

# **SAMARCO MINERAÇÃO S.A.**

**Consolidated interim financial statements  
for the six-month period ended June 30, 2015  
and report on Review**



## **Report on review of interim financial statements**

To the Board of Directors and Stockholders

Samarco Mineração S.A.

### **Introduction**

We have reviewed the accompanying consolidated interim balance sheet of Samarco Mineração S.A. and its subsidiaries (the "Company") as at June 30, 2015 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these parent company and consolidated interim financial statements in accordance with accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC). Our responsibility is to express a conclusion on these interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above do not present fairly, in all material respects, the financial position of Samarco Mineração S.A. and its subsidiaries as at June 30, 2015, and the consolidated financial performance and cash flows for the six-month period then ended, in accordance with CPC 21.



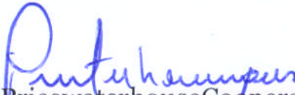
Samarco Mineração S.A.

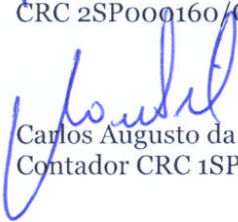
## **Other matters**

### **Statements of value added**

We have also reviewed the consolidated statement of value added for the six-month period ended June 30, 2015. This statement is the responsibility of the Company's management, and is presented as supplementary information. This statement has been subjected to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that it is not properly prepared, in all material respects, in relation to the interim financial statements taken as a whole.

Belo Horizonte, August 14, 2015

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

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

## CONSOLIDATED BALANCE SHEET

In thousands of Reais

Assets	Note	June 30, 2015	December 31, 2014
<b>Current</b>			
Cash and cash equivalents	3	2,206,743	2,117,649
Restricted short-term investments	4	23	20
Trade accounts receivable	5	736,622	637,264
Inventories	6	704,217	459,071
Recoverable taxes	7	261,043	232,473
Prepaid expenses		28,510	9,995
Other assets	8	48,695	59,262
<b>Total current assets</b>		<b>3,985,853</b>	<b>3,515,734</b>
<b>Non-current</b>			
Judicial deposits	17	738,268	706,287
Recoverable taxes	7	43,061	53,477
Other assets	8	36,850	36,952
		<b>818,179</b>	<b>796,716</b>
Property, plant and equipment	10	17,487,749	15,176,630
Intangible assets	11	76,697	68,027
<b>Total non-current assets</b>		<b>18,382,625</b>	<b>16,041,373</b>
<b>Total assets</b>		<b>22,368,478</b>	<b>19,557,107</b>

# CONSOLIDATED BALANCE SHEET

In thousands of Reais

(continued)

Liabilities and equity	Note	June 30, 2015	December 31, 2014
<b>Current</b>			
Trade payables	12	212,456	347,763
Loans and financing	13	1,504,722	1,281,371
Financial charges payable	13	87,832	75,301
Payroll, provisions and social contributions	15	89,659	113,547
Taxes payable	16	57,149	62,380
Provision for income tax	26	135	68
Dividends	20	2,805,548	1,619,936
Other provisions	18	166,483	112,712
Other liabilities	19	46,634	160,254
<b>Total current liabilities</b>		<b>4,970,618</b>	<b>3,773,332</b>
<b>Non-current</b>			
Loans and financing	13	11,868,289	10,291,321
Financial charges payable	13	441	177
Provision for contingencies	17	132,157	126,678
Deferred income tax	26	915,503	512,742
Other provisions	18	387,667	367,043
Other liabilities	19	174,346	172,483
<b>Total non-current liabilities</b>		<b>13,478,403</b>	<b>11,470,444</b>
<b>Equity</b>			
Capital	20	297,025	297,025
Capital reserve	20	2,476	2,476
Revenue reserves	20	294,549	294,549
Carrying value adjustments	20	1,661,515	1,615,120
Additional dividends proposed	20	-	2,104,161
Retained earnings		1,663,892	-
<b>Total shareholders' equity</b>		<b>3,919,457</b>	<b>4,313,331</b>
<b>Total liabilities and shareholders' equity</b>		<b>22,368,478</b>	<b>19,557,107</b>

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

## CONSOLIDATED STATEMENT OF INCOME

Six-month period ended June 30

In thousands of Reais

	Note	2015	2014
Revenue	21	3,360,959	3,588,919
Cost of goods sold and services rendered	22	(1,644,331)	(1,379,590)
<b>Gross profit</b>		<b>1,716,628</b>	<b>2,209,329</b>
<b>Operating expenses</b>			
Sales	23	(74,399)	(83,265)
General and administrative	23	(26,883)	(30,178)
Other operating expenses, net	24	(367,174)	(460,664)
<b>Operating income before financial result</b>		<b>1,248,172</b>	<b>1,635,222</b>
<b>Financial result</b>			
Financial income	25	41,231	10,258
Financial expenses	25	(300,976)	(113,783)
Net exchange variances	25	1,078,226	267,664
<b>Operating income before income tax</b>		<b>2,066,653</b>	<b>1,799,361</b>
Income tax	26	(402,761)	(41,798)
<b>Net income for the period</b>		<b>1,663,892</b>	<b>1,757,563</b>

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

## CONSOLIDATED COMPREHENSIVE STATEMENT OF INCOME

Six-month period ended June 30

In thousands of Reais

	2015	2014
Net income for the period	1,663,892	1,757,563
Other comprehensive income		
Items that will not be reclassified to the result	-	-
Translation adjustments in the period	46,395	(618,179)
Other comprehensive income for the period	46,395	(618,179)
Total comprehensive income for the period	1,710,287	1,139,384

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

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Reais

	Note	Capital reserves			Revenue reserves			Carrying value adjustments	Retained earnings	Additional dividends proposed	Total	
		Special monetary restatement of PP&E	Goodwill on share subscription	Tax incentive reserves	Incentivized Depletion reserve	Legal reserve	Profit retention reserve					
Balance at January 1, 2014		297,025	785	1,681	10	1,517	59,404	233,628	1,115,452	-	2,048,547	3,758,049
Net profit for the period		-	-	-	-	-	-	-	-	1,757,563	-	1,757,563
Other comprehensive income												
Translation adjustment for the period, net of tax	20	-	-	-	-	-	-	-	(618,179)	-	-	(618,179)
Total comprehensive income		-	-	-	-	-	-	-	(618,179)	-	-	(618,179)
Net allocations:												
Reversal of reserve		-	-	-	-	-	-	(233,628)	-	233,628	-	-
Constitution of reserve		-	-	-	-	-	-	233,628	-	(233,628)	-	-
Dividends (R\$ 390.70 per common share and R\$ 429.77 per preferred share)		-	-	-	-	-	-	-	-	-	(2,048,547)	(2,048,547)
Balance at June 30, 2014		297,025	785	1,681	10	1,517	59,404	233,628	497,273	1,757,563	-	2,848,886
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
Net income for the period		-	-	-	-	-	-	-	-	1,663,892	-	1,663,892
Other comprehensive income												
Translation adjustment for the period, net of tax	20	-	-	-	-	-	-	-	46,395	-	-	46,395
Remeasurement of retirement benefit obligation	20	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	46,395	-	-	46,395
Net income allocation:												
Dividends (R\$ 401.30 per share)	20	-	-	-	-	-	-	-	-	-	(2,104,161)	(2,104,161)
Balances at June 30, 2015		297,025	785	1,681	10	1,517	59,404	233,628	1,661,515	1,663,892	-	3,919,457

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended June 30

In thousands of Reais

	Note	2015	2014
<b>Cash flows from operating activities</b>			
Operating income before income tax		2,066,653	1,799,361
<b>Adjustments to reconcile net income to the cash provided by operations:</b>			
Depreciation and amortization	10 and 11	231,832	118,477
Allowance (reversal of allowance) for doubtful accounts	5	105	(495)
Reversal of provision for price review	5	(260,457)	-
Reversal of provision for inventory losses	6	(169)	(923)
Provision for loss on realization of recoverable taxes	7	136,544	111,875
Provision (reversal of provision) for losses on realization of other assets		(1,531)	64
Provision for contingencies	17	7,408	93,471
Provision for other liabilities		39,930	56,990
Loss on the sale of property, plant and equipment	10	1,232	11,627
Financial charges		209,579	136,907
Exchange variances - assets and liabilities		(445,827)	(362,527)
		<b>1,985,299</b>	<b>1,964,827</b>
<b>(Increase) decrease in operating assets:</b>			
Restricted short-term investments		(3)	117,354
Trade accounts receivables		160,994	(29,781)
Inventories		(206,854)	(99,726)
Prepaid expenses		(20,361)	(16,418)
Recoverable taxes		(152,712)	(192,948)
Judicial deposits		(31,981)	(143,824)
Other assets		12,200	612
<b>Increase (decrease) in operating liabilities:</b>			
Trade payables		(135,307)	(84,144)
Payroll, provisions and social contributions		10,577	8,664

## CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended June 30

In thousands of Reais

(continued)

	Note	2015	2014
<b>Increase (decrease) in operating liabilities:</b>			
Taxes payable		(5,235)	(92,082)
Income tax paid	26	(1,919)	(137,983)
Other liabilities		(113,682)	92,533
<b>Net cash provided by operations</b>		<b>1,501,016</b>	<b>1,387,084</b>
<b>Cash flows from investment activities</b>			
Acquisition of property, plant and equipment and intangible assets	10 and 11	(184,001)	(613,915)
Proceeds on sale of property, plant and equipment and intangible assets		9	140
<b>Net cash used in investment activities</b>		<b>(183,992)</b>	<b>(613,775)</b>
<b>Cash flows from financing activities</b>			
Financing obtained from third parties		1,562	963,692
Repayments of financing		(116,597)	(92,632)
Interest payments		(196,784)	(139,638)
Dividend payments	20	(918,549)	(682,850)
<b>Net cash provided by (used in) financing activities</b>		<b>(1,230,368)</b>	<b>48,572</b>
Exchange variance on cash and cash equivalents		2,438	(1,959)
<b>Increase in cash and cash equivalents, net</b>		<b>89,094</b>	<b>819,922</b>
Cash and cash equivalents at the beginning of the period		2,117,649	436,858
Cash and cash equivalents at the end of the period		2,206,743	1,256,780
		<b>89,094</b>	<b>819,922</b>

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

# CONSOLIDATED STATEMENT OF VALUE ADDED

Six-month period ended June 30

In thousands of Reais

	2015	2014
<b>Revenue</b>		
Sales of goods, products and services	3,416,754	3,615,708
Other revenue	5,658	2,742
Revenue relating to construction of company assets	215,674	756,420
Allowance (reversal of allowance) for doubtful accounts	(104)	495
	<b>3,637,982</b>	<b>4,375,365</b>
<b>Consumables acquired from third parties</b>		
Cost of goods sold and services rendered	(1,765,447)	(2,062,844)
Material, electricity, outsourced services and other	(246,059)	(327,241)
Loss (recovery) of asset values	4,390	(32,911)
	<b>2,007,116</b>	<b>(2,422,996)</b>
<b>Gross added value</b>	<b>1,630,866</b>	<b>1,952,369</b>
Depreciation and amortization	(231,832)	(118,477)
<b>Added value produced by the Company</b>	<b>1,399,034</b>	<b>1,833,892</b>
<b>Transferred value added</b>		
Financial income	1,575,426	132,820
	<b>1,575,426</b>	<b>132,820</b>
<b>Total value added to be distributed</b>	<b>2,974,460</b>	<b>1,966,712</b>
<b>Distribution of added value</b>	<b>2,974,460</b>	<b>1,966,712</b>
<b>Personnel</b>		
Direct remuneration	188,007	198,241
Benefits	44,413	36,600
Government Severance Indemnity Fund for Employees (FGTS)	9,406	8,192
<b>Taxes and contributions</b>		
Federal	336,882	(40,493)
State	(52,214)	(57,503)
Municipal	26,970	32,944
<b>Remuneration of third parties</b>		
Interest on loans, financing and other debt items	757,104	31,168
<b>Remuneration of capital</b>		
Earning reinvested	1,663,892	1,757,563

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

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 1. OPERATIONS

Samarco Mineração S.A. ("Samarco" or "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 (unaudited).

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 (unaudited). The production of concentrated iron ore in June 30, 2015 was 14,488 million dry metric tons (June 30, 2014 - 11,124 million dry metric tons - unaudited).

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

- » 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 repress them to the Company.

The Executive Board approved the issue and disclosure of these consolidated interim financial statements on August 14, 2015.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used to prepare these consolidated interim financial statements are as follows. These policies were consistently applied in the previous period and year presented, unless otherwise stated.

#### 2.1 Basis of preparation

##### (a) Consolidated interim financial statements

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

The preparation of consolidated interim 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 consolidated interim financial statements are disclosed in Note 2.2.

The consolidated interim financial statements have been prepared in accordance with CPC 21 - Interim Financial Reporting.

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

##### (b) Changes in accounting policies and disclosures

There were no new pronouncements or interpretations of the Brazilian Accounting Pronouncements Committee (CPC) that are applicable by January 1<sup>st</sup>, 2015 and would impact the consolidated interim financial statements of the Company.

#### 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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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 is 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

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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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 analysed 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.

### (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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### (b) Joint operation

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 consolidated interim financial statements are being presented in reais. 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 value added 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.



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

As supplementary information, the consolidated interim financial statements in the functional currency (US\$) are as follows:

### Consolidated Balance sheet

In thousands of US Dollars

	June 30, 2015	December 31, 2014
<b>Current assets</b>		
Cash and cash equivalents	711,400	797,410
Restricted short-term investments	7	7
Trade accounts receivable	237,455	239,965
Inventories	227,021	172,863
Recoverable taxes	84,207	87,537
Prepaid expenses	9,191	3,764
Other assets	15,688	22,305
<b>Total current assets</b>	<b>1,284,969</b>	<b>1,323,851</b>
<b>Non-current</b>		
Judicial deposits	238,001	265,961
Recoverable taxes	13,883	20,139
Other assets	11,883	13,917
	<b>263,767</b>	<b>300,017</b>
Property, plant and equipment	5,637,754	5,714,953
Intangible assets	24,726	25,617
<b>Total non-current assets</b>	<b>5,926,247</b>	<b>6,040,587</b>
<b>Total assets</b>	<b>7,211,216</b>	<b>7,364,438</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### Consolidated Balance sheet

In thousands of US Dollars

	June 30, 2015	December 31, 2014
<b>Current liabilities</b>		
Trade suppliers	68,520	130,951
Loans and financing	485,097	482,516
Financial charges payable	28,315	28,356
Payroll, provisions and social contributions	28,920	42,772
Taxes payable	18,425	23,492
Provision for income tax	94	26
Dividends	904,461	610,007
Other provisions	53,671	42,443
Other liabilities	15,004	60,313
<b>Total current liabilities</b>	<b>1,602,507</b>	<b>1,420,876</b>
<b>Non-current</b>		
Loans and financing	3,826,135	3,875,328
Financial charges payable	142	66
Provision for contingencies	42,605	47,705
Deferred income tax	295,154	193,080
Other provisions	124,977	138,215
Other liabilities	56,209	64,953
<b>Total non-current liabilities</b>	<b>4,345,222</b>	<b>4,319,347</b>
<b>Equity</b>		
Capital	409,774	409,774
Capital reserve	1,619	1,619
Revenue reserves	164,485	164,485
Carrying value adjustments	(494)	(494)
Additional dividends proposed	-	1,048,831
Retained earnings	688,103	-
<b>Total shareholders' equity</b>	<b>1,263,487</b>	<b>1,624,215</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,211,216</b>	<b>7,364,438</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### Consolidated Statement of income

Six-month period ended June 30

In thousands of US Dollars

	2015	2014
Revenue	1,143,514	1,571,010
Cost of goods sold and services rendered	(552,874)	(603,651)
<b>Gross profit</b>	<b>590,640</b>	<b>967,359</b>
<b>Operating expenses</b>		
Sales	(26,940)	(37,246)
General and administrative	(9,137)	(13,220)
Other operating expenses, net	(37,029)	(241,160)
<b>Operating income before financial result</b>	<b>517,534</b>	<b>675,733</b>
<b>Financial result</b>		
Financial income	13,741	4,585
Financial expenses	(97,187)	(50,976)
Net exchange variances	353,186	118,540
<b>Operating income before income tax</b>	<b>787,274</b>	<b>747,882</b>
Income tax	(99,171)	(29,901)
<b>Net income for the period</b>	<b>688,103</b>	<b>717,981</b>

### Consolidated Comprehensive statement of income

Six-month period ended June 30

In thousands of US Dollars

	2015	2014
Net income for the period	688,103	717,981
<b>Total comprehensive income</b>	<b>688,103</b>	<b>717,981</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### Consolidated Statement of changes in shareholders' equity

In thousands of US Dollars

	Capital	Capital reserves			Revenue reserves			Carrying value adjustments	Retained earnings	Additional dividends	Total
		Special monetary restatement of property, plant and equipment	Goodwill on share subscription	Tax incentive reserves	Depletion reserve incentive	Legal reserve	Profit retention reserve				
Balances at January 1, 2014	409,774		1,616	3	935	38,538	57,552	-	-	1,096,165	1,604,583
Net income for the year	-	-	-	-	-	-	-	-	717,981	-	717,981
Net income allocation:											
Constitution of reserve	-	-	-	-	-	-	125,013	-	-	(125,013)	-
Dividends (USD 196.19 per common share and USD 215.81 per preferred share)	-	-	-	-	-	-	(57,553)	-	-	(971,152)	(1,028,705)
Balance at June 30, 2014	409,774		1,616	3	935	38,538	125,012	-	717,981	-	1,293,859
Balances at December 31, 2014	409,774	-	1,616	3	935	38,538	125,012	(494)	-	1,048,831	1,624,215
Net income for the period	-	-	-	-	-	-	-	-	688,103	-	688,103
Net income allocation:											
Dividends (US\$ 200.03 per share)	-	-	-	-	-	-	-	-	-	(1,048,831)	(1,048,831)
Balances at June 30, 2015	409,774	-	1,616	3	935	38,538	125,012	(494)	688,103	-	1,263,487

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### Consolidated Statement of cash flow

Six-month period ended June 30

In thousands of US Dollars

	2015	2014
Cash flows from operating activities		
Operation income before income tax	787,274	747,882
<b>Adjustments to reconcile net income to the cash provided by operations:</b>		
Depreciation and amortization	118,330	65,633
Reversal of allowance for doubtful accounts	(251)	(208)
Reversal of provision for price review	(103,945)	-
Reversal of provision for inventory losses	(555)	(231)
Provision (reversal of provision) for loss on realization of recoverable taxes	(23,831)	78,117
Reversal of provision for losses on realization of other assets	(699)	(27)
Provision for contingencies	2,379	46,348
Provision (reversal of provision) for other liabilities	(16,582)	32,229
Loss on the sale of property, plant and equipment	740	7,024
Financial charges	68,152	62,267
Exchange variances - assets and liabilities	(347,321)	(127,394)
	<b>483,691</b>	<b>911,640</b>
<b>(Increase) decrease in operating assets:</b>		
Restricted short-term investments	-	50,092
Trade accounts receivables	106,679	(36,824)
Inventories	(53,603)	(40,970)
Prepaid expenses	(5,589)	(7,570)
Recoverable taxes	(70,082)	(74,211)
Judicial deposits	27,960	(76,445)
Other assets	(34,536)	12,402
<b>Increase (decrease) in operating liabilities:</b>		
Trade payables	(62,315)	(31,538)
Payroll, provisions and social contributions	2,845	4,140

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### Consolidated Statement of cash flow

Six-month period ended June 30

In thousands of US Dollars

	2015	2014
<b>Increase (decrease) in operating liabilities:</b>		
Taxes payable	11,823	(41,126)
Income tax paid	(645)	(62,369)
Other liabilities	(49,379)	39,879
<b>Net cash provided by operations</b>	<b>356,849</b>	<b>647,100</b>
<b>Cash flows from investment activities</b>		
Acquisition of property, plant and equipment and intangible assets	(40,983)	(269,720)
Proceeds on sale of property, plant and equipment and intangible assets	3	60
<b>Net cash used in investment activities</b>	<b>(40,980)</b>	<b>(269,660)</b>
<b>Cash flows from financing activities</b>		
Financing obtained from third parties	531	413,727
Repayments of financing	(37,933)	(39,184)
Interest payments	(67,548)	(61,918)
Dividend payments	(297,785)	(305,854)
<b>Net cash provided by (used in) financing activities</b>	<b>(402,735)</b>	<b>6,771</b>
Exchange variance on cash and cash equivalents	856	20
<b>Increase (decrease) in cash and cash equivalents, net</b>	<b>(86,010)</b>	<b>384,231</b>
Cash and cash equivalents at the beginning of the period	797,410	186,522
Cash and cash equivalents at the end of the period	711,400	570,753
	<b>(86,010)</b>	<b>384,231</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### Consolidated Statement of value added

Six-month period ended June 30

In thousands of US Dollars

	2015	2014
<b>Revenue</b>		
Sales of goods, products and services	1,161,928	1,582,977
Other revenue	1,824	1,212
Revenue relating to construction of company assets	51,332	323,598
Allowance (reversal of allowance) for doubtful accounts	251	208
	<b>1,215,335</b>	<b>1,907,995</b>
<b>Consumables acquired from third parties</b>		
Cost of goods sold and services rendered	(569,178)	(890,557)
Material, electricity, outsourced services and other	(32,140)	(139,299)
Loss/recovery of asset values	3,106	(15,552)
	<b>(598,212)</b>	<b>(1,045,408)</b>
<b>Gross added value</b>	<b>617,123</b>	<b>862,587</b>
Depreciation and amortization	(118,330)	(65,633)
<b>Added value produced by the Company</b>	<b>498,793</b>	<b>796,954</b>
<b>Transferred value added</b>		
Financial income	520,453	60,666
	<b>520,453</b>	<b>60,666</b>
<b>Total value added to be distributed</b>	<b>1,019,246</b>	<b>857,620</b>
<b>Distribution of added value</b>	<b>1,019,246</b>	<b>857,620</b>
<b>Personnel</b>		
Direct remuneration	58,811	87,179
Benefits	15,040	15,932
Government Severance Indemnity Fund for Employees (FGTS)	3,172	3,577
<b>Taxes and contributions</b>		
Federal	78,765	(5,707)
State	(84,247)	4,375
Municipal	8,839	14,531
<b>Financial expenses</b>		
Interest on loans, financing and other debt items	250,763	19,752
<b>Interest on shareholders' equity</b>		
Earnings reinvested	688,103	717,981

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 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 losses 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 June 30, 2015 and December 31, 2014 the Company did not have any financial instruments classified as available-for-sale and held-to-maturity.

#### (b) Offsetting of financial instruments

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



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### (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 Trade 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 Property, plant and equipment

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

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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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 10.

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.

### 2.11 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 11, 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 2.12 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 period ended June 30, 2015 and December 31, 2014, the Company did not identify any evidence of impairment of its non-financial assets.

### 2.13 Trade payables

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

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

### 2.14 Loans and financing

Loans and financing 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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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.

### 2.15 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.

### 2.16 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.

### 2.17 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 2.18 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 17.

### 2.19 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### **(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.

## **2.20 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. 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.

## **2.21 Payment of dividends**

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

## **2.22 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### (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.

## 2.23 Leasing

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

## 2.24 New standards that are not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB) but are not effective for the period ended June 30, 2015. Although encouraged by the IASB, the early adoption of the standards in Brazil is not permitted by the Brazilian Accounting Pronouncements Committee (CPC).

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

- . 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 accounting standards and interpretations that are not yet effective which the Company expects to have a material impact on its consolidated interim financial statements.

### 3. CASH AND CASH EQUIVALENTS

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

Cash and bank deposits		June 30, 2015	December 31, 2014
Domestic		1,559	-
Foreign	(a)	1,082,117	1,425,829
<b>Short-term investments</b>			
Time Deposit / MMDA	(b)	1,120,567	684,438
Financial Investment fund	(c)	2,500	7,382
		<b>2,206,743</b>	<b>2,117,649</b>

- (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.



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

- (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

Short-term investments	June 30, 2015	December 31, 2014
Restricted cash	23	20
	<b>23</b>	<b>20</b>

### 5. TRADE ACCOUNTS RECEIVABLE

		June 30, 2015	December 31, 2014
Domestic trade receivables		6,752	3,332
Foreign trade receivables	(a)	843,505	1,007,919
Allowance for doubtful accounts	(b)	(5,354)	(5,249)
Provision for price reductions	(c)	(108,281)	(368,738)
		<b>736,622</b>	<b>637,264</b>

- (a) The amount of R\$ 510,091 (R\$ 414,817 - December 31, 2014) of the foreign trade receivables of R\$ 843,505 in June 30, 2015 (R\$ 1,007,919 - December 31, 2014) is secured by letters of credit or insurance. The remaining balance was released by analyzing the credit of each customer, in order to mitigate the risk of default.
- (b) The estimated allowance for doubtful accounts of R\$ 5,354 in June 30, 2015 (R\$ 5,249 - December 31, 2014) was constituted based on an individual analysis of each customer, considering invoices more than 60 days overdue.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

(c) As described in Note 2.22 (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 2015 and 2014 due to falling international prices.

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

	June 30, 2015	December 31, 2014
Not yet due	832,808	995,226
Overdue up to 30 days	10,478	8,306
Overdue from 31 to 60 days	1,617	2,470
Overdue from 61 to 90 days	43	22
Overdue for more than 90 days	5,311	5,227
	<b>850,257</b>	<b>1,011,251</b>

At June 30, 2015, accounts receivable of R\$ 12,095 (R\$ 10,776 - December 31, 2014), 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			(b) Changes		
	June 30, 2015	December 31, 2014		June 30, 2015	December 31, 2014
Finished goods	229,296	25,427	Changes in finished goods		
Goods in process	43,308	69,182	Balances at December 31	25,427	25,136
Consumables	94,408	92,889	Additions	1,834,971	3,154,834
Consumption and maintenance materials	301,428	268,403	Write-offs due to sale	(1,647,089)	(3,158,882)
Provision for loss of materials	(9,068)	(9,237)	Addition (write-off) of inventory adjustment	(1,896)	4,160
Advances to suppliers	44,845	12,407	Conversion	17,883	179
	<b>704,217</b>	<b>459,071</b>	Balances at June 30	<b>229,296</b>	<b>25,427</b>

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\$ 169 (R\$ 923 - June 30, 2014) in the results.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 7. RECOVERABLE TAXES

		June 30, 2015	December 31, 2014
ICMS - Minas Gerais (MG)	(a)	76,253	85,358
ICMS - Espírito Santo (ES)	(b)	1,388,876	1,252,332
Provision for ICMS losses - ES	(b)	(1,388,876)	(1,252,332)
PIS and COFINS	(c)	144,144	129,018
Income tax recoverable	(d)	81,085	68,957
Others		2,622	2,617
<b>Total</b>		<b>304,104</b>	<b>285,950</b>
Current assets		261,043	232,473
Non-current assets		43,061	53,477

- (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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 8. OTHER ASSETS

		June 30, 2015	December 31, 2014
Recoverable insurance	(a)	7,079	5,510
Amount receivable for electricity	(b)	27,943	42,737
UHE Guilman-Amorim Consortium		2,597	2,704
Advances to employees		8,859	7,446
Others		2,217	865
<b>Current</b>		<b>48,695</b>	<b>59,262</b>
COHESA	(c)	16,719	16,601
(-) Adjustment to present value - COHESA	(c)	(679)	(572)
Insurance amounts recoverable		13,725	13,726
Advances to employees		5,715	5,828
Others		1,370	1,369
<b>Non-current</b>		<b>36,850</b>	<b>36,952</b>

(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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 9. RELATED PARTIES

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

		BHP Billiton	Vale	June 30, 2015	December 31, 2014
<b>Current assets</b>					
Trade accounts receivable		-	1,243	1,243	153
Inventories	( a )	-	66,042	66,042	65,938
<b>Current liabilities</b>					
Trade payables (Note 12)	( a )	-	30,135	30,135	34,798
Dividends (Note 20)		1,402,774	1,402,774	2,805,548	1,619,936
Others (mining rights)	( b )	-	112,222	112,222	70,208
<b>Statement of operations</b>		<b>BHP Billiton</b>	<b>Vale</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Cost of goods sold and services rendered	( a )	-	(96,513)	(96,513)	(251,308)
General and administrative expenses	( b )	-	(78,756)	(78,756)	(81,942)
Financial expenses		-	-	-	(10,887)

- (a) 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.
- (b) 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 period ended June 30, 2015 the payments totalled R\$ 36,741 (R\$ 24,463 - June 30, 2014).

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 14.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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The remuneration of key management personnel comprise members of the executive board and general managers is presented below:

	June 30, 2015	June 30, 2014
Remuneration (i)	(19,205)	(17,686)
Medical assistance plan	(47)	(38)
Private pension	(704)	(683)
Life insurance	(77)	(68)
	<b>(20,033)</b>	<b>(18,475)</b>

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

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 10. PROPERTY, PLANT AND EQUIPMENT

The Company made a number of investments throughout previous years 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:

		Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated systems	Plant decommissioning	Data processing equipment and furniture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Construction assets	Total
<b>Cost</b>										
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
Additions	(a)	-	-	-	-	-	-	-	183,806	183,806
Capitalized interest	(b)	-	-	-	-	-	-	-	158	158
Transfers - entries	(b)	359	200,329	39,744	202,322	4,311	3,952	8,469		459,486
Transfers - exits	(b)	-	-	-	-	-	-	-	(463,599)	(463,599)
Sales	(c)	-	(2,114)	(169)	-	(766)	-	(478)		(3,527)
Effect of exchange rate variances	(d)	7,029	1,886,737	1,026,638	(704)	24,410	37,910	27,769	127,354	3,137,143
<b>Balances at June 30, 2015</b>		<b>46,101</b>	<b>12,828,199</b>	<b>7,082,646</b>	<b>268,706</b>	<b>168,233</b>	<b>260,287</b>	<b>182,891</b>	<b>1,518,917</b>	<b>22,355,980</b>
<b>Accumulated depreciation</b>										
Balances at December 31, 2014		-	(2,649,059)	(1,018,807)	(7,749)	(65,881)	(93,413)	(30,974)	-	(3,865,883)
Depreciation in the period		-	(134,120)	(73,428)	(2,563)	(6,667)	(7,118)	(2,685)	-	(226,581)
Sales	(c)	-	1,427	94	-	590	-	175	-	2,286
Effect of exchange rate variances	(d)	-	(523,293)	(211,938)	(1,280)	(14,556)	(20,170)	(6,816)	-	(778,053)
<b>Balances at June 30, 2015</b>		<b>-</b>	<b>(3,305,045)</b>	<b>(1,304,079)</b>	<b>(11,592)</b>	<b>(86,514)</b>	<b>(120,701)</b>	<b>(40,300)</b>	<b>-</b>	<b>(4,868,231)</b>
<b>Balances</b>										
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
At June 30, 2015		46,101	9,523,154	5,778,567	257,114	81,719	139,586	142,591	1,518,917	17,487,749

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

(a) As regards additions, the main ventures as of June 30, 2015 were as follows:

	Start date	End date	June 30, 2015	December 30, 2014
Fourth pelletizing plant project	2011	2015	21,950	664,003
Waterproofing of slurry basin	2013	2015	67	10,246
IT management systems 2013 - acquisition of software and licenses	2013	2015	440	3,220
Germano basic network	2010	2015	9,114	22,347
Mobile equipment workshop of mine	2011	2015	95	18,037
Tractors, trucks, loaders and motor graders	2014	2017	10,287	149,364
Spare parts of Germano/Ubu	2014	2015	10,912	49,249
Land	2014	2015	2,296	22,305
Metal frames for aligning the rotary-control	2014	2014	-	11,701
Raising of embankment	2013	2014	-	6,899
Wind Fence in the pellets patios	2011	2014	-	655
Others	-	-	128,645	419,020
<b>Total</b>			<b>183,806</b>	<b>1,377,046</b>

(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\$ 158 were recorded in the period ended June 30, 2015 (R\$ 62,487 in June 30, 2014) referring to the execution of several projects subject, to a capitalization rate of 2.99% per annum.

(c) The sales in 2015 primarily consisted of scrap written-off as a result of changing the inventory count. The residual amount written off was R\$ 1,241.

(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).

### 10. 1 Impairment analysis

In 2015, 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.



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 10.2 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.

### 10.3 Pledged assets

At June 30, 2015 and 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\$ 441,893 (R\$ 64,954 - December 31, 2014).

### 10.4 Useful life

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.

Item	Account description	June 30, 2015		December 30, 2014	
		Average weighted useful life in years	Years of depreciation	Average weighted useful life in years	Years of depreciation
Buildings	Buildings, warehouses, security cabins, road surfacing and civil works improvements.	34	10 to 50	34	10 to 50
Machinery and equipment	Furnace, pelletizing disks, ship loader, loaders, precipitators, ball mills, 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	18	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	4	5
Furniture and fixtures	Chairs, tables, cupboards and other such furniture	8	10	8	10
Vessels	Boats, ferries, speed boats and dredgers.	16	9 to 24	16	9 to 24
Vehicles	Automobiles, trucks, forklifts, cranes, tractors, loaders.	10	4 to 25	10	4 to 25
Tools	Impact keys, multimeters, torque wrenches, microscopes, and other small devices.	12	10 to 25	12	10 to 25
Rotating assets	Parts of machinery and equipment and industrial installations.	20	10 to 27	20	10 to 27
Mass assets	Circuit breakers, capacitors, hydraulic pumps and other small items.	20	5 to 24	20	5 to 24

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 11. INTANGIBLE ASSETS

		Right of way	Mining rights	Tailings removal	Applications and software	Total
<b>Cost</b>						
Balances at December 31, 2014		16,261	33,593	16,094	104,874	172,353
Transfers of property, plant and equipment	(a)	-	-	1,078	3,072	4,150
Effect of exchange rate variances	(b)	2,733	5,645	3,044	18,418	30,097
<b>Balances at June 30, 2015</b>		<b>18,994</b>	<b>39,238</b>	<b>20,216</b>	<b>126,364</b>	<b>206,600</b>
<b>Accumulated amortization</b>						
Balances at December 31, 2014		(3,722)	(22,339)	(521)	(76,213)	(104,326)
Amortization in the period	(c)	(92)	(81)	(1,273)	(3,805)	(5,251)
Effect of exchange rate variances	(b)	(697)	(3,844)	(493)	(15,035)	(20,326)
<b>Balances at June 30, 2015</b>		<b>(4,511)</b>	<b>(26,264)</b>	<b>(2,287)</b>	<b>(95,053)</b>	<b>(129,903)</b>
Balances at December 31, 2014		12,539	11,254	15,573	28,661	68,027
Balances at June 30, 2015		14,483	12,974	17,929	31,311	76,697

- (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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 11.1 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	June 30, 2015		December 30, 2014	
		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
Tailings removal	Cost of removing tailings, incurred in the surface mine during the production phase.	14	14	14	14
Applications and software	Software and licenses.	5	5	5	5

### 11.2 Research and development

The Company incurred research and development expenses of R\$ 57,753 (R\$ 38,229 - June 30, 2014), which were recognized as other operating expenses, net.

## 12. TRADE PAYABLES

	June 30, 2015	December 30, 2014
Domestic	141,742	302,719
Foreign	40,579	10,246
Related parties (Note 9)	30,135	34,798
	<b>212,456</b>	<b>347,763</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 13. 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:

	June 30, 2015	December 30, 2014
Overseas transactions (export prepayments)	13,201,670	11,402,579
Local transactions	171,341	170,113
<b>Total</b>	<b>13,373,011</b>	<b>11,572,692</b>
Current	1,504,722	1,281,371
Non-current	11,868,289	10,291,321

During the first half of 2015, no new financial transaction was celebrated. With respect to repayments of the existing transactions, the Company amortized a total amount of R\$ 116,597 in connection with export prepayment loans.

As of June 30, 2015 the provision for interest on foreign-currency loans and financing, which represented 98.7% (98.5% - December 31, 2014) of the total, was as follows:

	June 30, 2015		December 30, 2014	
	Principal value	Provision for interest	Principal value	Provision for interest
0% to 2 %	5,192,581	16,354	4,549,043	13,883
2% to 3%	1,240,760	2,415	1,062,240	1,859
Over 4%	6,768,329	66,329	5,791,296	56,785
	<b>13,201,670</b>	<b>85,098</b>	<b>11,402,579</b>	<b>72,527</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

As of June 30, 2015 the provision for interest on local currency loans and financing, which represented 1.3% (1.5% - December 31, 2014) of the total, was as follows:

	June 30, 2015		December 30, 2014	
	Principal value	Provision for interest	Principal value	Provision for interest
3% to 4%	159,226	997	159,226	1,010
Over 4%	12,115	2,178	10,887	1,941
	<b>171,341</b>	<b>3,175</b>	<b>170,113</b>	<b>2,951</b>

The average cost of the total debt, including foreign currency loans and financing, is 3.3% p.a. (3,3% p.a. - December 31, 2014).

As of June 30, 2015 the loans and financing payments presented the following maturities:

	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Loans and financing	13,373,011	1,370,027	259,415	263,991	3,388,565	410,741	410,741	153,283	3,255,183	2,316,320	1,544,745

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:

	June 30, 2015		December 30, 2014	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Bonds	6,834,659	6,900,482	5,848,081	5,914,403
EPPs (export pre payments)	6,452,109	6,452,109	5,627,025	5,627,025
Others	174,516	174,516	173,064	173,064
	<b>13,461,284</b>	<b>13,527,107</b>	<b>11,648,170</b>	<b>11,714,492</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 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 June 30, 2015 this ratio was 2.3:1.0.

Company Management confirmed that all contractual covenants were being complied with as of June 30, 2015 and December 31, 2014.

## 14. EMPLOYEE BENEFITS

### 14.1 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 the period ended June 30, 2015, the Company made contributions to the defined contribution plan of R\$ 6,646 (R\$ 5,945 - June 30, 2014).

#### (b) Portion of the defined benefit plan.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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.

As at June 30, 2015, there were no alterations in the nature and conditions of the retirement benefit plans in relation to the description in Note 15 to the Company financial statements for the year ended December 31, 2014.

The actuarial appraisal report was carried out by independent actuary for December 31, 2014. This study will be reviewed for December 31, 2015.

### 14.2 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 (AMS), which is also extended to dependents. The plan covers outpatient, inpatient and dental care as well as medication for beneficiaries and is ensured by a Collective Labor Agreement. The Plan management fees are fully borne by the Company. Expenses with other benefits were recognized in the statement of income as follows:

	June 30, 2015	June 30, 2014
Remuneration and charges	231,546	210,809
Social security charges	32,710	28,904
Retirement plan benefits	7,177	6,062
Meal vouchers	12,480	11,066
Health insurance	9,858	4,933
Others	9,616	8,394
	<b>303,387</b>	<b>270,168</b>

### 14.3 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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:

	June 30, 2015	June 30, 2014
Value of the shares	85,48	94,61
Strike value	-	-
Projected volatility (average weighted volatility)	4.54%	8.10%
Dividends forecast	100%	100%
Risk-free interest rate (based on government bonds)	5.000%	5.680%

This plan's expenses amounted to R\$ 5,743 in June 30, 2015 (R\$ 6,573 - June 30, 2014) and were classified as operating expenses related to employee benefits.

## 15. PAYROLL, PROVISIONS AND SOCIAL CONTRIBUTIONS

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

	June 30, 2015	December 31, 2014
Provision for profit sharing	30,520	63,793
Provision for vacations	33,685	33,314
Employees Social Security Contributions (INSS)	5,637	5,829
FGTS payable	1,781	2,306
Provision for share-based remuneration plan	5,109	6,672
Others	12,927	1,633
	<b>89,659</b>	<b>113,547</b>



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 16. TAXES PAYABLE

The balance of taxes payable is shown below:

	June 30, 2015	December 31, 2014
ICMS payable	12,987	20,927
REFIS - Tax recovery - taxes payable in installments	13,998	13,311
Withheld Services Tax (ISS)	2,327	4,713
INSS retained from third parties payable	3,819	4,585
Withholding tax (IRRF) payable	13,554	6,207
ICMS DIFAL payable	522	2,432
CFEM payable*	5,571	5,412
COFINS withheld	1,198	1,493
TFRM payable **	2,136	2,166
Others	1,037	1,134
	<b>57,149</b>	<b>62,380</b>

\* CFEM - Financial Compensation for Exploration of Mineral Resources

\*\* TFRM - State Levy for Mineral Resources

### 17. 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.

As of June 30, 2015 the provisions for present obligations are presented net of the corresponding judicial deposits without related provision amounting to R\$ 67,311 (R\$ 65,382 - December 31, 2014). The balance of judicial deposits without related provisions is recorded in assets at R\$ 738,268 (R\$ 706,287 - December 31, 2014) and its composition is detailed below:

	June 30, 2015	December 31, 2014
Tax judicial deposits	726,102	692,001
Civil judicial deposits	8,567	9,583
Judicial Deposits - Labor Claims	3,577	4,682
Environmental judicial deposits	22	21
	<b>738,268</b>	<b>706,287</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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

	December 30.2014	Additions	Reversals	Charges	June 30.2015
Tax processes	91,071	-	(3,537)	2,534	90,068
(-) Judicial deposits	(60,831)	-	-	(1,575)	(62,406)
Civil claims	77,572	76	(31)	7,108	84,725
Labor claims	23,326	2,606	(2,288)	917	24,561
(-) Judicial deposits	(4,551)	(461)	197	(90)	(4,905)
Environmental processes	91	12	-	11	114
	<b>126,678</b>	<b>2,233</b>	<b>(5,659)</b>	<b>8,905</b>	<b>132,157</b>

The composition of the provision is as follows:

		June 30, 2015			December 31, 2014		
		Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
ECE - ES	(a.1)	34,007	(34,007)	-	33,147	(33,147)	-
ECE - MG	(a.1)	28,399	(28,399)	-	27,684	(27,684)	-
ICMS - Fine - Muniz Freire - ES	(a.2)	14,593	-	14,593	13,691	-	13,691
Attorneys' fees	(a.3)	10,219	-	10,219	13,757	-	13,757
Others		2,850	-	2,850	2,792	-	2,792
<b>Tax processes</b>		<b>90,068</b>	<b>(62,406)</b>	<b>27,662</b>	<b>91,071</b>	<b>(60,831)</b>	<b>30,240</b>
Civil claims	(a.4)	84,725	-	84,725	77,572	-	77,572
Labor claims		24,561	(4,905)	19,656	23,326	(4,551)	18,775
Environmental processes		114	-	114	91	-	91
		<b>199,468</b>	<b>(67,311)</b>	<b>132,157</b>	<b>192,060</b>	<b>(65,382)</b>	<b>126,678</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

(a) Lawsuits provided by the Company:

Note	Description	Status	June 30, 2015	December 31, 2014
(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).	62,406	60,831
(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.	Favorable decision at the appeals court has recently been issued and is yet to be officially publicized.	14,593	13,691
(a.3)	Provision for lawyers' fees referring to processes classified as having a remote chance of loss.		10,219	13,757
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.	2,850	2,792
(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.	84,725	77,572
Labor	Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Processes at the judicial and administrative courts at several stages.	24,561	23,326
Environmental	Assessment Notice 1284/10 issued by DNPM, for the alleged breach of article 54 (V) of the mining code's regulations.	Pending analysis of the administrative defense submitted.	114	91
			<b>199,468</b>	<b>192,060</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### (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	June 30, 2015	December 31, 2014
Assessment Notices for the alleged non-payment of CSLL in 2008, 2009 and 2010.	A favorable decision from the administrative appeals court has been obtained for the process for the period 2008. Awaiting decision of the superior appeals court. 1 process pending an administrative decision.	2,353,029	2,250,376
Assessment notices for 2000 to 2003 and 2007, 2008, 2009 and 2010, for allegedly incorrectly calculating the IRPJ as a result of using the rate of 18% 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.	1,918,921	1,844,826
Assessment Notice issued by the National Mining Production Department (DNPM) for alleged underpayment of the Financial Compensation for Exploration of Mineral Resources (CFEM). The municipal government of Mariana filed suit against the Company, based on the same legal grounds as those stated by the DNPM in its assessments.	Case against the municipality of Mariana closed with a favorable sentence for Samarco. 3 cases pending appeal at the lower court and 1 case pending a decision on an administrative appeal.	917,998	886,766
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.	20,871	20,548
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.	14,008	12,923
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.	7,381	7,124
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/DCOMP) by quarter and origin of credits (PIS and COFINS credits).	Pending decision of the administrative appeal.	140,408	133,394
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.	Favorable decision at the appeals court has recently been issued and is yet to be officially publicized.	69,965	64,356
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.	72,605	66,371

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

Description	Status	June 30, 2015	December 31, 2014
Judicial discussion regarding the legality of the levying of ICMS on the right to use electric power transmission lines.	An superior appeals decision has been issued in favor of Samarco. Awaiting the return of the escrow deposit.	177,093	170,302
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.	52,630	56,638
Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Processes at various levels of the courts.	43,639	40,335
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.	59,824	55,453
Other		97,507	92,807
		<b>5,945,879</b>	<b>5,702,219</b>

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\$ 1,946,857 (R\$ 1,886,918 - December 31, 2014).

## 18. OTHER PROVISIONS

		June 30, 2015	December 31, 2014
Provision for electricity	(a)	54,036	42,091
Provision for mining rights	(b)	112,222	70,208
Provision for purchase of iron ore	(c)	225	413
<b>Total current</b>		<b>166,483</b>	<b>112,712</b>

		June 30, 2015	December 31, 2014
Provision for asset retirement obligation	(d)	370,708	350,718
Provision for environmental recovery	(e)	4,262	4,262
Provision for share-based payments (Note 15)		12,697	12,063
<b>Total non-current</b>		<b>387,667</b>	<b>367,043</b>

- (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 9).

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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(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:

	June 30, 2015	December 31, 2014
Provision at beginning of period	350,718	135,669
Increase	-	202,322
Estimated revisions in cash flows	19,990	12,727
Provision at end of period	370,708	350,718

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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 19. OTHER LIABILITIES

		June 30, 2015	December 31, 2014
<b>Current</b>			
Advances from customers abroad		797	97,344
Demurrage payable	(a)	9,420	17,144
Amounts payable (material/services)	(b)	26,467	31,849
Consórcio UHE Guilman-Amorim (Note 2)		2,597	2,704
Others		7,353	11,213
<b>Total current</b>		<b>46,634</b>	<b>160,254</b>
<b>Non-current</b>			
REFIS - Tax recovery - financed taxes	(c)	173,807	171,932
Others		539	551
<b>Total non-current</b>		<b>174,346</b>	<b>172,483</b>

- (a) Amount owed by Samarco for the extra time utilized in unloading or loading products at the port.
- (b) 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.
- (c) 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\$ 173,807 refers to 149 long-term installments, restated by the Selic base interest rate.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 20. SHAREHOLDERS' EQUITY

#### 20.1 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
BHP Billiton Brasil Ltda.	2,621,653	50
Vale S.A.	2,621,653	50
	<b>5,243,306</b>	<b>100</b>

#### 20.2. 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:

	June 30, 2015	December 31, 2014
Net income for the period (available for distribution)	<b>1,663,892</b>	<b>2,805,548</b>
Minimum mandatory dividends - 25%	-	701,387
Additional dividends proposed	-	2,104,161
<b>Total dividends proposed</b>	-	<b>2,805,548</b>
Percentage over calculation base	0%	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..



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 20.3 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

### 20.4 Comprehensive income

		June 30, 2015	December 31, 2014
Inventories		105,875	67,752
Property, plant and equipment.		6,233,552	3,874,492
Intangible assets		27,175	17,403
Cost		378,931	225,087
Idle capacity		(611)	633
Exchange variance		(5,086,472)	(2,562,641)
Others		4,377	(6,294)
Accumulated translation adjustments	(a)	1,662,827	1,616,432
Remeasurement of retirement benefit		(1,312)	(1,312)
Remeasurement of retirement benefit	(b)	(1,312)	(1,312)
		1,661,515	1,615,120

- (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 14).

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 21. 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 2015, selling its products and subproducts in countries of the Americas, Asia, Africa and Europe. In addition to product and by product revenue, the Company also obtained revenue in 2015 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".

	June 30, 2015	June 30, 2014
Pellets - Overseas	3,263,770	3,323,963
Fine grade - Overseas	38,576	95,731
Electricity	94,139	179,979
Other goods and services	20,269	16,035
<b>Total gross revenue</b>	<b>3,416,754</b>	<b>3,615,708</b>
Sales taxes	(11,327)	(18,695)
Freight on sales	(44,468)	(8,094)
<b>Net revenue</b>	<b>3,360,959</b>	<b>3,588,919</b>

### 22. COST OF GOODS SOLD

	June 30, 2015	June 30, 2014
Consumables	(574,987)	(556,027)
Electricity	(204,550)	(133,621)
Materials	(158,007)	(133,899)
Outsourced services	(202,894)	(179,318)
Personnel expenses	(167,255)	(147,095)
Depreciation and amortization	(219,454)	(110,618)
Others	(117,184)	(119,012)
<b>Cost of goods sold</b>	<b>(1,644,331)</b>	<b>(1,379,590)</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 23. SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	June 30, 2015	June 30, 2014
<b>Sales expenses</b>		
Outsourced services	(19,075)	(17,149)
Personnel expenses	(14,372)	(11,170)
Depreciation and amortization	(11,807)	(7,393)
Auxiliary supplies	(7,493)	(5,049)
Shipment expenses	(6,500)	(27,518)
Allowance (reversal of allowance) for doubtful accounts	(104)	495
Sales expenses of subsidiaries	(9,134)	(10,382)
General expenses	(5,914)	(5,099)
<b>Total</b>	<b>(74,399)</b>	<b>(83,265)</b>
<b>General and administrative expenses</b>		
Outsourced services	(4,790)	(6,558)
Personnel expenses	(19,344)	(20,674)
Depreciation and amortization	(571)	(466)
Auxiliary supplies	(38)	(76)
General expenses	(2,140)	(2,404)
<b>Total</b>	<b>(26,883)</b>	<b>(30,178)</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 24. OTHER NET OPERATING EXPENSES

		June 30, 2015	June 30, 2014
Tax		(10,271)	(7,058)
Provision for ICMS losses - ES		(136,545)	(111,875)
Provision for contingencies (Note 17)		(8,072)	(102,975)
Investments and social projects		(13,043)	(3,882)
Employee profit sharing	(a)	(53,099)	(66,522)
Research expenses (Note 11)		(57,753)	(38,230)
Mining rights (Note 9)		(78,756)	(81,941)
Idle capacity	(b)	(2,505)	-
Fees of lawyers and experts		(5,357)	(638)
Inventory adjustment (warehouse)		(813)	(1,226)
Sale of property, plant and equipment		8	142
Others, net		(968)	(46,459)
<b>Total</b>		<b>(367,174)</b>	<b>(460,664)</b>

(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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 25. FINANCIAL RESULT

Financial income		June 30, 2015	June 30, 2014
Yields on judicial deposits	(a)	35,294	-
Earnings on investments		5,078	1,304
Discounts obtained		6	63
Other financial income		853	8,891
		<b>41,231</b>	<b>10,258</b>

Financial expenses		June 30, 2015	June 30, 2014
Arrears and tax fines	(b)	(11,160)	(15,022)
Charges on loans and financing		(221,050)	(75,526)
Interest on contingencies	(a)	(2,875)	-
Commissions and bank interest		(11,071)	(14,646)
Withholding tax on loans interest - remittance abroad		(31,823)	-
Other financial expenses		(22,997)	(8,589)
		<b>(300,976)</b>	<b>(113,783)</b>

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

(b) Interest on arrears and tax in respect of ICMS - Minas Gerais, REFIS, TFRM and others.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

The balance of exchange variances can be presented as follows:

	June 30, 2015	June 30, 2014
Cash	2,492	(8)
Trade accounts receivable	(3,910)	26
Recoverable taxes	(319,899)	111,692
Judicial deposits	(126,709)	(29,983)
Suppliers	17,244	19,093
Payroll, provisions and social contributions	7,612	(2,509)
Taxes payable	5,350	(13,542)
Dividends	1,391,217	186,696
Provision for contingencies	5,601	(13,771)
Deferred income tax	49,028	4,126
Others	50,200	5,844
Net exchange variances	1,078,226	267,664

## 26. 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.

### 26.1 Income tax payable

The changes in income tax payable are presented below:

	June 30, 2015	December 31, 2014
Balances at beginning of period/year	68	-
Provisions in the period	-	440,409
Payments	(1,919)	(217,252)
Offsetting with PIS and COFINS credits	(16,728)	(193,908)
Offsetting of recoverable tax (prepayment)	18,714	27,880
Offsetting of the tax losses of tax returns of prior period	-	(45,373)
Prior year IRPJ adjustment	-	(11,688)
Balances at end of period/year	135	68

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 26.2 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.

#### 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\$). A change in the rate could therefore have a significant effect on the income tax expenses, especially on non-monetary assets.

#### Net deferred income tax:

	Note	June 30, 2015			December 31, 2014		
		25%	18%	Total	25%	18%	Total
Amounts recorded at the rate of:							
Provision for ICMS losses - ES	7	347,219	-	347,219	313,083	-	313,083
Provision for price rectifications	5	27,070	-	27,070	92,185	-	92,185
Provision for profit sharing	15	7,630	-	7,630	15,313	-	15,313
Provision for asset retirement obligations	18	24,452	-	24,452	19,454	-	19,454
Provision for civil claims	17	21,181	-	21,181	19,393	-	19,393
Provision for tax claims	17	22,517	945	23,462	21,468	936	22,404
Provision for mining rights	18	28,055	-	28,055	17,552	-	17,552
Fiscal losses			124,295	124,295			
Others		35,328	31	35,359	26,073	30	26,103
<b>Total consolidated assets</b>		<b>513,452</b>	<b>125,271</b>	<b>638,723</b>	<b>524,521</b>	<b>966</b>	<b>525,487</b>
Conversion - difference of functional currency		-	(1,148,553)	(1,148,553)	-	(714,276)	(714,276)
Fiscal depreciation		-	(360,676)	(360,676)	-	(287,765)	(287,765)
Financial income on judicial deposits		(44,756)	-	(44,756)	(35,947)	-	(35,947)
Remeasurement of retirement benefit obligations		-	(241)	(241)	-	(241)	(241)
<b>Total liabilities</b>		<b>(44,756)</b>	<b>(1,509,470)</b>	<b>(1,554,226)</b>	<b>(35,947)</b>	<b>(1,002,282)</b>	<b>(1,038,229)</b>
<b>Net, liabilities</b>		<b>468,696</b>	<b>(1,384,199)</b>	<b>(915,503)</b>	<b>488,574</b>	<b>(1,001,316)</b>	<b>(512,742)</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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 June 30, 2015
Tax processes	-	-	-	14,342	-	31	14,373
Labor claims	1,458	3,886	684	112	-	-	6,140
Environmental processes	-	29	-	-	-	-	29
Civil processes	-	21,113	68	-	-	-	21,181
Provision for ICMS losses - ES	-	-	-	-	-	347,219	347,219
Conversion - difference of functional currency	(1,148,794)	-	-	-	-	-	(1,148,794)
Fiscal depreciation	(360,676)	-	-	-	-	-	(360,676)
Provision for price rectification	27,070	-	-	-	-	-	27,070
Fiscal losses							124,295
Others	53,661	-	-	-	-	-	53,661
<b>Total</b>	<b>(1,427,281)</b>	<b>25,028</b>	<b>752</b>	<b>14,454</b>	<b>-</b>	<b>347,250</b>	<b>(915,503)</b>



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 26.3 Income tax in the statement of income

	June 30, 2015	June 30, 2014
Net income before income tax	2,066,653	1,799,361
Effects resulting from changes to accounting practices - Law 11,638/07	-	208,885
Fiscal depreciation	-	(228,431)
<b>Net income after the adjustments to the transitional taxation scheme</b>	<b>2,066,653</b>	<b>1,779,815</b>
Permanent differences:		
Overseas profits	5,976	2,226
Non-deductible tax fines	557	140
Non-deductible donations	3,930	2,420
Other additions (exclusions)	373,578	6,542
Difference of functional currency - art. 62 of Law 12,973/2014	(2,369,588)	-
Profit deriving from subsidized exports	290,014	(1,384,553)
<b>Calculation basis</b>	<b>371,120</b>	<b>406,590</b>
Statutory rate	25%	25%
<b>Income tax calculated</b>	<b>92,780</b>	<b>101,647</b>
Income tax on subsidized exports - 18%	(52,203)	249,219
Tax incentive (PAT)	-	(3,561)
Deferred income tax on fiscal depreciation	(71,988)	-
Tax paid by companies overseas	1,971	575
Other adjustments	(2,075)	11,688
Deferred income tax on translation	434,276	(317,770)
<b>Income tax in the income statement</b>	<b>402,761</b>	<b>41,798</b>

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

	June 30, 2015	June 30, 2014
Current income tax	-	(432,041)
Deferred income tax on temporary differences	31,515	72,473
Deferred income tax on non-monetary items	(434,276)	317,770
<b>Current and deferred income tax expenses</b>	<b>(402,761)</b>	<b>(41,798)</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 27. COMMITMENTS

The Company is a party to long-term contracts as from June 30, 2015 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 June 30, 2015
Capital expenditure for expansion and renewal of property, plant and equipment	182,279	-	-	-	-	182,279
Services and others	584,028	554,098	226,967	58,606	5,848	1,429,547
Iron ore acquisition	334,535	345,148	368,234	785,047	892,359	2,725,323
Supply of power and raw materials	754,692	668,360	562,425	607,884	903,918	3,497,279
Freight and logistics costs	44,273	-	-	-	-	44,273
	<b>1,899,807</b>	<b>1,567,606</b>	<b>1,157,626</b>	<b>1,451,537</b>	<b>1,802,125</b>	<b>7,878,701</b>

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.

### 28. FINANCIAL INSTRUMENTS

#### 28.1 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 (currency exchange, interest rate, etc.). The policy and strategies are determined by Company management and approved by the Strategy and Finance Committee.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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

### 28.2 Financial instruments by category

The financial instruments have been classified as follows

	Classification
<b>Assets</b>	
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
<b>Liabilities</b>	
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

	June 30, 2015	December 31, 2014
Cash and cash equivalents	2,206,743	2,117,649
Restricted short-term investments	23	20
	<b>2,206,766</b>	<b>2,117,669</b>

- Cash and cash equivalents

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

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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### (b) Accounts receivable

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

	June 30, 2015	December 31, 2014
Trade accounts receivable	736,622	637,264

Financial liabilities consist of loans and financing. These funding operations are intended to support the Company's routine activities and investments. The geographical distribution by region of the Company's loans and financing is shown in the table below:

	June 30, 2015	December 31, 2014
Brazil	1.28%	1.47%
USA	85.64%	84.69%
Japan	13.08%	13.84%

### 28.3 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\$ 3,416,754 in June 30, 2015 (R\$ 3,615,708 in June 30, 2014), whereas the allowance for doubtful accounts constituted in June 30, 2015 was R\$ 5,354 (R\$ 5,249 in 2014). 60% of the outstanding accounts receivable (considering provision for price adjustments) at June 30, 2015 are secured by letters of credit or insurance (41.02% in 2014).

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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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:

	June 30, 2015	December 31, 2014
Middle East/Africa	23%	23%
China	25%	17%
Asia (except China)	18%	22%
Europe	21%	21%
Americas	13%	17%

### (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 June 30, 2015 are denominated in United States Dollars, with approximately R\$ 6,780 billion (R\$5,950 - December 31, 2014) bearing interest at fixed rates and R\$ 6,593 billion (R\$ 5,622 - December 31, 2014) 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### (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:

Current Assets	(a) Asset exposure		Current Liabilities	(b) Liability exposure	
	June 30, 2015	December 31, 2014		June 30, 2015	December 31, 2014
Cash and cash equivalents	4,059	7,382	Suppliers	(171,877)	(337,517)
Domestic accounts receivable	6,752	3,332	Loans and financing and charges	(24,748)	(14,768)
Recoverable taxes	261,043	232,424	Salaries and payroll contributions	(89,659)	(113,547)
Prepaid expenses	28,510	9,995	Taxes payable and provision for income tax	(57,284)	(62,448)
Other assets	48,695	59,262	Dividends	(2,805,548)	(1,619,936)
			Other provisions	(166,483)	(112,712)
			Other liabilities	(37,309)	(140,897)
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Judicial deposits	738,268	706,287	Loans and financing and charges	(149,768)	(158,296)
Recoverable taxes	43,061	53,477	Provisions for contingencies	(132,157)	(126,678)
Other assets	36,850	36,952	Deferred income tax	(915,503)	(512,742)
			Other provisions	(387,667)	(367,043)
			Other liabilities	(174,350)	(172,483)
	<b>1.167.238</b>	<b>1,109,111</b>		<b>(5,112,353)</b>	<b>(3,739,067)</b>

### (c) Exposure not recorded in the balance sheet:

	June 30, 2015	December 31, 2014		June 30, 2015	December 31, 2014
<b>Tax processes</b>			<b>Civil claims</b>		
Chance of loss remote	(2,087,474)	(2,024,065)	Chance of loss remote	(6,606)	(13,601)
Chance of loss possible	(5,789,786)	(5,549,793)	Chance of loss possible	(52,630)	(56,638)
<b>Labor claims</b>			<b>Environmental processes</b>		
Chance of loss remote	(7,427)	(8,614)	Chance of loss remote	(48)	(45)
Chance of loss possible	(43,639)	(40,335)	Chance of loss possible	(59,824)	(55,453)

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

Summary of the exchange rate exposure	June 30, 2015	December 31, 2014
Exposure recorded in the balance sheet (a + b )	(3,944,685)	(2,629,778)
Exposure not recorded in the balance sheet (c)	(8,047,432)	(7,748,544)
<b>Net exposure</b>	<b>(11,992,117)</b>	<b>(10,378,322)</b>

The Company does not hedge its assets and liabilities in Reais, in accordance with its internal guidelines. Foreign-currency assets and liabilities are translated to the functional currency at the exchange rate as of the balance sheet date, with US\$ 1.00 being equal to R\$ 3.1019 as of June 30, 2015 (US\$ 1.00 equal to R\$ 2.6556 at December 31, 2014)

### (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:

	June 30, 2015		
	Amount	Up to 12 months	1 - 10 years
Suppliers	212,456	212,456	-
Loans and financing	13,373,011	1,504,722	11,868,289
Financial charges payable	88,273	87,832	441

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				
Suppliers	212,456	212,456	212,046	410	-	-	-
Loans and financing	13,373,011	13,373,011	1,370,027	259,415	263,991	3,388,565	8,091,013
Financial charges	88,273	88,273	87,832	-	441	-	-
<b>Total</b>	<b>13,673,740</b>	<b>13,673,740</b>	<b>1,669,905</b>	<b>259,825</b>	<b>264,432</b>	<b>3,388,565</b>	<b>8,091,013</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 28.4 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 June 30, 2015 of R\$ 1,809,567 (R\$2,099,123 - December 31,2014). The total amount originally contracted was R\$ 1,164,012 (R\$1,465,254 - December 31,2014). 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 contracted total as of June 30, 2014 of R\$ 18,733 (R\$19,018 - December 31,2014). No losses are expected on these guarantees.

Bank	Amount secured	Restated amount	Index	Term
Bradesco	607,850	804,664	Selic	Indefinite
Bradesco	53,978	74,056	VRTE	Indefinite
Votorantim	111,042	334,627	Selic	Indefinite
Itaú	300,917	483,433	Selic	Indefinite
Itaú	63,971	69,554	IPCA-E	Indefinite
Itaú	18,419	18,419	-	Determined
Sumitomo	314	314	-	Determined
Safra	26,254	43,233	INPC	Indefinite
<b>Total</b>	<b>1,182,745</b>	<b>1,828,300</b>	-	-

### 28.5 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, primarily measured by the ratio Net Debt/EBITDA.

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.



# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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The Company maintains its commitment to guarantee its credit classification as investment grade, currently BBB- on Standard and Poor's scale, BBB on Fitch Ratings and Baa3 on Moody's (recently attributed in May, 2015).

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:

	June 30, 2015	December 31, 2014
Total loans and financing	13,461,284	11,648,170
(-) Cash, cash equivalents, restricted short-term investments	(2,206,766)	(2,117,669)
<b>Net debt</b>	<b>11,254,518</b>	<b>9,530,501</b>
Total shareholders' equity	3,919,457	4,313,331
<b>Total capital</b>	<b>15,173,975</b>	<b>13,843,832</b>
Financial leverage index	74%	69%

### 28.6 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.

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

- 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 June 30, 2015	Fair value hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalents	2,206,743	-	2,206,743	-
Restricted short-term investments	23	-	23	-

### 28.7 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 June 30, 2015, 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 13.65% 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	13.65% a.a.	10.24% a.a.	6.83% a.a.
Yields as of June 30, 2015	-	41	40	38

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 June 30, 2015).

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

In order to identify the sensitivity of the index in the long-term investments to which the Company was exposed as of June 30, 2015, 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 June 30, 2015, the Company determined a probable scenario and two other additional scenarios based on the first (II and III), with increases of 25% and 50% respectively.

	Risk	Probable scenario I	Scenario II	Scenario III
Foreign loans and financing	Libor	0.4449% a.a.	0.5561% a.a.	0.6673% a.a.
Interest as of June 30, 2015	-	29,175	36,469	43,763
Domestic loans and financing	IGP-DI	4.82% a.a.	6.03% a.a.	7.24% a.a.
Interest as of June 30, 2015	-	584	731	877

The amounts above correspond to the index rates, on the total debt in U.S. Dollars, which was indexed to the Company's floating interest rates, as of June 30, 2015, with repayment at the end of the period only (effect of simulation).

In order to identify the sensitivity of the changes in foreign currency to which the Company was exposed as of June 30, 2015, 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 (USD)	Scenario II (USD)	Scenario III (USD)
Exchange rate - (Risk - R\$ / USD)	-	3.1019	2.3264	1.5510
Total assets	1,291,959	416,506	555,341	833,012
Total liabilities	(5,236,644)	(1,688,205)	(2,250,940)	(3,376,411)
Net exposure in Reais recorded in the balance sheet	(3,944,685)	(1,271,699)	(1,695,599)	(2,543,399)

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

### 29. 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.

#### 29.1 Cash and cash equivalents

	June 30, 2015	December 31, 2014
Current account and short-term bank deposits		
Investment Grade	2,206,743	2,117,649
Non-Investment Grade	-	-
	<b>2,206,743</b>	<b>2,117,649</b>

#### 29.2 Trade accounts receivable

	June 30, 2015	December 31, 2014
Counterparties with independent credit rating (S&P)		
Investment Grade	317,263	283,812
Non-Investment Grade	223,361	294,901
Counterparties without independent credit rating (S&P)		
Group 1 - customers with relationship of up to 5 years	175,914	122,071
Group 2 - customers with more than 5 years without history of default	74,070	227,412
Group 3 - customers with more than 5 years with little history of default	52,897	79,723
Group 4 - domestic customers not purchasing iron ore	6,752	3,332
	<b>850,257</b>	<b>1,011,251</b>

# Samarco Mineração S.A.

## Management notes to the interim financial statements for the six-month period ended June 30, 2015

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

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### 30. 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, 2016. The assets covered totaled US\$ 6,599,645, equivalent to R\$ 20,471,441 as of June 30, 2015 (R\$ 17,160,642 as of December 2014) and the maximum indemnity limit during the year is US\$ 1,172,387, equivalent to R\$3,636,629 as of June 30, 2015 (R\$ 1,859,340 - December 2014).

## BOARD OF DIRECTORS

### Effective members

James John Wilson  
Antonino Ottaviano  
Peter Poppinga  
Pedro Rodrigues

### Alternates

Sérgio Consoli Fernandes  
Stephen Michael Potter  
Margaret Beck  
Marcelo Botelho Rodrigues

### Executive Board

Ricardo Vescovi de Aragão  
*Chief Executive Officer*

Eduardo Bahia Martins Costa  
*CFO and Supplies Officer*

Kleber Luiz de Mendonça Terra  
*Operations and Infrastructure Officer*

Maury de Souza Júnior  
*Project and Eco-Efficiency Officer*

Roberto Lúcio Nunes de Carvalho  
*Commercial Officer*

### Accountant Responsible

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