

## RELATIONSHIP WITH VALEPAR

As at the Latest Practicable Date, Valepar was interested in approximately 52.7% of the total Common Shares in issue and approximately 1.0% of the total Class A Preferred Shares in issue, and its combined holdings of the Common Shares and Class A Preferred Shares amounted to approximately 32.4% of the total issued share capital of our Company.

Valepar is owned by a group of entities, namely Litel Participações S.A., Eletron S.A., Bradespar S.A., Mitsui & Co., Ltd. and BNDESPAR. Valepar is a holding company incorporated with the sole purpose of holding the Shares in our Company. It does not have any business operations. The table below sets forth information regarding the ownership of the voting common shares of Valepar as at the Latest Practicable Date:

	<u>Common shares owned<sup>(1)</sup></u>	<u>% of class</u>
Litel Participações S.A. <sup>(2)</sup> .....	637,443,857	49.00%
Eletron S.A. <sup>(3)</sup> .....	380,708	0.03%
Bradespar S.A. <sup>(4)</sup> .....	275,965,821	21.21%
Mitsui & Co., Ltd. <sup>(5)</sup> .....	237,328,059	18.24%
BNDESPAR <sup>(6)</sup> .....	149,787,385	11.51%
<b>Total</b> .....	<b>1,300,905,830</b>	<b>100%</b>

**Notes:**

- (1) Valepar has in issue three classes of preferred shares namely, class A, B and C. None of the class A or class C preferred shares confer any voting rights. The preferred class B shares confer restricted voting rights relating to amendment of Valepar's by-laws on a limited number of matters. If Valepar fails to pay the minimum dividends to which holders of any class of preferred shares of Valepar are entitled during three consecutive fiscal years, then holders of such class of preferred shares of Valepar will acquire full and unrestricted voting rights.
- (2) As at the Latest Practicable Date, Litel Participações S.A. owned 200,864,272 preferred class A shares of Valepar, which represented 71.41% of Valepar's total preferred class A shares in issue. Litela Participações S.A., an affiliate of Litel Participações S.A., owned 80,416,931 preferred class A shares of Valepar, which represented 28.59% of Valepar's total preferred class A shares in issue. LitelB Participações S.A., also an affiliate of Litel Participações S.A., owned 25,862,068 preferred class C shares of Valepar, which represented 29.25% of Valepar's total preferred class C shares in issue.
- (3) As at the Latest Practicable Date, Eletron S.A. owned 32,729 preferred class C shares of Valepar, which represented 0.04% of Valepar's total preferred class C shares in issue.
- (4) Bradespar S.A. is controlled by a control group consisting of Cidade de Deus — Cia. Comercial Participações, Fundação Bradesco, NCF Participações S.A. and Nova Cidade de Deus Participações S.A. As at the Latest Practicable Date, Bradespar owned 16,137,193 preferred class C shares of Valepar, which represented 18.25% of Valepar's total preferred class C shares in issue. Brumado Holdings Ltda, a subsidiary of Bradespar S.A., owned 7,587,000 preferred class C shares of Valepar, which represented 8.58% of Valepar's total preferred class C shares in issue.
- (5) As at the Latest Practicable Date, Mitsui & Co., Ltd. owned 20,402,587 preferred class C shares of Valepar, which represented 23.08% of Valepar's total preferred class C shares in issue.
- (6) As at the Latest Practicable Date, BNDESPAR owned 18,394,143 preferred class C shares of Valepar, which represented 20.80% of Valepar's total preferred class C shares in issue. It is a wholly-owned subsidiary of BNDES, which is wholly-owned by the Brazilian Government. BNDES is the main vehicle for the execution of the Brazilian Government's investment policy, providing support, either directly or indirectly, to programmes, projects, works and services related to the economic and social development of Brazil. It is the primary domestic source of long-term financing in the Brazilian economy, with special emphasis on private sector investment projects and public sector infrastructure projects.

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The table below sets forth information regarding ownership of Litel Participações S.A., one of Valepar's shareholders, as at 31 October 2010:

	<u>Common shares owned</u>	<u>% of class</u>
BB Carteira Ativa .....	193,740,121	78.40%
Carteira Ativa II .....	53,387,982	21.60%
Previ .....	19	—
Others .....	219	—
Directors and executive officers as a group .....	4	—
<b>Total .....</b>	<b>247,128,345</b>	<b>100%</b>

**Note:**

Each of BB Carteira Ativa and Carteira Ativa II is a Brazilian investment fund. BB Carteira Ativa is 100%-owned by Previ. Carteira Ativa II is 59.36%-owned by Funcef, 35.81%-owned by Petros and 4.84%-owned by Fundação Cesp. Each of Previ, Petros, Funcef and Fundação Cesp is a Brazilian pension fund.

The common shareholders of Valepar are parties to a shareholders' agreement, ending in 2017. Under this agreement, each of the common shareholders of Valepar has the right to veto the transfer by Valepar of any of our Company's shares it holds. The Valepar shareholders' agreement also:

- grants rights of first refusal on any transfer of Valepar shares and pre-emptive rights on any issue of Valepar shares;
- prohibits the direct acquisition of our Company's shares by Valepar's shareholders unless authorised by the other shareholders party to the agreement;
- prohibits encumbrances on Valepar shares (other than in connection with financing an acquisition of our Company's shares);
- requires each party generally to retain control of its special purpose company holding its interest in shares of Valepar, unless the rights of first refusal mentioned above are observed;
- allocates seats on Valepar and our Company's boards among representatives of the parties;
- commits the Valepar shareholders to support our Company's dividend policy of distributing 50% of our Company's net profit for each fiscal year, unless the Valepar shareholders commit to support a different dividend policy for a given year;
- provides for the maintenance by our Company of a capital structure that does not exceed specified debt to equity thresholds;
- requires the Valepar shareholders to vote their indirectly held shares in our Company and to cause their representatives on the Board of Directors to vote only in accordance with decisions made at the Valepar meetings held prior to meetings of the Board of Directors or of the Shareholders; and
- establishes super-majority voting requirements for certain significant actions relating to Valepar and to our Company.

Pursuant to the Valepar shareholders' agreement, Valepar cannot support any of the following actions with respect to our Company without the consent of at least 75% of the holders of Valepar's common shares:

- any amendment of our by-laws;
- any increase of our Company's capital stock by share subscription, creation of a new class of shares, change in the characteristics of the existing shares in our Company or any reduction of our Company's capital stock;

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- any issuance of debentures of our Company, whether or not convertible into shares in our Company, participation certificates upon compensation (partes beneficiárias), call options or subscription bonus (bônus de subscrição) or any other security of our Company;
- any determination of issuance price for any new shares of capital stock or other security of our Company;
- any amalgamation, spin-off or merger to which our Company is a party, as well as any change to our Company's corporate form;
- any dissolution, receivership, bankruptcy or any other voluntary act for financial reorganisation or any suspension thereof;
- the election and replacement of the Board of Directors, including the Chairman of the Board, and any of our Executive Officers;
- the disposal or acquisition by our Company of an equity interest in any company, as well as the acquisition of any shares of capital stock of our Company or Valepar;
- the participation by our Company in a group of companies or in a consortium of any kind;
- the execution by our Company of agreements relating to distribution, investment, sales exportation, technology transfer, trade mark licence, patent exploration, licence to use and leases;
- the approval and amendment of our Company's business plan;
- the determination of the compensation of our executive officers and directors, as well as the duties of our Board of Directors and Board of Executive Officers;
- any profit sharing among the members of our Board of Directors or Board of Executive Officers;
- any change in our Company's corporate purpose;
- the distribution or non-distribution of any dividends (including distributions classified as interest on Shareholders' equity) on any shares of capital stock of our Company other than as provided in our by-laws;
- the appointment and replacement of our Company's independent auditor;
- the creation of any "in rem" guarantee, granting of guarantees including rendering of sureties by our Company with respect to obligations of any unrelated party, including any affiliates or subsidiaries;
- the passing of any resolution on any matter which, pursuant to applicable law, entitles a Shareholder to withdrawal rights;
- the appointment and replacement by the Board of Directors of any representative of our Company in subsidiaries, companies related to our Company or other companies in which our Company is entitled to appoint directors and officers; and
- any change in the debt to equity threshold, as defined in the Valepar shareholders' agreement.

In addition, the Valepar shareholders' agreement provides that any issuance of participation certificates by our Company and any disposition by Valepar of the shares in our Company it holds requires the unanimous consent of all of Valepar's shareholders.

## **DIRECTORS NOMINATED BY VALEPAR**

Among the current eleven Directors, ten Directors were nominated by Valepar, namely Ricardo José da Costa Flores (Chairman), Mário da Silveira Teixeira Júnior (Vice-chairman), José Ricardo Sasseron, Jorge Luiz Pacheco, Sandro Kohler Marcondes, Renato da Cruz Gomes, Ken Abe, Oscar Augusto de Camargo Filho, Luciano Galvão Coutinho and José Mauro Mettrau Carneiro da Cunha. José Mauro Mettrau Carneiro da Cunha was appointed by Valepar as (a) non-controlling holders of our Common Shares who attended the Shareholders' meeting at which the appointment of those directors was approved, individually or collectively, did not meet the relevant shareholding threshold required for the exercise of their right to appoint Directors prescribed under our By-laws and; (b) the non-controlling holders of our Class A Preferred Shares did not nominate a candidate.

## **INDEPENDENCE FROM VALEPAR**

The Board is satisfied that, on the basis of the following matters, the Group is capable of carrying on its business independently of, and will not place undue reliance on, Valepar, after the Introduction.

### **Management independence**

Our Company has a Board of Directors and a Board of Executive Officers. The Board of Directors sets general policies and guidelines for our business and monitors their implementation and does not participate in our daily operations. The Board of Executive Officers is responsible for our day-to-day operations and reports to the Board of Directors. None of the members of the Board of Executive Officers holds any office or position in Valepar.

Any Director or member of the Board of Executive Officers who has a material interest (direct or indirect) in any contract or any conflicting interest in any matter to be considered at any meeting of the Board of Directors or the Board of Executive Officers (as the case may be) is required to disclose such interest at such meeting and to refrain from taking part (or by any means intervening) in any resolution or action related to the matter in which he has a material interest. In the event of a failure to observe this rule, the relevant Director or Executive Officer will be subject to the sanctions prescribed by Brazilian law, and the resolution to approve the matter in which he has a conflict of interest is voidable.

### **Operational independence**

We are not dependent on Valepar in carrying on our business operations. We have independent access to our suppliers and transact with our customers independently from Valepar. We do not lease any of our material properties, plants or machines from Valepar.

### **Financial independence**

We are not financially dependent on Valepar.