on a Monte Carlo sampling. The predicted volatility is estimated by considering the volatility of the average historic price of the shareholder Vale's shares in the market, during a term of three years. The data used to calculate the fair values of the plan based on the equity interest can be presented as follows:

	Parent Company and Consolidated	
	2014	2013
Value of the shares	94.61	94.28
Strike value	-	-
Projected volatility (average weighted volatility)	8.4%	3.63%
Dividends forecast	0%	0%
Risk-free interest rate (based on government bonds)	5.000%	5.625%

This plan's expenses amounted to R$11,613 in 2014 (R$7,260 in 2013) and were classified as operating expenses related to employee benefits.

16. PAYROLL, PROVISIONS AND SOCIAL CONTRIBUTIONS

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

	Parent Company		Consolidated	
	2014	2013	2014	2013
Provision for profit sharing	61,252	47,010	63,793	49,038
Provision for vacations	33,267	29,306	33,314	29,338
Employees Social Security Contributions (INSS)	5,829	6,797	5,829	6,797
FGTS payable	2,306	3,352	2,306	3,352
Provision for share-based remuneration plan	6,672	1,878	6,672	1,878
Other	1,627	1,935	1,633	1,942
	110,953	**90,278**	**113,547**	**92,345**

17. TAXES PAYABLE

The balance of taxes payable is shown below:

	Parent Company		Consolidated	
	2014	2013	2014	2013
ICMS payable	20,927	162,409	20,927	162,409
REFIS – Tax recovery – taxes payable in installments	13,311	12,053	13,311	12,053
Withheld Services Tax (ISS)	4,713	8,436	4,713	8,436
INSS retained from third parties payable	4,585	9,699	4,585	9,699
Withholding tax (IRRF) payable	6,120	7,247	6,207	7,409
INSS DIFAL payable	2,432	1,389	2,432	1,389
CFEM payable*	5,412	2,406	5,412	2,406
COFINS withheld	1,493	2,102	1,493	2,102
TFRM payable	2,166	1,409	2,166	1,409
Other	1,134	1,206	1,134	1,206
	62,293	**208,356**	**62,380**	**208,518**

* (CFEM – Financial Compensation for Exploration of Mineral Resources
TFRM – State Levy for Mineral Resources)

18. PROVISION FOR CONTINGENCIES

The Company is a party to judicial and administrative processes 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 constituted a provision for contingencies at an amount considered sufficient to cover probable losses.

In 2014 the provisions for present obligations are presented net of the corresponding judicial deposits without related provision amounting to R$65,382 (R$31,416 in 2013). The balance of judicial deposits without related provisions is recorded in assets at R$706,287 (R$409,563 in 2013) and its composition is detailed below:

	Parent Company and Consolidated	
	2014	2013
Tax judicial deposits	692,001	399,485
Civil judicial deposits	9,583	6,947
Judicial Deposits – Labor Claims	4,682	3,112
Environmental judicial deposits	21	19
	706,287	**409,563**

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

	Parent Company and Consolidated					
	2013	Additions	Reversals	Incurred	Charges	2014
Tax processes	52,538	38,156	-	-	377	91,071
(-) Judicial deposits	(27,987)	-	-	351	(33,195)	(60,831)
Civil claims	110,868	485	(42,302)	-	8,521	77,572
Labor claims	13,997	3,797	(2,143)	-	7,675	23,326
(-) Judicial deposits	(3,429)	(562)	892	-	(1,452)	(4,551)
Environmental processes	2	88	-	-	1	91
	145,989	**41,964**	**(43,553)**	**351**	**(18,073)**	**126,678**

The composition of the provision is as follows:

		2014			2013		
		Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
ECE – ES	(a.1)	33,147	(33,147)	-	15,089	(15,089)	-
ECE – MG	(a.1)	27,684	(27,684)	-	12,547	(12,547)	-
ICMS – Fine – Muniz Freire – ES	(a.2)	13,691	-	13,691	11,012	-	11,012
Attorneys' fees	(a.3)	13,757	-	13,757	11,189	-	11,189
Other		2,792	-	2,792	2,701	(351)	2,350
Tax processes		**91,071**	**(60,831)**	**30,240**	**52,538**	**(27,987)**	**24,551**
Civil claims	(a.4)	**77,572**	**-**	**77,572**	**110,868**	**-**	**110,868**
Labor claims		**23,326**	**(4,551)**	**18,775**	**13,997**	**(3,429)**	**10,568**
Environmental processes		**91**	**-**	**91**	**2**	**-**	**2**
		192,060	**(65,382)**	**126,678**	**177,405**	**(31,416)**	**145,989**

(a) Lawsuits provisioned by the Company:

NOTE	DESCRIPTION	STATUS	2014	2013
(a.1)	Court process filed claiming the unconstitutionality and illegality of the requirement of the charges and acquisition of emergency energy, due to technical defects when these requirements were introduced.	The case for Espírito Santo is pending a decision of the Appeals Court (2nd judicial instance) and the case relating to Minas Gerais is pending the decision of another appeals court (3rd judicial instance).	60,831	27,636
(a.2)	Assessments 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.	Pending decision at the Appeals Court (1st judicial instance).	13,691	11,012
(a.3)	Provision for lawyers' fees referring to processes classified as having a remote chance of loss.		13,757	11,189
Other	Processes related to the former Guilman-Amorim hydroelectric power plant, closed down as a result of a spin-off and subsequent merger, for the offsetting of tax losses, PIS and COFINS.	Processes pending decisions under administrative appeals and 1st and 2nd instance judicial decisions.	2,792	2,701
(a.4)	Provision to cover potential losses on civil processes related to third-party compensation and processes of the intermediation of transferred ICMS credits.	Processes at the judicial courts at several stages.	77,572	110,868
Labor	Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Processes at the judicial and administrative courts at several stages.	23,326	13,997
Environmental	Assessment Notice 1284/10 issued by DNPM, for the alleged breach of article 54 (V) of the mining code's regulations.	Pending analysis of the administrative defense submitted.	91	2
			192,060	**177,405**

(b) Possible contingencies:

The Company is a party to other cases for which Management, based on the information and opinions of its internal and external legal advisors, has not constituted a provision for contingencies, because the expectation of loss has been considered as possible. The main cases are described below:

DESCRIPTION	STATUS	2014	2013
Assessment Notices for the alleged non-payment of CSLL in 2008, 2009 and 2010.	2 processes pending an administrative decision.	2,250,376	1,846,143
Assessment notices for 2000 to 2003 and 2007, 2008, 2009 and 2010, for allegedly incorrectly calculating the IRPJ as a result of using the rate of 18% on profit deriving from mineral exports instead of the general rate of 15% plus the 10% surcharge.	A favorable decision from the administrative appeals court has been obtained for the process for the period 2007 and 2008. Pending formalization of appeal decision. Awaiting decisions of the administrative appeals for the other processes.	1,844,826	1,578,203
Assessment Notice issued by the National Mining Production Department (DNPM) for alleged underpayment of the Financial Compensation for Exploration of Mineral Resources (CFEM). The municipal government of Mariana filed suit against the Company, based on the same legal grounds as those stated by the DNPM in its assessments.	1 case pending appeal in the municipality of Mariana, after a favorable sentence for Samarco. 3 cases pending appeal at the lower court and 1 case pending a decision on an administrative appeal.	886,766	750,397
Tax assessments regarding the timeliness and respective amounts of PIS paid on a semi-annual basis in the periods September 1989 to August 1994.	1 process awaiting the decision of the 1st judicial court and 1 awaiting the decision of the 2nd judicial court.	20,548	23,103
Assessment Notice demanding social security contributions on payments made to insured employees as profit sharing and "Field of Ideas" Award, amongst other matters, such as (i) social contributions allegedly due to the National Development Fund (FND) on these payments; (ii) fine for failure to pay social contributions; and (iii) fine for submitting incomplete information in declaration forms known as GFIPs.	Pending decision of the administrative appeal. The processes up to 2008 that have not been subject to the statute of limitations have been included in the REFIS program.	12,923	11,387
Disallowance of the offset of the IRPJ and CSLL tax losses of the former Guilman-Amorim hydroelectric power plant (subject to the legally established 30% limit).	Pending administrative decision.	7,124	6,616
Disallowance of offset of PIS and COFINS credits in the period April 2006 to December 2007 and 2008 to 2010 against monthly estimated IRPJ debits calculated in the same period, submitting the individual Electronic Requests for Restitution (PER/DCOMPs) by quarter and origin of credits (PIS and COFINS credits).	Pending decision of the administrative appeal.	133,394	173,680
Discussion of the constitutionality and legality of the fee introduced by the Minas Gerais government to inspect the survey, mining, exploration and use of mineral resource activities (TFRM). This process forms part of the enrollment in the Special Arrangement (REGIME ESPECIAL/E-PTA No.:45.000005700-79), which, among other obligations, stipulated the payment of the TFRM, with the consequent withdrawal of the process and conversion of part of the judicial deposit into government income.	Case closed. Part of the judicial deposit was converted into government income and the remaining balance returned to Samarco in 2014.	-	33,119

CONTINUE »

CONTINUATION »

DESCRIPTION	STATUS	2014	2013
Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which the Company 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.	Pending decision at the appeals court (1st judicial instance).	64,356	44,593
Assessment Notice issued by the State of Minas Gerais for ICMS on acquisitions of inputs, on the grounds that the permission granted by the federal tax authorities for the drawback customs benefit only applies to SAMARCO's establishment in the same state (Espírito Santo), so that imports made by the establishment in Minas Gerais state are not covered by the ICMS suspension.	1 process with a favorable decision pending judgment of the appeal by the appeals court, 2 processes pending decision by the lower court and 2 processes awaiting judicial summons. These processes were paid with the reductions established in the legislation of Minas Gerais state. Pending submission of case records for filing.	-	76,025
Tax Enforcement and assessment notice issued by the municipal government of Anchieta which criticizes the area where Samarco's industrial plant is located in Ubu, which is subject to the tax, also demanding tax for the area for which the Rural Land Tax (ITR) is paid. Following the expert's report submitted in 2012, the risk of defeat in the case was reclassified from remote to possible.	1 case is pending a decision at the court of appeal and 1 is pending an administrative decision.	66,371	50,856
Judicial discussion regarding the legality of the levying of ICMS on the right to use electric power transmission lines.	An appeal decision has been issued in favor of Samarco. Pending a decision of the superior appeals courts.	170,302	111,415
Civil processes primarily related to third-party compensation. According to the opinion of the Company's legal advisers, the probability of losing these cases is possible.	Processes at various levels of the courts.	56,638	30,512
Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Processes at various levels of the courts.	40,335	31,965
Processes involving environmental risks in the States of Minas Gerais and Espírito Santo, referring to assessments from the inspection authorities.	Processes at various levels of the courts.	55,453	36,478
Other		92,807	65,681
		5,702,219	**4,870,173**

In addition to the above mentioned processes, the Company informs:

(i) The risk of loss for the periods 1991 to 2007 was reclassified in 2013 to remote for processes related to CSLL, with the periods 2008 to 2010 remaining as with possible risk of loss. On December 31, 2014 two cases were discharged, referring to the periods 2000 to 2003, amounting to R$323,988, with the continuation of the other cases classified as a remote loss with a total value of R$1,886,918 (R$1,995,761 in 2013).

19. OTHER PROVISIONS

		Parent Company and Consolidated	
		2014	2013
Provision for electricity	(a)	42,091	33,430
Provision for mining rights	(b)	70,208	27,314
Provision for purchase of iron ore	(c)	413	98
Total current		**112,712**	**60,842**

		Parent Company and Consolidated	
		2014	2013
Provision for asset retirement obligation	(d)	350,718	135,669
Provision for environmental recovery	(e)	4,262	13,061
Provision for share-based payments (Note 15)		12,063	7,122
Total non-current		**367,043**	**155,852**

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

(b) The Company pays its shareholder Vale for the assignment of mining rights to iron ore geological resources. These amounts are calculated at the rate of 4% of dividends paid (Note 10).

(c) Related to the acquisition of fine grade iron ore direct from the shareholder Vale, for use in production.

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

	Parent Company and Consolidated	
	2014	2013
Provision at beginning of year	135,669	121,786
Increase	202,322	-
Estimated revisions in cash flows	12,727	13,883
Provision at end of year	**350,718**	**135,669**

In 2014, 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 on the closure, establish measures to mitigate any risks arising from potential sources of contamination in order to stabilize any potential environmental liabilities and to estimate the closing costs according to the phase of the plan. This plan will be reviewed every three years and could be brought forward in the event conditions change significantly. Based on the revision of the plan in 2014, the increase in the provision in 2014 was primarily due to the P4P facilities (third processing plant, third pipeline, fourth pelletizing plant, Natividade tailings pile, Santa Bárbara water pipeline and the Germano transmission line).

(e) Amount is recorded in accordance with the Company's procedures and the applicable legal requirements. The provision for environmental recuperation is made when an area of degradation is identified that generates an obligation for the Company.

20. OTHER LIABILITIES

		Parent Company		Consolidated	
		2014	2013	2014	2013
Current					
Advances from customers abroad		97,344	-	97,344	-
Commissions payable overseas to related parties	(a)	28,993	17,481	-	-
Demurrage payable	(b)	17,144	10,154	17,144	10,154
Amounts payable (material/services)	(c)	31,849	1,670	31,849	1,670
Consórcio UHE Guilman Amorim (Note 2)		2,704	2,283	2,704	2,283
Other		10,547	4,164	11,213	4,944
Total current		**188,581**	**35,752**	**160,254**	**19,051**
Non-current					
REFIS – Tax recovery – financed taxes	(d)	171,932	167,732	171,932	167,732
Other		551	530	551	513
Total non-current		**172,483**	**168,262**	**172,483**	**168,245**

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

(b) Amount owed by Samarco for the extra time utilized in unloading or loading products at the port.

(c) Refer to materials and goods acquired which were not recorded, as the respective invoice had not been issued by the supplier. The materials and goods were recorded in inventory and cost.

(d) On December 20, 2013 Samarco enrolled in the Tax Recovery Program (REFIS IV) introduced by Law 12865/13. The first instalment was paid at the time of enrollment. The total amount payable in installments was R$180,789, to be paid in 180 installments. The amount of R$171,932 refers to 155 long-term installments, restated by the Selic base interest rate (Note 17).

21. SHAREHOLDERS' EQUITY

21.1 CAPITAL

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

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

21.2 DIVIDENDS

25% of the annual adjusted net income must be distributed to the shareholders in the form of dividends. The Board of Directors can authorize the distribution of interim dividends, on account of the net income for the year or revenue reserves, pursuant to Article 204 of Law 6404/76. By decision of the Board of Directors, the Company can also pay or credit interest on shareholders' equity pursuant to the existing legislation, the net amount of which is to be imputed in the mandatory dividend.

The dividends can be presented as follows:

	Parent Company and Consolidated	
	2014	2013
Net income for the year (available for distribution)	**2,805,548**	**2,731,397**
Minimum mandatory dividends – 25%	701,387	682,850
Additional dividends proposed	2,104,161	2,048,547
Total dividends proposed	**2,805,548**	**2,731,397**
Percentage over calculation base	100%	100%

These financial statements only reflect the minimum mandatory dividends determined in the Company's bylaws, of 25% of Samarco's net income for the year. The recognition of the liability for any amount in excess of the mandatory minimum will be made on the date it is approved by the shareholders. At December 31, 2014 the Company therefore recognized additional proposed dividends in a specific account in shareholders' equity, which will be maintained in this account until approval by the shareholders as it does not constitute a present obligation.

21.3 RESERVES

	REVENUE RESERVES	Amount
Legal reserve	The legal reserve is constituted annually with 5% of the net income for the year and may not exceed 20% of the share capital. The balance of the legal reserve has reached the maximum limit determined by article 193 of Law 6,404/76.	59,404
Profit retention reserve	Pursuant to article 196 of Law 6,404/76, the retention has been effected in order to support part of the Company's capital investment.	233,628

21.4 COMPREHENSIVE INCOME

		Parent Company and Consolidated	
		2014	2013
Inventories		67,752	49,559
Property, plant and equipment.		3,874,492	2,236,813
Intangible assets		17,403	9,668
Cost		225,087	106,322
Idle capacity		633	125
Exchange variance		(2,562,641)	(1,272,371)
Other		(6,294)	(14,664)
Accumulated translation adjustments	(a)	**1,616,432**	**1,115,452**
Remeasurement of retirement benefit		(1,312)	-
Remeasurement of retirement benefit	(b)	**(1312)**	**-**
		1,615,120	**1,115,452**

(a) Refer to exchange variances resulting from the translation of the balance sheet and income statement for the year from the functional currency (US$) to the reporting currency, the Real.

(b) Refers to the actuarial gains and losses from the evolution of the liabilities, alterations in hypotheses, earnings on the plan's assets and change in the irrecoverable surplus (Note 15).

22. REVENUE

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

The Company only realized overseas sales in 2014, selling its products and subproducts in countries of the Americas, Asia, Africa and Europe. In addition to product and byproduct revenue, the Company also obtained revenue in 2014 from electricity surpluses and logistics services at the Port owned by it, such as renting boats and tug boats, leasing land, in addition to selling non-agglomerated iron ore, which was recorded under "other products and services".

	Parent Company and Consolidated	
	2014	2013
Pellets – Country	-	127,071
Pellets – Overseas	6,960,308	6,907,319
Fine grade – Overseas	199,970	138,772
Electricity	405,205	36,014
Other goods and services	35,852	30,989
Total gross revenue	**7,601,335**	**7,240,165**
Sales taxes	(42,062)	(34,095)
Freight on sales	(22,409)	(1,653)
Net revenue	**7,536,864**	**7,204,417**

23. COST OF GOODS SOLD

	Parent Company	
	2014	2013
Consumables	(1,137,790)	(1,139,291)
Electricity	(309,891)	(254,793)
Materials	(285,473)	(223,210)
Outsourced services	(422,648)	(322,000)
Personnel expenses	(327,008)	(289,166)
Depreciation and amortization	(331,125)	(205,141)
Currency translation	(118,765)	(71,618)
Electricity sales	(58,745)	(14,169)
CFEM	(47,557)	(17,142)
TFRM	(22,483)	(11,153)
Other	(106,571)	(132,197)
Cost of goods sold	**(3,168,056)**	**(2,679,880)**

24. SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Consolidated	
	2014	2013	2014	2013
Sales expenses				
Outsourced services	(44,463)	(43,501)	(44,463)	(43,501)
Personnel expenses	(24,832)	(23,463)	(24,832)	(23,463)
Depreciation and amortization	(20,198)	(11,155)	(20,198)	(11,155)
Auxiliary supplies	(12,635)	(11,060)	(12,635)	(11,060)
Sales commissions	(28,566)	(18,869)	-	-
Shipment expenses	(35,143)	(15,856)	(35,143)	(15,856)
Allowance (reversal of allowance) for doubtful accounts	(4,699)	2,333	(4,631)	2,314
Sales expenses of subsidiaries	-	-	(18,554)	(15,233)
General expenses	(12,471)	(11,922)	(12,471)	(11,925)
Total	**(183,007)**	**(133,493)**	**(172,927)**	**(129,879)**
General and administrative expenses				
Outsourced services	(13,629)	(15,360)	(13,629)	(15,360)
Personnel expenses	(43,439)	(34,980)	(43,439)	(34,980)
Depreciation and amortization	(1,086)	(433)	(1,086)	(433)
Auxiliary supplies	(140)	(137)	(140)	(137)
General expenses	(6,100)	(5,855)	(6,100)	(5,855)
Total	**(64,394)**	**(56,765)**	**(64,394)**	**(56,765)**

25. OTHER NET OPERATING EXPENSES

		Parent Company		Consolidated	
		2014	2013	2014	2013
Tax		(55,708)	(360,350)	(55,708)	(360,350)
Provision for ICMS losses – ES		(247,148)	(101,856)	(247,148)	(101,856)
Provision for contingencies (Note 18)		33,201	115,973	33,201	115,973
Investments and social projects		(22,894)	(14,050)	(22,894)	(14,050)
Employee profit sharing	(a)	(95,846)	(91,940)	(98,667)	(93,704)
Provision for share-based payments (Note 15)		(11,613)	(7,260)	(11,613)	(7,260)
Research expenses (Note 12)		(104,570)	(55,650)	(104,570)	(55,650)
Mining rights (Note 10)		(115,408)	(106,703)	(115,408)	(106,703)
Idle capacity	(b)	(5,209)	-	(5,209)	-
Fees of lawyers and experts		(6,629)	(25,988)	(6,629)	(25,988)
Inventory adjustment (warehouse)		(6,814)	(10,780)	(6,814)	(10,780)
Sale of property, plant and equipment		(14,182)	(1,245)	(14,182)	(1,245)
Other, net		(75,583)	(23,066)	(65,993)	(23,207)
Total		**(728,403)**	**(682,915)**	**(721,634)**	**(684,820)**

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

(b) Idle capacity attributed to hibernation of one of the pipelines.

26. FINANCIAL RESULT

FINANCIAL INCOME		2014	2013
Yields on judicial deposits	(a)	148,043	-
Yields on government securities	(b)	24,430	-
Earnings on investments		3,635	1,209
Discounts obtained		105	643
Other financial income		9,869	5,295
Financial income		**186,082**	**7,147**
Income recorded in subsidiaries		(110)	(123)
Financial income – parent company		**185,972**	**7,024**

FINANCIAL EXPENSES		2014	2013
Arrears and tax fines	(c)	(62,575)	(256,168)
Charges on loans and financing		(257,161)	(49,946)
Interest on contingencies	(a)	(45,288)	-
Commissions and bank interest		(27,763)	(19,202)
Other financial expenses		(17,072)	(35,214)
Financial expenses		**(409,859)**	**(360,530)**
Expenses recorded in subsidiaries		46	40
Financial expenses – parent company		**(409,813)**	**(360,490)**

(a) Refers to the restatement of judicial deposits and provisions for contingencies for tax, civil, labor and environmental processes.
(b) Refers to the monetary restatement of the AIRE (state income tax calculation) received in August 2014.
(c) Interest on arrears and tax in respect of ICMS – Minas Gerais, REFIS, TFRM and other.

The balance of exchange variances can be presented as follows:

	Parent Company and Consolidated	
	2014	2013
Cash	8,029	22,159
Trade accounts receivable	69	(4,476)
Recoverable taxes	(239,709)	(233,944)
Judicial deposits	(99,142)	(40,917)
Suppliers	8,627	(24,433)
Payroll, provisions and social contributions	7,664	5,314
Taxes payable	(843)	6,382
Dividends	388,851	517,135
Provision for contingencies	4,144	9,172
Deferred income tax	30,511	19,469
Other	53,188	(14,673)
Net exchange variances – consolidated	**161,389**	**261,188**
Net exchange variances of subsidiaries	274	(107)
Net exchange variances – parent company	**161,663**	**261,081**

27. INCOME TAX

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

27.1 INCOME TAX PAYABLE

The changes in income tax payable are presented below:

	Parent Company		Consolidated	
	2014	2013	2014	2013
Balances at beginning of year	**-**	**81,949**	**-**	**81,917**
Provisions in the year	439,537	431,534	440,409	432,039
Payments	(216,448)	(176,632)	(217,252)	(177,105)
Offsetting with PIS and COFINS credits	(193,908)	(334,696)	(193,908)	(334,696)
Offsetting of recoverable tax (prepayment)	27,880	49,904	27,880	49,904
Offsetting of the tax losses of tax returns of prior years	(45,373)	(48,572)	(45,373)	(48,572)
Recognition of tax losses of prior years	-	6,107	-	6,107
Prior year IRPJ adjustment	(11,688)	-	(11,688)	
Processes related to REFIS	-	(9,594)	-	(9,594)
Balances at end of year	**-**	**-**	**68**	**-**

27.2 DEFERRED INCOME TAX

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

27.3 DEFERRED INCOME TAX ON NON-MONETARY ITEMS

The financial statements have been translated from the functional currency (US$) to Reais (R$), which is the reporting currency. The base for calculating income tax on assets and liabilities is determined in Brazilian reais (R$). The change in the rate could therefore have a significant effect on the income tax expenses, especially on non-monetary assets.

Net deferred income tax:

AMOUNTS RECORDED AT THE RATE OF:	Note	2014			2013		
		25%	18%	Total	25%	18%	Total
Provision for ICMS losses – ES and MG	7	313,083	-	313,083	251,296	-	251,296
Provision for price rectifications	5	92,185	-	92,185	-	-	-
Provision for profit sharing	16	15,313	-	15,313	11,753	-	11,753
Provision for asset retirement obligations	19	19,454	-	19,454	16,272	-	16,272
Provision for civil claims	18	19,393	-	19,393	27,717	-	27,717
Provision for labor claims	18	21,468	936	22,404	11,854	922	12,776
Provision for mining rights	19	17,552	-	17,552	6,828	-	6,828
Other		26,073	30	26,103	10,849	29	10,878
Total consolidated assets		**524,521**	**966**	**525,487**	**336,569**	**951**	**337,520**
Conversion – difference of functional currency		-	(714,276)	(714,276)	-	(585,724)	(585,724)
Fiscal depreciation		-	(287,765)	(287,765)	-	(171,319)	(171,319)
Financial income on judicial deposits		(35,947)	-	(35,947)			
Remeasurement of retirement benefit obligations		-	(241)	(241)	-	-	-
Total consolidated liabilities		**(35,947)**	**(1,002,282)**	**(1,038,229)**	**-**	**(757,043)**	**(757,043)**
Net, consolidated		**488,574**	**(1,001,316)**	**(512,742)**	**336,569**	**(756,092)**	**(419,523)**
Provisions recorded at subsidiaries		(29)	-	(29)	(38)	-	(38)
Net, parent company		**488,545**	**(1,001,316)**	**(512,771)**	**336,531**	**(756,092)**	**(419,561)**

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 2014
Tax processes	-	-	-	22,374	-	30	22,404
Labor claims	204	4,676	952	-	-	-	5,832
Environmental processes	-	23	-	-	-	-	23
Civil processes	-	19,393	-	-	-	-	19,393
Provision for ICMS losses – ES and MG	-	-	-	-	-	313,083	313,083
Conversion – difference of functional currency	(714,276)	-	-	-	-	-	(714,276)
Fiscal depreciation	(287,765)	-	-	-	-	-	(287,765)
Provision for price rectification	92,185	-	-	-	-	-	92,185
Other	36,379	-	-	-	-	-	36,379
Total consolidated	**(873,273)**	**24,092**	**952**	**22,374**	**-**	**313,113**	**(512,742)**
Provisions at subsidiaries	(29)	-	-	-	-	-	(29)
Total parent company	**(873,302)**	**24,092**	**952**	**22,374**	**-**	**313,113**	**(512,771)**

27.4 INCOME TAX IN THE STATEMENT OF INCOME

	Parent Company		Consolidated	
	2014	2013	2014	2013
Net income before income tax	3,346,593	3,560,373	3,346,593	3,560,878
Effects resulting from changes to accounting practices – Law 11,638/07	-	(949,308)	-	(949,308)
Fiscal depreciation	-	(377,272)	-	(377,272)
Net income after the adjustments to the transitional taxation scheme	3,346,593	2,233,793	3,346,593	2,234,298
Permanent differences:				
Equity in the earnings of subsidiaries	(15,767)	(1,394)	(15,767)	(1,394)
Overseas profits	8,611	3,037	8,611	3,037
Non-deductible tax fines	8,973	34,313	8,973	34,313
Non-deductible donations	10,729	9,442	10,729	9,442
Other additions (exclusions)	33,293	2,672	33,293	2,166
Difference of functional currency – art. 62 of Law 12,973/2014	(1,167,176)	-	(1,167,176)	-
Remeasurement of retirement benefit obligations	(1,312)	-	(1,312)	-
Profit deriving from subsidized exports	(2,116,300)	(2,166,580)	(2,116,300)	(2,166,580)
Calculation basis	**107,644**	**115,283**	**107,644**	**115,282**
Statutory rate	25%	25%	25%	25%
Income tax calculated	**26,911**	**28,821**	**26,911**	**28,821**
Income tax on subsidized exports – 18%	380,934	389,984	380,934	389,984
Tax incentive (PAT)	(9,557)	(6,395)	(9,557)	(6,395)
Deferred income tax on fiscal depreciation	(114,170)	-	(114,170)	-
Tax paid by companies overseas	-	-	872	505
Other adjustments	11,687	(3,569)	11,687	(3,569)
Deferred income tax on translation	245,240	420,135	245,240	420,135
Income tax in the income statement	**541,045**	**828,976**	**541,917**	**829,481**

Presented below is the composition of the income tax credit (expense) segregated between current and deferred:

	Parent Company		Consolidated	
	2014	2013	2014	2013
Current income tax	(439,537)	(431,534)	(440,409)	(432,039)
Deferred income tax on temporary differences	143,732	22,693	143,732	22,693
Deferred income tax on non-monetary items	(245,240)	(420,135)	(245,240)	(420,135)
Current and deferred income tax expenses	**(541,045)**	**(828,976)**	**(541,917)**	**(829,481)**

27.5 LAW 12,973/14

On May 13, 2014, Provisional Measure 627 was converted to Law 12,973/14, confirming the revoking of the Transitional Taxation System (RTT) from 2015, with an option to bring forward its effects to 2014.

The provisions established in the Law are effective from January 1, 2015. The early adoption in 2014 could eliminate potential tax effects, especially related to the excess portion of profit and dividends calculated based on 2014 earnings.

The Company studied the effects deriving from the application of this law and decided to adopt the law early. The effects deriving from the adoption did not generate material adjustments in the Company's financial statements.

28. COMMITMENTS

The Company is a party to long-term contracts as from 2014 for the supply of raw materials and services and the acquisition of real estate, as shown below:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total 2014
Capital expenditure for expansion and renewal of property, plant and equipment	18,100	-	-	-	-	18,100
Services and other	594,561	643,638	269,129	72,326	7,330	1,586,984
Iron ore acquisition	551,544	303,368	496,074	954,542	1,097,039	3,402,567
Supply of power and raw materials	683,172	657,384	652,557	816,397	1,122,387	3,931,897
Freight and logistics costs	2,419	-	-	-	-	2,419
	1,849,796	1,604,390	1,417,760	1,843,265	2,226,756	8,941,967

The commitments undertaken by Samarco consist of long-term contractual obligations to suppliers to renew and expand property, plant and equipment, in addition to the provision of several services to maintain the manufacturing and administrative facilities, to acquire iron ore from third parties, to supply energy and inputs, as well as costs on cargo chartering.

29. FINANCIAL INSTRUMENTS

29.1 FINANCIAL RISK MANAGEMENT

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

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

The use of financial instruments for hedging purposes is assessed periodically by management through a risk exposure analysis in order to mitigate the risk (exchange, interest rate etc.). The policy and strategies are determined by Company management and approved by the Strategy and Finance Committee.

The Company and its subsidiaries do not invest in derivatives or any other risk assets for speculative purposes.

29.2 FINANCIAL INSTRUMENTS BY CATEGORY

The financial instruments have been classified as follows:

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

Financial assets consist of:

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

	Parent Company		Consolidated	
	2014	2013	2014	2013
Cash and cash equivalents	2,090,026	418,487	2,117,649	436,858
Restricted short-term investments	-	117,808	20	117,942
	2,090,026	536,295	2,117,669	554,800

- Cash and cash equivalents

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

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

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

- Restricted cash held in specific collection accounts as a result of export prepayment operations.

(b) Accounts receivable

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

	Parent Company		Consolidated	
	2014	2013	2014	2013
Trade accounts receivable	644,192	857,122	637,264	856,980

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

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

	Parent Company and Consolidated	
	2014	2013
Brazil	1.47%	1.79%
USA	84.69%	80.52%
Japan	13.84%	17.69%

29.3 FINANCIAL RISK FACTORS

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

(a) Credit risk

The Company's sales policy is governed by the credit policy determined by management, and is aimed at minimizing any losses resulting from default by its customers. The Company realizes a credit analysis of its customers every year, in order to mitigate risks of non-payment for future sales. The payment capacity of customers is also evaluated during the credit analysis. The Company currently offers its customers the following payment conditions: letter of credit or collection through credits in current account.

Gross sales revenue amounted to R$7,601,335 in 2014 (R$7,240,168 in 2013), whereas the allowance for doubtful accounts constituted in 2014 was R$5,249 (R$618 in 2013). 41.02% of the outstanding accounts receivable in 2014 are secured by letters of credit or insurance (31.37% in 2013).

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

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

	Parent Company and Consolidated	
	2014	2013
Middle East/Africa	23%	29%
China	17%	15%
Asia (except China)	22%	22%
Europe	21%	20%
Americas	17%	14%

(b) Market risk

(i) Price risk

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

(ii) Interest rate risk

This risk arises from the possibility of the Company and its subsidiaries suffering unforeseen impacts arising from fluctuations in the interest rates on its financial assets and liabilities, as well as inflation. Most of the Company's loans and financing as of December 31, 2014 are denominated in United States Dollars, with approximately R$5,950 billion bearing interest at fixed rates and R$5,622 billion at floating rates corresponding to the variance in the LIBOR plus a contractual spread. The Company has no hedge against the 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 Selic.

(iii) Exchange rate risk

This risk arises from the possibility of fluctuations in the exchange rates of the foreign currencies (other than the functional currency) utilized by the Company to acquire domestic inputs and/or services, pay taxes, dividends and other charges. The Company has the following assets and liabilities, in Reais, which could influence its results due to exchange rate variations:

(A) ASSET EXPOSURE	Consolidated	
	2014	2013
Current assets		
Cash and cash equivalents	7,492	5,776
Domestic accounts receivable	3,332	7,635
Recoverable taxes	232,424	277,759
Prepaid expenses	9,995	4,937
Other assets	59,262	31,523
Non-current assets		
Judicial deposits	706,287	409,563
Recoverable taxes	53,477	31,393
Other assets	36,952	36,238
	1,109,221	**804,824**

(B) LIABILITY EXPOSURE	Consolidated	
	2014	2013
Current liabilities		
Suppliers	(337,517)	(272,967)
Loans and financing and charges	(14,768)	(5,234)
Salaries and payroll contributions	(113,547)	(92,345)
Taxes payable	(62,380)	(208,518)
Dividends	(1,619,936)	(682,850)
Other provisions	(112,712)	(60,842)
Other liabilities	(140,897)	(7,962)
Non-current liabilities		
Loans and financing and charges	(158,296)	(160,145)
Provision for contingencies	(126,678)	(145,989)
Deferred income tax	(512,742)	(419,523)
Other provisions	(367,043)	(155,852)
Other liabilities	(172,483)	(168,245)
	(3,738,999)	**(2,380,472)**

(C) EXPOSURE NOT RECORDED IN THE BALANCE SHEET:	2014	2013
Tax processes		
Chance of loss remote	(2,024,065)	(2,102,598)
Chance of loss possible	(5,549,793)	(4,771,218)
Labor claims		
Chance of loss remote	(8,614)	(6,024)
Chance of loss possible	(40,335)	(31,965)

	2014	2013
Civil claims		
Chance of loss remote	(13,601)	(9,118)
Chance of loss possible	(56,638)	(30,512)
Environmental processes		
Chance of loss remote	(45)	(18)
Chance of loss possible	(55,453)	(36,478)

	2014	2013
Summary of the exchange rate exposure		
Exposure recorded in the balance sheet (a + b)	(2,629,778)	(1,575,648)
Exposure not recorded in the balance sheet (c)	(7,748,544)	(6,987,931)
Net exposure	**(10,378,322)**	**(8,563,579)**

The Company does not hedge its assets and liabilities in Reais, in accordance with its internal guidelines. Foreign-currency assets and liabilities are translated to the functional currency at the exchange rate as of the balance sheet date, with US$1.00 being equal to R$2.6556 as of December 31, 2014 and to R$2.3420 as of December 31, 2013.

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

(c) Liquidity risk
The liquidity risk arises if the Company does not have sufficient funds to honor its obligations on the due dates.

Management believes the Company has a low liquidity risk due to its cash generation capacity and its capacity to borrow funds in advance, when necessary, thereby permitting it to honor its scheduled commitments and obligations.

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

	Consolidated		
	2014		
	Amount	Up to 12 months	1 – 10 years
Suppliers	347,763	347,763	-
Loans and financing	11,572,692	1,281,371	10,291,321
Financial charges payable	75,478	75,301	177

The amounts of the non-discounted cash flows are as follows:

FINANCIAL LIABILITIES	Book amount	Contractual cash flow	2015		2016	2017	2018	2019 – 2024
			0 – 6 months	6 – 12 months				
Suppliers	347,763	347,763	347,637	126	-	-	-	-
Loans and financing	11,572,692	11,572,692	145,567	1,135,804	221,938	224,021	2,904,094	6,941,268
Financial charges	75,478	75,478	37,650	37,651	-	177	-	-
Total	**11,995,933**	**11,995,933**	**530,854**	**1,173,581**	**221,938**	**224,198**	**2,904,094**	**6,941,268**

29.4 BANK SURETIES

The Company has bank sureties issued for an indefinite term to guarantee the suspension of amounts demanded under tax enforcements, amounting to a restated total as of December 31, 2014 of R$2,099,123. The total amount originally contracted was R$1,465,254. The Company also has fixed-term sureties used to guarantee the payment of electricity purchases and full compliance of obligations required in the transmission system usage agreements, amounting to a restated total as of December 31, 2014 of R$19,018; the original amount contracted was R$17,287. No losses are expected on these guarantees.

BANK	Amount contracted	Restated amount	Index	Term
Bradesco	902,905	1,142,533	Selic	Indefinite
Bradesco	64,648	81,802	VRTE	Indefinite
Bradesco	-	-	-	Determined
Votorantim	111,042	308,242	Selic	Indefinite
Itaú	292,743	457,931	Selic	Indefinite
Itaú	67,662	68,075	IPCA-E	Indefinite
Itaú	17,287	19,018	INPC	Determined
Sumitomo	426	426	-	Determined
Safra	26,254	40,540	INPC	Indefinite
Total	**1,482,967**	**2,118,567**	**-**	**-**

29.5 CAPITAL MANAGEMENT

The Company manages its capital with a view to safeguarding liquidity, managing the capital cost in order to minimize it, while offering sustainable and adequate returns to its shareholders and benefits for other stakeholders.

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

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

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

In 2014 the Company's strategy was to lengthen its debt profile and maintain its commitment to guarantee its credit classification as investment grade (BBB- on Standard and Poor's scale and BBB on Fitch Ratings' scale).

Furthermore, the calculation of the financial leverage index is being presented, considering net debt as a percentage of total capital. Total capital is calculated by adding the shareholders' equity, as presented in the consolidated balance sheet, to net debt:

	2014	2013
Total loans and financing	11,648,170	9,030,113
(-) Cash, cash equivalents, restricted short-term investments	(2,117,669)	(554,800)
Net debt	9,530,501	8,475,313
Total shareholders' equity	4,313,331	3,758,049
Total capital	13,843,832	12,233,362
Financial leverage index	69%	69%

29.6 FAIR VALUE HIERARCHY

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

- **Level 1**. Active market: quoted price – A financial instrument is deemed to be quoted in an active market if the quoted prices are readily and regularly disclosed by a stock exchange or organized over the counter market by operators, brokers or market associations, for entities which have prices disclosed by regulatory agencies, and if these prices represent market transactions which take place frequently between independent parties, on an arm's length basis.

- **Level 2**. No active market: Evaluation Method – The evaluation/pricing method should be used to determine the fair value of an instrument which is not traded in an active market. Other criteria can be utilized, such as data on the fair value of another similar instrument, discounted cash flow analyses and options pricing models. The valuation method aims to establish the transaction price at the measurement date in an arm's length transaction.

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

	Balance in 2014	Fair value hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalents	2,117,649	-	2,117,649	-
Restricted short-term investments	20	-	20	-

29.7 SENSITIVITY ANALYSIS

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

The main risks facing the Company's operations are linked to the variation in the LIBOR rate for long-term financing, IGP-DI for domestic operations and Selic for short-term investments.

In order to identify the sensitivity of the index in the short-term investments to which the Company was exposed as of December 31, 2014, three different scenarios were determined. Based on market projections and the official interest rate (Selic) in force at that date, the Company considered it reasonable to use the rate of 11.65% p.a. of Selic for the sensitivity analysis, a rate defined as the probable scenario. Based on the rate established for the probable scenario, two more scenarios were prepared (II and III), with a negative variance of 25% and 50% respectively.

	Risk	Probable scenario I	Scenario II	Scenario III
Short-term investments	Selic	11.65% p.a.	8.74% p.a.	5.83% p.a.
Yields as of December 31, 2014	-	32	31	31

The sensitivity analysis was simulated over the previous 12 months (Amounts corresponding to the yields obtained in the period, based on the rates used in the evaluated scenarios as of December 31, 2014).

In order to identify the sensitivity of the index in the long-term investments to which the Company was exposed as of December 31, 2014, three different scenarios were determined, in order to cover the following 12 months. Based on the accumulated IGP-DI price index and Libor rate for 12 months, in force at December 31, 2014, the Company determined a probable scenario and two other additional scenarios based on the first (II and III), with increases of 25% and 50% respectively.

	Risk	Probable scenario I	Scenario II	Scenario III
Foreign loans and financing	Libor	0.3628% p.a.	0.4535% p.a.	0.5442% p.a.
Interest as of December 31, 2014		20,640	25,801	30,961
Domestic loans and financing	IGP-DI	3.78% p.a.	4.73% p.a.	5.67% p.a.
Interest as of December 31, 2014		411	514	617

Amounts corresponding to the index rates, on the total debt in U.S. Dollars, which was indexed to the Company's floating interest rates, as of December 31, 2014, 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, 2014, three different scenarios were determined, with scenarios II and III contemplating exchange rate decreases of 25% and 50% respectively, based on the first, called probable scenario I.

FINANCIAL LIABILITIES	Exposure (R$)	Probable Scenario I (US$)	Scenario II (US$)	Scenario III (US$)
Exchange rate – (Risk – R$/US$)	-	2.6556	1.9917	1.3278
Total Assets	1,109,221	417,691	556,922	835,383
Total liabilities	(3,738,999)	(1,407,968)	(1,877,290)	(2,815,936)
Net exposure in Reais recorded in the balance sheet	**(2,629,778)**	**(990,277)**	**(1,320,368)**	**(1,980,553)**

30. CREDIT QUALITY OF FINANCIAL ASSETS

The quality of the financial asset credits can be evaluated by referring to the independent credit ratings (if applicable), or historical information about the levels of default incurred by counterparties.

30.1 CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	2014	2013	2014	2013
Current account and short-term bank deposits				
Investment Grade	2,090,026	536,295	2,117,669	554,800
Non-Investment Grade	-	-	-	-
	2,090,026	**536,295**	**2,117,669**	**554,800**

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

30.2 TRADE ACCOUNTS RECEIVABLE

	Parent Company		Consolidated	
	2014	2013	2014	2013
Counterparties with independent credit rating (S&P)				
Investment Grade	283,813	213,806	283,812	138,910
Non-Investment Grade	302,450	186,598	294,901	250,761
Counterparties without independent credit rating (S&P)				
Group 1 – customers with relationship of up to 5 years;	122,577	87,193	122,071	50,510
Group 2 – customers with more than 5 years without history of default	226,291	130,983	227,412	209,507
Group 3 – customers with more than 5 years with little history of default	79,681	231,430	79,723	204,237
Group 4 – domestic customers not purchasing iron ore	3,332	7,627	3,332	3,673
	1,018,144	**857,637**	**1,011,251**	**857,598**

31. INSURANCE COVERAGE

In order to mitigate risks and considering the nature of its operations, the Company contracts several different types of insurance policies. The policies are in line with the risk management policy and are similar to the policies contracted by other companies in the same line of business as Samarco. The coverage of these policies include: Operational Risk of Material Damages and Lost Earnings, National Transportation, International Transportation, Life and Personal Accident Insurance, Vehicle Fleet, Civil Liability Insurance, Engineering Risks, Other Risks, Export Credit, Surety Bonds and others.

The operational risk insurance is contracted in foreign currency (US$) and is in force until March 31, 2015. The assets covered totaled R$17,160,642 as of December 31, 2014 (R$5,972,045 in 2013) and the maximum indemnity limit was R$1,859,340 in the year (R$1,361,007 in 2013).

SAMARCO MINERAÇÃO S.A.

Board of Directors

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Pedro Rodrigues

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Project and Eco-Efficiency Officer

Roberto Lúcio Nunes de Carvalho
Commercial Officer

ACCOUNTANT RESPONSIBLE
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