ETERNIT S.A. AND SUBSIDIARIES

Balance Sheets

drawn up as at December 31, 2010
(In thousands of reais - R$)

Asset	Explanatory note	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
		12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
CURRENT							
Cash and equivalents	5	15,101	57,403	2,947	39,751	80,472	31,278
Temporary investments	6	40,900	65,400	-	40,900	65,400	-
Client accounts receivable	7	63,889	48,529	42,538	135,299	108,886	106,627
Stock	8	73,918	45,524	40,188	98,445	61,016	59,275
Taxes recoverable	9	6,303	4,287	2,744	8,799	5,099	3,676
Related parties	11	16,120	9,289	17,090	-	-	-
Other accounts receivable		5,606	3,484	4,465	16,110	7,078	7,549
Total current assets		**221,837**	**233,916**	**109,972**	**339,304**	**327,951**	**208,405**
NON-CURRENT							
Taxes recoverable	9	22,054	20,855	20,798	22,867	21,334	21,393
Deferred income tax and social contribution	19	23,554	25,089	24,614	49,788	37,202	34,845
Court deposits and tax incentives		7,020	7,944	4,902	11,894	12,140	9,031
Special judicial orders receivable		431	1,010	1,655	431	1,010	1,655
Other accounts receivable		500	443	492	2,101	3,663	2,123
Other investments		8	8	8	250	246	246
Investments in subsidiaries	10	175,441	119,780	111,665	-	-	-
Fixed	12	124,999	104,605	97,775	209,989	150,329	140,941
Intangible	12	1,811	917	936	24,454	17,967	17,764
Total non-current assets		**355,818**	**280,651**	**262,845**	**321,774**	**243,891**	**227,998**
TOTAL ASSETS		**577,655**	**514,567**	**372,817**	**661,078**	**571,842**	**436,403**

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

Liabilities and Shareholders Equity	Explanatory note	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
		12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
CURRENT							
Suppliers	13	32,523	17,831	21,149	41,097	20,805	24,038
Loans and financing	14	441	1,811	132	20,443	30,467	38,146
Salaries, provisions and social charges	15	19,638	9,429	9,394	34,842	20,566	17,622
Taxes and contributions to be collected	16	9,357	7,237	5,546	29,937	18,785	15,377
Dividends and interest-on-equity payable		27,245	18,118	18,137	27,245	18,118	18,137
Provision for future benefits of former employees	17	1,645	1,645	1,645	2,835	2,893	2,718
Provision for risks	21	-	-	425	343	-	425
Other accounts payable		3,738	3,203	2,850	13,536	7,077	6,414
Total current liabilities		**94,587**	**59,274**	**59,278**	**170,278**	**118,711**	**122,877**
NON-CURRENT							
Provision for future benefits of former employees	17	19,286	19,071	18,916	26,570	26,556	26,844
Loans and financing	14	1,071	1,233	501	3,491	1,233	501
Related parties	11	24,750	22,918	16,632	-	-	-
Provision for risks	21	18,457	18,089	11,071	37,966	28,500	17,204
Taxes and contributions to be collected	16	6,757	2,739	-	7,017	3,006	-
Deferred income tax and social contribution	19	90		-	280		-
Mine repairs		-	-	-	2,505	2,263	2,045
Advance revenues		181	451	721	482	770	1,228
Total non-current liabilities		**70,592**	**64,501**	**47,841**	**78,311**	**62,328**	**47,822**
SHAREHOLDERS EQUITY							
Paid-up capital	18	334,251	334,152	226,851	334,251	334,152	226,851
Capital reserves		18,536	18,513	18,513	18,536	18,513	18,513
Shares in treasury		(174)	(174)	(2,906)	(174)	(174)	(2,906)
Profit reserves		59,863	38,301	23,240	59,863	38,301	23,240
Shareholders equity and exhibited to controlling shareholders		412,476	390,792	265,698	412,476	390,792	265,698
Participation by noncontrolling shareholders		-	-	-	13	11	7
Total shareholders equity (consolidated)		**412,476**	**390,792**	**265,698**	**412,489**	**390,803**	**265,705**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**577,655**	**514,567**	**372,817**	**661,078**	**571,842**	**436,403**

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

ETERNIT S.A. AND SUBSIDIARIES

Financial Statements of Result

for the financial year ending December 31, 2010
(in thousands of reais - R$, except for net earnings per share)

	Explanatory note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/10	12/31/09	12/31/10	12/31/09
Net operating revenue	23	424,316	333,330	758,745	583,268
Cost of products sold		(297,876)	(247,200)	(432,219)	(337,616)
GROSS PROFITS		126,440	86,130	326,526	245,652
OPERATING REVENUE (EXPENSES)					
Sales expenses		(41,932)	(32,650)	(88,403)	(66,942)
General and administrative expenses		(44,483)	(27,720)	(91,352)	(53,289)
Management remuneration	11	(6,333)	(6,431)	(9,959)	(11,139)
Financial expenses	26	(5,023)	(5,051)	(22,676)	(19,236)
Financial revenues	26	14,478	6,734	32,400	18,364
Other net operating expenses	25	(7,228)	(7,696)	(13,152)	(8,775)
Equity income result	10	76,711	61,482	-	-
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		112,630	74,798	133,384	104,635
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	19	(8,923)	(2,147)	(43,736)	(33,841)
Deferred	19	(1,622)	468	12,436	2,320
NET EARNINGS FOR THE FINANCIAL YEAR		102,085	73,119	102,084	73,114
ATTRIBUTABLE TO					
Participation of controlling shareholders		-	-	102,084	73,114
participation of noncontrolling shareholders		-	-	1	5
		102,085	73,119	102,085	73,119
NET EARNINGS/SHARE FOR THE FINANCIAL YEAR - R$					
Per basic share	18	1.14	1.01	1.14	1.01
Per diluted share	18	1.14	1.01	1.14	1.01

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

ETERNIT S.A. AND SUBSIDIARIES

Statement of Changes in Shareholders Equity

for the financial year ending December 31, 2010
(in thousands of reais - R$, except for net earnings per share)

			Capital Reserves			Profit Reserves						
	Explanatory note	Paid-Up Capital	Subsidy for investments	Premium on acquisition of shares	Shares in treasury	Statutory	Legal	Profits retained	Profit for the year	Attributable to the owners of Parent Company (Parent Company BR GAAP)	Participation by non-controlling shareholders	Total (Consolidated IFRS and BR GAAP)
BALANCES AT JANUARY 1, 2009	4	226,851	18,513	-	(2,906)	5,336	6,244	11,660	-	265,698	7	265,705
Net earnings for the financial year		-	-	-	-	-	-	-	73,114	73,114	5	73,119
INCREASE IN PAID-UP CAPITAL	18	107,400	-	-	-	-	-	-	-	107,400		107,400
Capital payable	18	(99)								(99)	-	(99)
Cancellation of their own shares	18	-	-	-	2,732	(2,732)	-	-	-	-	-	-
Destination of net earnings:										-		-
Allocation to reserves		-	-	-	-	3,656	3,656	10,481	(17,793)	-	-	-
Interest-on-equity - R$0.211 per share in circulation	18	-	-	-	-	-	-	-	(15,118)	(15,118)	-	(15,118)
Dividends - R$0.561 per share in circulation	18	-	-	-	-	-	-	-	(40,203)	(40,203)	(1)	(40,204)
BALANCES AT DECEMBER 31, 2009		334,152	18,513	-	(174)	6,260	9,900	22,141	-	390,792	11	390,803
Net earnings for the financial year		-	-	-	-	-	-	-	102,084	102,084	1	102,085
Capital payable	18	99	-	-	-	-	-	-	-	99	-	99
Constitution of reserves		-		23	-	-	-	-		23	-	23
Destination of net earnings:												
Allocation to reserves		-	-	-	-	5,104	5,104	11,354	(21,562)	-	-	-
Interest-on-equity - R$0.25 per share in circulation	18	-	-	-	-	-	-	-	(22,367)	(22,367)	-	(22,367)
Dividends - R$0.65 per share in circulation	18	-	-	-	-	-	-	-	(58,155)	(58,155)	1	(58,154)
BALANCES AS AT DECEMBER 31, 2010		334,251	18,513	23	(174)	11,364	15,004	33,495	-	412,476	13	412,489

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

ETERNIT S.A. AND SUBSIDIARIES

Cash Flow Statements

for the financial year ending December 31, 2010
(in thousands of reais - R$)

	Explanatory note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/10	12/31/09	12/31/10	12/31/09
CASH FLOW FROM OPERATIONAL ACTIVITIES					
Net earnings for the financial year		102,085	73,119	102,085	73,119
Adjustments to reconcile net earnings for the year with net cash generated by operational activities:					
Equity income result	10	(76,711)	(61,482)	-	-
Depreciation and amortisation	12	9,051	10,438	18,154	17,991
Realisation of the most valuable items in Tégula's stock	1.B	-	-	2,539	-
Result of write-off of permanent assets		349	74	(1,847)	(3,775)
Provision for bad debts	7	847	807	2,253	1,063
Provision for risks		7,009	6,600	14,560	10,871
Provision for various losses		1,635	-	4,437	-
Financial charges, monetary variation and exchange-rate variation		1,430	1,204	(881)	3,161
Return on financial investments		(4,360)	-	(4,360)	-
Realisation of advance expenses		1,405	1,340	1,929	1,735
Realisation of advanced revenues		(270)	(270)	(600)	(600)
Deferred income tax and social contribution		1,622	(468)	(12,436)	(2,320)
		44,092	**31,362**	**125,833**	**101,245**
(Increase) reduction in operational assets:					
Client accounts receivable		(16,186)	(6,854)	(21,591)	(4,389)
Stock		(29,690)	(4,219)	(32,064)	(273)
Taxes recoverable		(2,354)	(626)	(3,047)	(389)
Interest received (special court orders)		289	275	289	275
Court deposits		(3,574)	(3,282)	(4,577)	(3,635)
Other assets		(3,007)	2,497	(3,404)	381
(Increase) reduction in operational liabilities:					
Suppliers		14,756	(3,334)	16,521	(3,241)
Taxes and social contribution to be collected		14,012	6,037	48,900	35,234
Salaries, provisions and social charges		10,211	35	12,431	2,944
Payment of risks		(2,233)	-	(2,233)	-
Other liabilities		(458)	(3,328)	(901)	729
Cash generated by operational activities		**25,858**	**18,563**	**136,157**	**128,881**
Interest paid		(91)	(468)	(91)	(2,607)
Income tax and social contribution paid		(7,879)	(1,661)	(35,963)	(28,820)
Net cash generated by our operational activities		**17,888**	**16,434**	**100,103**	**97,454**
CASH FLOW FROM INVESTMNENT ACTIVITIES					
Additions to fixed and intangible cassettes	12	(31,055)	(17,481)	(58,541)	(28,770)
Receipt from the sale of property	10 and 11	56,458	61,168	-	-
Acquisition of Tégula, net of cash acquired		730	26	2,010	1,758
Capital increase in subsidiary - Neptune	10		-	(34,303)	-
Dividends and interest-on-equity received		(41,996)	-	-	-
Temporary investments	6	28,860	(65,400)	28,860	(65,400)
Net cash generated by investment activities		**12,997**	**(21,687)**	**(61,974)**	**(92,412)**
CASH FLOW FROM FINANCING ACTIVITIES					
Raising of loans and financing - third parties		2,916	5,816	126,524	145,833
Loan to connected company		(373)	4,556	-	-
Capital increase	18	99	107,301	99	107,301
Premium on issue of shares		23	-	23	-
Amortisation of loans and financing		(4,455)	(2,619)	(134,099)	(153,637)
Payment of dividends and interest-on-equity		(71,397)	(55,345)	(71,397)	(55,345)
Net cash generated by financing activities		**(73,187)**	**59,709**	**(78,850)**	**44,152**
INCREASE (REDUCTION) IN CASH AND EQUIVALENTS		(42,302)	54,456	(40,721)	49,194
INCREASE (REDUCTION) IN CASH AND EQUIVALENTS					
Cash and equivalents at the beginning of the financial year	5	57,403	2,947	80,472	31,278
Cash and equivalents at the end of the financial year	5	15,101	57,403	39,751	80,472
		(42,302)	**54,456**	**(40,721)**	**49,194**

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

ETERNIT S.A. AND SUBSIDIARIES

Statement of Value Added

for the financial year ending December 31, 2010
(in thousands of reais - R$)

	Explanatory note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/10	12/31/09	12/31/10	12/31/09
REVENUES					
Sale of products and merchandise	23	574,610	444,814	991,302	743,393
Other revenues		783	135	8,442	8,502
Revenues related to the construction of own assets		12,245	3,846	13,188	8,843
Provision for bad debts	7	(847)	(807)	(2,253)	(1,063)
		586,791	447,988	1,010,679	759,675
INPUTS ACQUIRED FROM THIRD PARTIES					
Cost of products sold		(295,081)	(235,597)	(389,845)	(236,156)
Materials, electricity, outsourced services and others		(104,333)	(77,884)	(192,097)	(200,007)
Recovery of asset values		(7,710)	(5,323)	(7,736)	(5,319)
Other donations		(2,453)	(114)	(5,776)	(669)
		(409,577)	(318,918)	(595,454)	(442,151)
GROSS VALUE ADDED		177,214	129,070	415,225	317,524
DEPRECIATION AMORTISATION AND EXHAUSTION	12	(9,051)	(10,438)	(18,154)	(17,991)
NET VALUE ADDED PRODUCED BY THE COMPANY		168,163	118,632	397,071	299,533
VALUE ADDED RECEIVED IN TRANSFER					
Equity income result	10	76,711	61,482	-	-
Financial revenues	25	14,478	6,734	32,400	18,364
Others		697	3,379	1,217	4,881
		91,886	71,595	33,617	23,245
TOTAL VALUE ADDED TO BE DISTRIBUTED		260,049	190,227	430,688	322,778
DISTRIBUTION OF ADDED VALUE		260,049	190,227	430,688	322,778
Personnel:					
Direct remuneration		46,390	39,335	94,054	67,272
Benefits		25,777	16,479	49,539	33,147
FGTS		3,700	3,346	6,615	5,225
		75,867	59,160	150,208	105,644
Taxes and contributions:					
Federal		61,427	42,294	110,047	91,751
State		13,182	8,413	39,878	23,987
Municipal		769	729	1,135	1,199
		75,378	51,436	151,060	116,937
Remuneration of third-party capital:					
Interest		5,023	5,051	22,524	24,605
Rent		1,696	1,461	4,811	2,473
Others		-	-	-	-
		6,719	6,512	27,335	27,078
Remuneration of own capital:					
Dividends	18	58,156	40,157	58,155	40,203
Interest-on-quity	18	22,368	15,101	22,367	15,118
Profits retained	18	21,561	17,861	21,562	17,793
Participation by minority shareholders		-	-	1	5
		102,085	73,119	102,085	73,119

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

REPORT FROM INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

To the Shareholders and Managers of
ETERNIT S.A. - São Paulo - SP

We have examined the individual and consolidated financial statements of Eternit S.A. ("Company") identified as the Parent Company and Consolidated, respectively, comprising the balance sheet as at December 31, 2010 and the respective financial statements, alterations in shareholders' equity and the cash flows for the financial year ending on that date, as well as summary of the main accounting practices and other explanatory notes.

Responsibility of the Management for the financial statements
The Management of the Company is responsible for the drawing up and satisfaction presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and the consolidated financial statements, in accordance with the International Financial Reporting Standards (IFRSs), issued by the "International Accounting Standards Board - IASB", and in accordance with the accounting practices adopted in Brazil, as well as in accordance with the internal controls that the Company deems necessary to enable the drawing up of these financial statements free of significant distortion, independent of whether caused by fraud or error.

Responsibility of the Independent Auditors
Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. These standards require compliance to legal demands by the auditors and that the audit be planned and carried out with the objective of obtaining a reasonable certainty that the financial statements are free of any significant distortions.

An audit involves the execution of selected procedures for the obtaining of evidence with respect to the figures and disclosures presented in the financial statements. The procedures selected depend on the judgment of the auditor, including the evaluation of risk of significant distortion in the financial statements, independent of whether caused by fraud or error. In this evaluation of risks, the auditor considers the relevant internal controls for the drawing up and satisfactory presentation of the financial statements by the company, in order to plan the procedures for auditing that are appropriate according to the circumstances, but not for the purposes of expressing an opinion on the efficiency of the Company's internal controls. An audit also includes the evaluation of the suitability of the accounting practices used and the reasonableness of the accounting estimates made by the Management, as well as the evaluation of the presentation of the financial statements, taken together.We are of the opinion that the evidence from the audit obtained is sufficient and appropriate to provide the basis of our opinion.

Opinion on the individual financial statements
In our opinion, the individual financial statements previously referred to, adequately represent, in all relevant aspects, the equity position and financial position of Eternit S.A. as at December 31, 2010, the performance of its operations and its cash flows for the financial year ending on that date, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements previously referred to, adequately represent, in all relevant aspects, the equity position and consolidated financial position of Eternit S.A. as at December 31, 2010, the consolidated performance of its operations and its consolidated cash flows for the financial year ending on that day, in accordance with the IFRS standards issued by the IASB and the accounting practices adopted in Brazil.

Emphasis

As described in explanatory note No. 4, individual financial statements were drawn up in accordance with the accounting practices adopted in Brazil. In the case of the Company, these practices differ from the IFRS standards, applicable to separate financial statements, only when referring to the evaluation of investments in subsidiaries, affiliates and subsidiaries in combination with the equity income result method, while for the purposes of the IFRS standard, these would be at cost or fair value.

Other matters

Statement of value-added

We have also examined the individual and consolidated statements of value-added for the financial year ending December 31 2010, this presentation being required by companies according to Brazilian Corporation Law, and only as supplementary information under the IFRS standard, which does not require their presentation. These statements were submitted to the same auditing procedures previously described, and in our opinion, are appropriately presented, in all their relevant aspects, in relation to the financial statements taken together.

São Paulo, March 2, 2011

DELOITTE TOUCHE TOHMATSU	Reynaldo Awad Saad
Independent Auditors	Accountant
CRC nº 2 SP 011609/O-8	CRC nº 1 SP 215056/O-1

ETERNIT S.A. AND SUBSIDIARIES

Explanatory notes to the financial statements for the year ending December 31,2010

(in R$'000, except where otherwise indicated)

1. OPERATIONAL CONTEXT

Eternit S.A. ("The Company" or "Eternit"), incorporated in Brazil, headquartered at Rua Dr. Fernandes Coelho, 85 - 8º andar, in the city of São Paulo, in the state of São Paulo, constituted on January 30, 1940, is a publicly listed company registered on the special segment of the São Paulo Stock Exchange, BM&FBOVESPA, known as the Novo Mercado, registered under the ticker code ETER3. The Company is controlled by private and corporate individuals, investment clubs, investment funds and foundations (see explanatory note No. 18).

The Company and its subsidiaries ("Company" or "Group") has the main corporate purpose of the manufacture and sale of products made from fibre cement, cement, concrete, plaster of Paris, and plastic material, as well as other construction materials, and their respective accessories.

The Group is constituted in the following manner:

- The Company has four plants, established in the states of Bahia, Goiás, Paraná and Rio de Janeiro.
- The subsidiary Precon Goiás Industrial Ltda. ("Precon") has a plant in the state of Goiás.

The main products manufactured and/or sold by the Company and Precon are:

- Roof coverings and shapes made from fibre-cement reinforced material, or cement reinforced with synthetic fibre (CRFS).
- Metallic roof coverings.
- Vitreous chinaware and accessories .
- Wall Eternit Wall Panels (used as walls and politicians).
- Pratic Wall (semi-finished walls).
- Eterplac (slabs for facades).
- Eterplac Wood (cement slabs in CRFS with a "wood effect" finish).
- Water tanks made from fibre cement and polyethylene.
- Eterclean (water filters for pipe).
- Metallic shapes (used in the construction of roofing and internal and external walls).

The subsidiary Tégula Soluções para Telhados Ltda. ("Tégula") has five plants, established in the states of Bahia, Goiás, do Rio Grande do Sul, Santa Catarina and São Paulo. The main products manufactured and/or sold are:

- Concrete Tiles.
- Thermoconfort tiles, with PVA fibres (synthetic fibre) and special paint, reducing the emission of heat internally.
- Solar Heating Equipment.
- Freshfoil (aluminium foil which helps to prevent the admission of heat in summer and minimising its loss in the winter).
- Passarinheira (increases ventilation and avoids the passage of birds, bats and large insects through the edge of the roof).

The subsidiary Sama S.A. Minerações Associadas ("Sama"), is an unlisted limited company, located in the state of Goiás, and is the only chrysotile asbestos mining company in Brazil, and has the corporate purpose of the extraction and processing of chrysotile asbestos, which is sold to internal and external markets.

a) Merger of businesses

On February 11, 2010, Neptune Empreendimentos e Participações Ltda. ("Neptune"), a subsidiary of the company, signed a contract for the acquisition of the entire share capital of Tégula, the largest manufacturer of concrete roofing tiles in Brazil, the only company in the sector in the Country with the most advanced technology for the production of tiles and associated parts for roofing. Tégula has a complete roofing material portfolio for houses, in addition to five different profiles of tiles, which cater to different architectural styles as well as a complete range of essential roofing products (gutters, water tanks, waterproof roofing membranes, etc.) and solar heating systems for bathrooms.

As a result of this acquisition, the Group expects to increase its presence in this market. A reduction in costs is also expected, as a consequence of economies of scale.

The effect of the merger of these businesses, on the date of the acquisition, in the balance sheet of the Eternit Group was as follows :

	Book value	Adjustment for fair value	Fair value
Current assets:			
Cash and equivalents	4,937	-	4,937
Client accounts receivable	6,553	-	6,553
Stock	6,545	2,539	9,084
Taxes to be recovered	591	-	591
Other accounts receivable	1,115	-	1,115
Total current assets	19,741	2,539	22,280
Non-current assets:			
Other accounts receivable	416	-	416
Intangibles	301	1,046	1,347
Fixed	19,019	5,626	24,645
Total non-current assets	19,736	6,672	26,408
Total assets	39,477	9,211	48,688
Current liabilities:			
Suppliers and other accounts payable	(5,488)	-	(5,488)
Salaries, provisions and social charges	(1,845)	-	(1,845)
Taxes and contributions to be collected	(2,423)	-	(2,423)
Total current liabilities	(9,756)	-	(9,756)
Non-current liabilities:			
Provision for risks (*)	(3,017)	-	(3,017)
Other accounts payable	(111)	-	(111)
Assets acquired and liabilities assumed	26,593	9,211	35,804
Counter-payments transferred (cash)			39,240
Premium ("Goodwill")			3,436

(i) The Company has carried out analysis of possible contingencies and has not recognised any figure for these risks (see explanatory note No. 21), because it was not possible to determine a reliable fair value.

The premium and the most valuable assets acquired and liabilities assumed arising as a consequence of this acquisition represent future economic benefits expected from synergy savings as a result of the merger of businesses; this amount, which is expected to be deductible for tax purposes, is R$10,242.

The measurement of the most valuable of the assets acquired and liabilities assumed was determined by the Management based on a study carried out by a specialist company. The recognition of the assets acquired and liabilities assumed resulted in the following adjustments in the book value of the company acquired:

Asset not recognised previously by the acquired company:	
Stock	2,539
Land	1,360
Buildings with a useful life of 50 years	1,367
Machinery and equipment with a useful life of 10 to 40 years	2,899
Brand names with unlimited useful life	1,046
Total	**9,211**

The Group has used the principle of replacements for the calculation of the market value of the assets acquired in the merger of the businesses. This principle assumes that a prudent buyer would not pay more for a given piece of property than the cost of acquiring a replacement piece of property for the same use.

The future cash flows of the assets acquired have been defined based on the calculation of future profitability used in the acquisition studies, and discounted to present value using "Weighted Average Cost of Capital - WACC".

b) Corporate restructuring

On January 9, 2010 the investment vehicle Neptune became a subsidiary of the Company, with a direct equity stake of 99.99%. The paid-up capital of the investment vehicle was increased from R$4 to R$42,000.

On December 14, 2010, the subsidiary Neptune was reversed into subsidiary Tégula, at book value, because there were no assets or liabilities subject to a further valuation of their fair value, except for the investment in Tégula, which ceased to exist when the reverse takeover was carried out, in accordance with the evaluation report prepared by the expert valuer, taking a base date of October 31, 2010.

Up to the base incorporation date, the subsidiary Neptune realised a premium on the acquisition of Tégula, of R$3,157, R$2,539 corresponding to the realisation of stock and R$618 corresponding to depreciation of fixed assets, with the premium allocated to the fair value of the respective assets.

The viability of the business was evaluated based on the projected profitability for the operation.

The assets balance sheet incorporated by Tégula, on the date of the reverse takeover, was as follows:

Cash and equivalents	335
Taxes to be recovered	167
Interest-on-equity receivable	1,016
Investments in subsidiaries	31,381
Premium on investment- Tégula	12,647
Amortisation of premium on investment- Tégula	(3,157)
Dividends and interest on equity payable	(1,369)
Net assets incorporated	**41,020**

After the reverse takeover of subsidiary Neptune, the equity structure and the results of Tégula as at December 31 2010, for the purposes of consolidation into the group's financial statements, were as follows:

Current assets:		**Current liabilities:**	
Cash and equivalents	5,184	Suppliers and loans	6,049
Client accounts receivable	8,365	Salaries, provisions and social charges	4,138
Stock	8,651	Taxes to be collected	1,314
Taxes to be recovered	1,571	Dividends payable	1,135
Other accounts receivable	1,852	Provision for risks	343
		Other accounts payable	2,094
	25,623		**15,073**
Non-current assets:		**Non-current liabilities:**	
Deferred taxes	**10,552**	**Financing**	**2,420**
Taxes to be compensated for	**295**	**Deferred taxes**	**498**
Fixed	**29,932**	**Provision for risks**	**1,158**
Intangible (brands and others)	**1,379**	**Other accounts payable**	**173**
Intangible ("goodwill")	**3,436**		**4,249**
	45.594	**Shareholders' equity**	**51,895**
Total assets	**71,217**	**Total liabilities and shareholders equity**	**71,217**

Profit and loss statement:	
Net sales revenue	**67,863**
Cost of goods sold	**(48,031)**
Gross profit	**19,832**
Sales expenses	**(8,311)**
Administrative expenses	**(8,530)**
Net financial result	**(82)**
Other operating results	**(535)**
Profit before tax	**2,374**
Current and deferred taxes	**11,613**
Net profit for the year	**13,987**

Based on expected taxable profits over the next 10 years, a deferred tax asset was booked against tax losses, and the negative social contribution base, as well as temporary additions.

In accordance with internationally accepted accounting standards, the premium will not be amortised on an accounting basis. Annually, its recoverable value will be evaluated using impairment tests. The goodwill premium, of R$3,436, will be an amortised for income tax and social contribution purposes over a period of five years, based on the Transitory Tax Regime - RTT.

2. SUMMARY OF MAIN ACCOUNTING PRACTICES

2.1. Declaration of conformity

The Company's financial statements comprise:

- Consolidated financial statements prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board - IASB, and the accounting practices adopted in Brazil, identified as Consolidated (IFRS and BR GAAP).

- The individual financial statements of the controlling shareholder prepared in accordance with the accounting practices adopted in Brazil, identified as the Parent Company (BR GAAP).

The accounting practices adopted in Brazil comprise those included under Brazilian Corporation Law and the Pronouncements, Guidelines and Interpretations issued by the Committee for Accounting Pronouncements - CPC and approved by the Brazilian Securities Exchange Commission - CVM.

Individual financial statements present the valuation of investments in subsidiaries in the form of "equity income result", in accordance with the current Brazilian legislation in force. As a result, these individual financial statements are not considered as being in compliance with the IFRS standard, which requires the valuation of these investments in the financial statements to be separately listed from the parent company by fair value or cost.

As there is no difference between consolidated shareholders' equity and the Consolidated results attributed to the shareholders of the parent company, contained in the consolidated financial statements prepared in accordance with IFRS standard and accounting practices adopted in Brazil, and the shareholders' equity and result of the parent company, contained in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company has opted to present these individual and consolidated financial statements in one complete document, side by side.

2.2. Basis of elaboration

The financial statements have been drawn up based on historic costs, except for certain financial instruments measured by their fair value, as described in the accounting practices which follow. Historic costs is generally based on the fair value of the counter-payments made in exchange for assets.

These consolidated financial statements have been drawn up in accordance with IFRS accounting standards since the end of the year ending December 31, 2007, the first financial statements presented in accordance with the IFRS standard, whose transition date and consequent application of IFRS 1 were reflected as at January 1, 2006. The Company decided to adopt the IFRS standard ahead of time, due to the fact that its shares are listed on the Novo Mercado corporate governance section of the BM&F BOVESPA. In the drawing up of individual financial statements, the Company adopted the changes made to Brazilian accounting practices introduced by the technical pronouncements CPC 15 to 43. The Company, in accordance with CVM Ruling No. 592/09, which approved the technical pronouncements CPC 23, made certain adjustments in the balances of the financial statements of January 1, 2009 and December 31, 2009, and in the financial statements for the year ending December 31, 2009, to permit comparison between the years reported. The effect of the adoption of the IFRS standard and the new pronouncements issued by the CPC are set out in explanatory note No. 4.

The modifications introduced by the aforementioned pronouncements were dealt with in accordance with the norm "Accounting Policies, Estimate Changes and Error Corrections", as set out in the terms of CVM Ruling No 592/09.

The Company has adopted all the norms, norm revisions and interpretations issued by the CPC which were in force as at December 31 2010, as well as eliminating, in accordance with that recommended by the technical pronouncements CPC 43(R1), through adjustments to individual financial statements, the possible differences existing between these financial statements and the consolidated statements, as a consequence of the advance adoption of the IFRS standard in the consolidated financial statements.

A summary of the main accounting practices adopted by the Group is shown below.

2.3. Basis of consolidation and investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is obtained when the company has the power to control the financial and operational policies of an entity to profit from its activities.

In the Company's individual financial statements, the financial information of the subsidiaries are recognised in the form of equity income result.

The results of subsidiaries acquired or sold off during the period are included in the consolidated financial results, from the effective date of the acquisition, or to the date of divestments, whichever is applicable.

When necessary, the financial statements of the subsidiaries are adjusted in order to bring them into line with those accounting practices established by the Group. All transactions, balances, revenues and expenses between Companies in the Group are completely eliminated in the consolidated financial statements.

Changes in the Group's equity stakes in existing subsidiaries

In the consolidated financial statements, any changes to the Group's equity stakes in subsidiaries which do not result in any loss in control for the Group, are registered as capital transactions. The balances of the Group's equity stakes and those of non-controlling shareholders, are adjusted to reflect the changes in their respective stakes in the subsidiaries. The difference between the value used as the basis for the adjustment in the stakes of non-controlling shareholders, are adjusted, and the fair value of the considerations paid or received is registered directly under shareholders' equity and attributed to the owners of the Company.

2.4. Merger of businesses

In the consolidated financial statements the acquisition of businesses is booked in accordance with the acquisition method. The counterparty transferred in a merger of businesses measured by fair value is calculated by the sum of the fair values of the assets transferred by the Group, the liabilities incurred by the Group on the date of their acquisition from the former controlling shareholders of the company acquired, and the equity stakes issued by the Group in exchange for the control of the company acquired. Costs related to the acquisition are recognised in the result, when incurred.

The premium is measured as an excess of the sum of the counterparty transferred, of the value of the non-controlling equity stakes of the company acquired and the fair value of the equity stake of the acquiring company previously held by the acquired company, taking the net values on the date of the acquisition of the assets acquired and the assumed liabilities identified.

Individual financial statements

In its individual financial statements the Company applies the requirements of technical interpretation ICPC 09 - Individual Financial Statements, Separate Financial Statements, Consolidated Financial Statements and Application of the Equity Income Result Method, which requires that any amount exceeding the cost of the acquisition, with respect to the participation of the Company in the net fair value of the assets, liabilities and identifiable contingent liabilities of the company acquired, as at the date of the acquisition, to be recognised as a premium. This premium is added to the book value of the investment. The counter payments transferred, as well as the net fair value of the assets and liabilities, are measured using the same criteria applicable to the consolidated financial statements, as described previously.

2.5. Premium

The premium resulting from the merger of businesses is booked as a cost on the date of the merger (see explanatory note No. 2.4.), net of the accumulated loss in the recoverable value.

For the purposes of testing reduction in recoverable value, the premium is allocated to one of the cash generation units of the Group (or groups of cash generation units) which will benefit from the synergies obtained from the merger.

The cash generation units to which the premium has been allocated are submitted annually to a test of the reduction in recoverable value, or more frequently when there is an indication that the unit may show a reduction in recoverable value. If the recoverable value of the cash generation unit is less than the book value, the loss in terms of recoverable value is firstly allocated to reduce the book value of any premium allocated to the unit, and subsequently to the other assets in the unit, in proportion to the book value of each of its assets. Any loss due to a reduction in recoverable value in the premium is recognised directly in the results for the period. The loss due to a reduction in recoverable value is not reversed in subsequent periods.

2.6. Measurement of the results

Revenue is measured by the fair value of the counter payment received or receivable, deducting any estimates for returns, commercial discounts and/or bonuses granted to the buyer, or similar deductions .

2.6.1. Sale of products

Revenue from the sale of products is recognised when the following conditions are satisfied:

- The Group transfers to the buyer the significant risks and benefits related to the ownership of the products.
- The Group does not maintain continued involvement in the management of the products sold to the degree normally associated with ownership, neither does it have effective control over these products .
- The value of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow into the Group
- The costs incurred, or to be incurred, related to the transaction, can be measured reliably .

More specifically, revenue from the sale of products is recognised when the products are delivered, and legal title is transferred.

2.6.2. Revenues from dividends and interest

Revenue from investment dividends is recognised when the right of the shareholder to receive such dividends is established (provided that it is probable that the future economic benefits will flow into the Group, and that the value of the revenue can be measured reliably).

Revenue from financial assets in the form of interest is recognised when it is probable that the future economic benefits will flow into the Group, and that the value of the revenue can be measured reliably. Interest revenue is recognised in accordance with the linear method, based on time and the effective rate of interest on the amount of the principal, the effective rate of interest being that which precisely discounts the estimates of future cash during the estimated life of the financial assets, in relation to the initial net book value of this asset.

2.7. Foreign currency

In the drawing up of the financial statements each company in the Group, transactions in foreign currency, in other words in any currency that is different from the currency used by each company, are registered in accordance with the exchange rates in force on the date of each transaction. At the end of the period of the report, the monetary items in foreign currency are reconverted in accordance with the exchange rates in force at the end of the period. Non-monetary items registered by fair value in foreign currency are reconverted by the exchange rates in force on the date that the fair value is determined. Non-monetary items which are measured according to historic cost in foreign currency must be converted, using the exchange rate in force on the date of the transaction.

2.8. Cost of loans

The cost of loans directly attributable to the acquisition, construction or production of qualifying assets, which necessarily require a substantial period of time before they are ready for use, or their intended sale, are added to the cost of these assets up to the date on which they become ready for use, or intended sale.

All the other loan costs are recognised in the results for the period in which they are incurred.

2.9. Government subsidies

Government subsidies are not recognised until there exists reasonable certainty that the Group will meet the respective conditions, and that the subsidies will actually be received.

Government subsidies are recognised systematically in the results during the period in which the Group recognises the corresponding costs as an expense, that the subsidies intend to compensate for.

2.10. Cost of retirement

Payments to defined contribution retirement plans are recognised as an expense when the services which incur the right to these payments, are provided.

2.11. Taxation

Income tax and social contribution expenses represent the sum of the current and deferred taxes.

2.11.1. Current taxes

The provision for income tax and social contribution is based on the taxable profits during the period. The taxable profit differs from the profits shown in the financial statements, because it excludes revenues or expenses that are taxable or deductible in other periods, in addition to excluding non-taxable or non-deductible items on a permanent basis.
The provision for income tax and social contribution is calculated individually for each company in the Group based on the rates in force at the end of the period (see explanatory note No. 19).

2.11.2. Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are recognised as temporary differences at the end of the period of the report, between the balances of the assets and liabilities recognised in the financial statements, and the corresponding tax bases used in the measurement of taxable profit, including the balance of tax losses, when applicable. Deferred tax liabilities are generally recognised based on all the temporary tax differences, and the deferred tax assets are recognised based on the temporary deductible differences, only when it is probable that the company will show a taxable profit in the future in a sufficient quantity to enable the temporary deductible differences to be used (see explanatory note No.19).

The deferred tax recovery balance is revised at the end of each report period, and adjusted by the amount expected to be recovered.

Current and deferred income tax and social contribution are recognised as an expense or revenue in the results of period, except when they are related to items registered in other results covered, when applicable.

2.12. Fixed assets

These are shown at cost value, deducting appreciation and loss in accumulated recoverable value. Professional fees are registered as part of the cost of works in progress, and in the case of qualifying assets, the cost of loans is capitalised until the assets are completed. The depreciation of these assets begins when they are ready for their intended use, on the same basis as the other fixed assets.

Depreciation is recognised based on the estimated useful life of each asset in accordance with the linear method, so that their cost value, less their residual value after the end of their useful life, is completely written off (except for land and construction in progress). The estimated useful life, residual values and depreciation methods are revised on the date of the balance sheets, if the effect of any change in estimates is booked prospectively. A fixed asset item is written off after its sale, or when there are no future economic benefits resulting from the continued use of the assets. Any gains or losses resulting from the sale or the write-off of a fixed assets are determined by the difference between the value received from the sale and the book value of the asset, and are recognised in the results.

2.13. Intangibles

Intangible assets with a defined useful life acquired separately are registered as a cost, deducting amortisation and losses due to a reduction in accumulated recoverable value. Amortisation is recognised on a linear basis, based on the estimated useful life of the assets. The estimate of useful life and the amortisation method are revised at the end of each accounting period, and the effect of any estimate changes is booked prospectively. Intangible assets with an undefined useful life acquired separately are registered as a cost, deducting losses due to a reduction in accumulated recoverable value.

Expenditure on research activity is recognised as an expense during the period in which they are incurred.

The Group does not have any intangible assets generated internally.

2.14. Reduction in the recoverable value of tangible and intangible assets, excluding premium.

At the end of each financial period, the Group revises the book value of its tangible and intangible assets to determine whether there is any indication that these assets have suffered any loss as a reduction in recoverable value. If there is any such indication, the recoverable value of the asset is estimated with the aim of measuring the amount of the loss, if there is one.

If the recoverable value of an asset (or cash generation units) calculated is less than its book value, the book value of the asset (or cash generation unit) is reduced to its recoverable value. The loss due to a reduction in recoverable value is recognised immediately in the results.

2.15. Stock

Stock is represented at cost value or realisable net value, whichever is the lower. The cost of stock is determined by the average cost method. The net realisable value corresponds to the estimated sale price of the stock, deducting all the estimated costs associated with the conclusion of the sale, and the necessary costs incurred for the sale to be carried out.

2.16. Provisions

- Provisions are recognised for present obligations (legal or presumed) resulting from past events, for which it is possible to estimates the figures in a reliable manner, and for which settlement is deemed as probable.

- Provisions for the future benefits of former employees of booked on the base of actuarial estimates, as described in explanatory note No. 17.

- The subsidiary Sama books a provision for potential environmental liabilities based on the best estimates for the cost of cleaning and repair to known environmental locations, using a specialist environmental team to manage all the phases of its environmental programs, using external specialists when necessary, and in accordance with the Program for the Recuperation of Degraded Areas - PRAD, these expenses being based on quotations obtained in the markets.

- Contingent liabilities acquired as a result of a business merger are initially measured in accordance with their fair value on the date of the acquisition. At the end of the financial period, these contingent liabilities are measured taking the value of either: the value that will be recognised in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (equivalent to technical pronouncement CPC 25), or the value initially recognised, deducting accumulated amortisation, recognised in accordance with IAS 18 - Revenue (equivalent to technical pronouncement CPC 30), whichever is the greater.

2.17. Adjustment to present value

Accounts receivable, and accounts receivable from suppliers, are adjusted to present value, taking the SELIC as the discount rate. The booking of these adjustments is registered as a reduction factor in original accounts, and booked under the heading "Financial Revenues" in the financial statements.

2.18. Financial instruments

Financial assets and liabilities are recognised when a company in the Group is part of the contractual terms of the instrument.

Financial assets and liabilities are initially measured by fair value. The costs of the transaction directly attributable to the acquisition or issue of financial assets or liabilities (except for financial assets and liabilities recognised at fair value in the results) are added to or deducted from the fair value of the financial assets or liabilities, if applicable, after their initial recognition. The costs of the transaction directly attributable to the acquisition of financial assets or liabilities, as applied to fair value, are immediately recognised in the results.

2.19. Loans and financing

These are initially recognised at fair value, on receipt of the funds, net of transaction costs. Subsequently, they are then measured in accordance with amortisation costs, using the interest method, that is to say with interest, monetary and exchange rate variation added, as set out according to contract, incurred up to the date of the publication of the balance sheets, as set out in explanatory note No.14. The effective interest method is used for the calculation of amortisation cost on a financial asset, and its interest expenses are allocated to the respective period. The effective interest rate is the rate which exactly discounts estimates of future cash flows (including fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the estimated life of the financial liability, or when appropriate, for a shorter period, for the initial recognition of the net book value.

2.20. Interest-on-equity

This is calculated based on the number of shares in circulation on the respective Board of Directors meeting dates, and receives the same treatment as dividends (see expansion note No.18).

2.21. Statement of Value Added

This statement has the purpose of demonstrating the wealth created by the Company and its distribution during a given period, and is reported by the company, as required under Brazilian Corporation Law, as part of its individual financial statements, and as supplementary information to the consolidated financial statements, because this statement is not part of the obligations of the IFRS standard, neither is it obligatory.

The statement of added value has been prepared based on information obtained from the accounting books which serve as the basis for the preparation of the financial statements, and follow the terms contained in technical pronouncement CPC 09 - Statement of Value-Added.

2.22. New and revised norms and interpretations that have already been issued, and not yet adopted

The Group has not adopted the following new and revised IFRS items, that have already been issued, but have yet to be adopted:

- IFRS 9 - Financial Instruments, issued in November 2009 and altered in October 2010 - introducing new requirements for the classification, measurement and write-off of financial assets and liabilities.

  IFRS 9 establishes that all financial assets recognised that come under the scope of IAS 39 - Financial Instruments: Recognition and Measurement (equivalent to technical pronouncement CPC 38) will be subsequently measured in terms of amortised cost or fair value. Specifically, the debt instruments that are maintained following the business model, whose objective is to receive contractual cash flows, and which have contractual cash flows which refer exclusively to the payment of principal and interest on principle due, are generally measured as an amortised cost at the end of the subsequent accounting periods. All the other debt instruments and investment in securities, are measured in accordance with their fair value at the end of the subsequent accounting periods.

  The most significant effect of IFRS 9 related to the classification and measurement of financial liabilities refers to the booking of variations in fair value of a financial liability (designated at fair value in the results) attributable to changes in the credit risk associated with that liability. Specifically, according to IFRS 9, with regard to recognise financial liabilities with respect to fair value in the result, the value of the variation in fair value of the financial liability attributable to changes in the credit risk associated with that particular liability, is recognised under "Other Results Covered", and least if the recognition of the effects of the changes in credit risk associated with the liability under "Other Results Covered" results in an increase, or a mismatch in the accounting results. The variations in fair value attributable to the credit risk of a financial liability are not classified in the result. Previously, according to IAS 39 and technical pronouncement CPC 38, the total value of the variation in fair value of the financial liability was recognised in the results.

  IFRS 9 is applicable to annual periods beginning on or after January 1, 2013.

- Modifications in IFRS 7 – Disclosures - Transfer of Financial Assets (equivalent to technical pronouncement CPC 40) - increase the disclosure requirements for transactions involving the transfer of financial assets. These modifications have the objective of providing greater transparency with regard to exposure to risk when a financial asset is transferred, but the transferring party retains a certain level of continued exposure to the asset. The modifications also require disclosure in cases when the financial asset transfers are not proportionally distributed during the period.

  The Management of the Group do not expect these modifications caused by IFRS 7 to have a significant effect on the Group's disclosures relating to the transfer of accounts receivable previously executed (see expansion note No.7). However, if the Group carries out other types of financial asset transfers in the future, the disclosures related to these transfers may be impacted.

- Modifications to IAS 32 - Classification of Rights (equivalent to technical pronouncement CPC 39) - covers the classification of certain rights denominated in foreign currency, as a financial equity or liability instrument. Up to the present date, the Group has not entered into any agreement which falls within the scope of these modifications. However, if the Group does not acquire rights that fall within the scope of the modifications in future accounting periods, the modifications of IAS 32 and the technical pronouncement CPC 39 will have an effect on the classification of these rights.

- Modifications to IAS 12 - Taxes on Profits, with respect to deferred taxes (recovery of underlying assets) (equivalent to technical pronouncement CPC 32) – as at December 20, 2010, the IASB issued modifications to IAS 12.

  IAS 12 requires that an entity measures deferred taxes relating to an assets, depending on whether the entity expects to recover the book value of the asset through its use or sale. When the value of an asset is measured according to the fair value model of IAS 40 - Property for Investment (equivalent to technical pronouncement CPC 28), it may be difficult to value subjectively whether the recovery of the asset will be through its use for sale.

  The modification presents a practical solution to the problem, introducing the presumption that the recovery of the asset at book value will be normally through its sale. As a result of the modifications, SIC 21 -"Income Taxes - Recovery of Revalued Non-depreciable Assets" will no longer be applied to properties for investment maintained at fair value.

  The modifications will be adopted on an obligatory basis for financial years beginning January 1, 2012, or subsequent, while advance adoption is permitted. The alteration to this norm will not have any impact on the consolidated or individual financial statements of the Company.

- Modification to IFRS 1 - "First-time Adoption of International Financial Reporting Standards - IFRSs" with respect to the elimination of fixed dates for those adopting the IFRS standard for the first time - on December 20, 2010, the IASB issued a modification to IFRS 1, which deals with the elimination of fixed dates for those adopting the IFRS standard for the first time. The modifications substitute the fixed date for the prospective application, of January 1, 2004, for the date of the transition to the IFRS standard, so that those adopting to the IFRS for the first time do not have to apply the write-off requirements of IAS 39 retrospectively.

  The measures must be adopted on an obligatory basis for financial periods beginning or subsequent to July 1, 2011, while advance adoption is permitted. Due to the fact that the Company has already adopted the IFRS standard, the alteration to this norm will not have any impact on the Company's individual or consolidated financial statements.

CPC has not yet published the respective pronouncement and modifications related to the new and revised IFRS standards previously shown. As a result of the commitment of the CPC and CVM to keep up-to-date with the norms issued based on updates by the IASB, it is expected that these pronouncements and modifications will be published by the CPC and approved by the CVM by the date of their obligatory application.

3. PRINCIPAL ACCOUNTING JUDGMENTS AND SOURCES OF UNCERTAINTY IN ESTIMATES

In the application of the principal accounting practices of the Group described in explanatory note No. 2, the management of the Company must make judgments and draw up estimates with respect to the book values of assets and liabilities which are not easily obtained from other sources. These estimates and their respective assumptions are based on historical experience and other factors that are considered to be relevant. The effective results may differ from these estimates.

Underlying estimates and assumptions are continuously revised. The effects of these revisions made on accounting estimates are recognised in the period when the estimates are revised, whether the revision affects just this period, or also subsequent periods, if the revision affects both present and future periods .

3.1. Main sources of uncertainty in estimates

Below we present the main estimates with respect to the future, and the other main origins of uncertainty in these estimates at the end of the period of each report, which may lead to significant adjustments in the book value of the assets and liabilities in the subsequent financial period .

3.1.1. Recovery of goodwill premium value

In order to determine whether the premium has experienced a reduction in recoverable value, it is necessary to carry out an estimate of the value being used by the cash generation units to which the premium has been allocated. The calculation of the value in use requires the management to estimate the future cash flow expected from the cash generation units and a suitable discount rates in order to calculate its present value.

No indications of any reduction in the recoverable value of goodwill premium were identified.

	Parent Company (BR GAAP) and Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09
Sama	16,558	16,558	16,558
Tégula	3,436	-	-
Total	19,994	16,558	16,558

3.1.2. Useful life of fixed assets

As described in explanatory note No. 2.12., the Group revises the estimated useful life of its fixed assets annually at the end of each report period. During the current financial year, the administration has established that the useful life of certain items of machinery, equipment and buildings should be increased, supported by internal and external valuation reports, taking into account preventative maintenance, during the subsequent financial years.
The effect of this revision, assuming that the assets are maintained until the end of their useful life, corresponded to a reduction in depreciation expenses in the current financial year, and in the next three financial years, for the following amounts:

	Parent Company (BR GAAP) and Consolidated (IFRS and BR GAAP)
2010	6,334
2011	6,874
2012	6,854
2013	6,660

3.1.3. Valuation of financial instruments

As described in explanatory note No. 29, the Group uses valuation techniques which include information that is not based on observable market data for the estimate of the fair value of certain types of financial. The explanatory note provides detailed information about the main assumptions used in the determination of the fair value of these financial instruments, as well as a sensitivity analysis of these assumptions.

The Management believes that the valuation techniques selected and the assumptions used are appropriate for the determination of the fair value of the financial instruments.

4. EFFECTS OF ADOPTING THE IFRS STANDARD AND THE NEW PRONOUNCEMENTS ISSUED BY THE CPC

4.1. Effects of adopting the IFRS standard in the consolidated financial statements

4.1.1. Application of IFRS standard

The consolidated financial statements (identified as Consolidated (IFRS and BR GAAP)) for the year ending December 31, 2010, are presented in accordance with the IFRS standard. The first item to be adopted was in December 31, 2007 (which included the asset balance sheet on the date of the transition, defined as January 1, 2006), due to the Company obtaining a listing on the Corporate Governance section of the BM&FBOVESPA, the so-called Novo Mercado.

Considering the above, there are no effects from the adoption of the IFRS standard in the consolidated financial statements as at December 31, 2010, which require reconciliation with respect to previous accounting practices (previously BR GAAP).

However, the consolidated financial statements (identified as Consolidated (IFRS and BR GAAP)) for the financial year ending December 31, 2010, are the first to be presented in accordance with the accounting practices adopted in Brazil (BR GAAP). The Company applies the accounting practices defined in explanatory note No. 2 to all periods presented, which includes the balance sheet as on the date of the transition, defined as January 1, 2009. In the measurement of the adjustments to the opening balances and the preparation of the balance sheet on the transition date, the Company applied the obligatory exceptions, as well as certain optional exemptions from the retrospective application as set out in IFRS 1 - Initial Adoption of International Accounting Standards, at the time of its adoption of the IFRS standard, as described in the notes that follow.

Additionally, the differences that exists as a result of the Company's advanced adoption of the IFRS standard in its consolidated financial statements, were also reflected in the individual financial statements, in accordance with technical pronouncement CPC 43(R1), eliminating any difference between these statements in the open balance, and the comparable financial statements in 2009.

a) Exemption for the merger of businesses

The Company did not have any business mergers ongoing on the date of the transition to the IFRS standard and the CPCs (January 1, 2006).

b) Exemption for the presentation of the fair value of tangible and intangible assets, as an acquisition cost.

The Company has opted not to remeasure the fair value of its tangible and intangible assets on the transition dates, opting to maintain the acquisition cost in accordance with the accounting practices adopted in Brazil (previously BR GAAP), for the amount of the assets, with a monetary adjustment in accordance with IAS 21/CPC 2(R2) - The Effects of Changes in Exchange Rates and IAS 29/CPC 42 - Financial Report in Hyper Inflationary Economies.

The Group has opted not to evaluate its fixed assets according to fair value, and its the costs attributed on the transition date, bearing in mind that: (i) the fixed assets of the Group are segregated into well-defined categories and related to their operational activities; (ii) the industry in which the Group operates is impacted by technological development, which requires the Management to carry out frequent updates to its equipment, and revise their recoverable values, and (iii) the accounting practices adopted in the register of fixed assets were consistent with the amendments to technical pronouncement CPC 27 - Fixed Assets.

c) Exemption related to the measurement of composite financial instruments (derivatives)

The Company had no composite financial instruments (derivatives) on the date of the transition to the IFRS standard.

d) Exemption related to the recognition of equity stakes in subsidiaries

The subsidiaries of the Company had no financial statements drawn up in accordance with the IFRS standard on the date of the transition; this reason, the Company opted to adopt the same transition date for all its subsidiaries.

e) Exemption referring to the classification of financial instruments

The Company has opted to classify and value its financial instruments in accordance with IAS 32/CPC 39 - Financial Instruments: Presentation, and IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement, as at the date of transition; therefore, retrospective analysis of the original contracts of the current financial instruments was not carried out on the date of the transition to the IFRS standard. All the financial instruments contracted after the transition dates were analysed and classified in accordance with the IFRS standard on the date they were contracted.

The Company has taken into account obligatory exemptions in in its retrospective applications, as follows:

a) Exemption for the non-recognition of financial assets and liabilities

The Company has concluded that it had no non-derivative financial assets or liabilities which should be excluded from the accounting books on the date of the transition to the IFRS standard.

b) Exemption for the booking of hedge operations

The Company had no transactions classified as hedge transactions for the purpose of the IFRS standard, on the date of transition, and for this reason there are no adjustments to be booked.

c) Exemption for estimates

The company has made no adjustments to estimates registered in accordance with the previous BR GAAP standard, seeing that it believes that these estimates were in accordance with the IFRS standard on the transition date.

d) The exemption of assets classified as being available for sale, and discontinued operations

The Company had no assets classified as being available for sale .

4.1.2. Reconciliation to previous accounting practices

Effects of the adoption of the new pronouncements issued by the CPC in the consolidated asset balance sheet (BR GAAP)

		On 01/01/09(date of transition)			On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)		
	Item (*)	BR GAAP previous	Effect of the adoption of the new CPCs	BRGAAP represented	BR GAAP previous	Effect of the adoption of the new CPCs	BRGAAP represented
ASSET							
Current							
Cash and equivalents		31,278	-	31,278	80,762	-	80,762
Temporary investments		-	-	-	65,400	-	65,400
Client accounts receivable		106,626	-	106,626	108,886	-	108,886
Stock		59,275	-	59,275	61,016	-	61,016
Taxes recoverable		3,676	-	3,676	4,809	-	4,809
Deferred income tax and social contribution	a	7,404	(7,404)	-	7,750	(7,750)	-
Other accounts receivable		7,549	-	7,549	7,077	-	7,077
Total current assets		**215,808**	**(7,404)**	**208,404**	**335,700**	**(7,750)**	**327,950**
Non-current							
Court deposits and tax incentives	b	6,020	3,006	9,026	6,822	5,318	12,140
Taxes recoverable		21,393	-	21,393	21,334	-	21,334
Deferred income tax and social contribution	c	27,324	7,521	34,845	29,299	7,898	37,197
Special judicial orders receivable		1,655	-	1,655	1,010	-	1,010
Other accounts receivable		2,123	-	2,123	3,664	-	3,664
Other investments		244	-	244	246	-	246
Fixed	d	139,828	1,119	140,947	149,315	1,020	150,335
Premium (goodwill)	e	-	16,558	16,558	-	16,558	16,558
Other intangible assets	f	1,243	(36)	1,207	1,444	(36)	1,408
Total non-current assets		**199,830**	**28,168**	**227,998**	**213,134**	**30,758**	**243,892**
Total assets		**415,638**	**20,764**	**436,402**	**548,834**	**23,008**	**571,842**

	Item (*)	On 01/01/09(date of transition) BR GAAP previous	Effect of the adoption of the new CPCs	BRGAAP represented	On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices) BR GAAP previous	Effect of the adoption of the new CPCs	BRGAAP represented
LIABILITIES							
Current							
Suppliers		24,038	-	24,038	20,805	-	20,805
Loans and financing		38,144	-	38,144	30,467	-	30,467
Salaries, provisions and charges		17,622	-	17,622	20,566	-	20,566
Taxes and contributions to be collected		15,377	-	15,377	18,785	-	18,785
Dividends and interest-on-equity payable		18,137	-	18,137	18,118	-	18,118
Provision for future employee benefits		2,718	-	2,718	2,893	-	2,893
Contingency provision		425	-	425	-	-	-
Other accounts payable		6,414	-	6,414	7,077	-	7,077
Total current liabilities		**122,875**	**-**	**122,875**	**118,711**	**-**	**118,711**
Non-current							
Provision for future benefits for ex-employees		26,844	-	26,844	26,556	-	26,556
Financing		501	-	501	1,233	-	1,233
Contingency provision	b	14,198	3,006	17,204	23,181	5,319	28,500
Taxes and contributions to be collected		-	-	-	3,006	-	3,006
Mine repairs		2,045	-	2,045	2,263	-	2,263
Advanced revenues		1,228	-	1,228	770	-	770
Total non-current liabilities		44,816	3,006	47,822	57,009	5,319	62,328
Total liabilities		167,691	**3,006**	**170,697**	**175,720**	**5,319**	**181,039**
SHAREHOLDERS' EQUITY							
Paid-up capital		226,851	-	226,851	334,152	-	334,152
Capital reserve	e	1,955	16,558	18,513	1,955	16,558	18,513
Shares held in treasury		(2,906)	-	(2,906)	(174)	-	(174)
Profit reserves		22,040	1,200	23,240	37,169	1,132	38,301
Shareholders equity attributable to the owners of the Parent Company		247,940	17,758	265,698	373,102	17,690	390,792
Non controlling equity participation		7	-	7	12	(1)	11
Total shareholders' equity		**247,947**	**17,758**	**265,705**	**373,114**	**17,689**	**390,803**
Total liabilities and shareholders' equity		**415,638**	**20,764**	**436,402**	**548,834**	**23,008**	**571,842**

Reconciliation of shareholders equity attributable to owners of the Parent Company

	Item (*)	On 01/01/09 (date of transition)	On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)
Total shareholders equity according to previous BR GAAP		247,940	373,102
Reversion of goodwill premium amortisation for subsidiary Sama, for the financial years 2006 and 2007 - CPC 15 and CPC 01	e	16,558	16,558
Additional monetary correction of the fixed assets, according to CPC 42	d	1,422	1,422
Depreciation in additional monetary correction- CPC 27 and CPC 23	g	(303)	(402)
Partial reversion of administrative costs in the formation of intangible asset - CPC 38	g	(133)	(133)
Partial reversion of the depreciation in intangible asset - CPC 4 and CPC 23	g	97	97
Deferred IRPJ and CSLL - CPC 32	g	117	148
Total adjustments to shareholders equity	g	17,758	17,690
Total shareholders equity in accordance with BR GAAP		**265,698**	**390,792**

Effects of the adoption of the new pronouncements issued by the CPC on the consolidated financial statement

	Item (*)	Financial year ending 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)		
		Previous BR GAAP	Effect of adoption of new CPCs	BRGAAP Re-presented
Net operating revenue		583,268	-	583,268
Cost of products sold		(337,616)	-	(337,616)
Gross profit		245,652	-	245,652
Operating revenues (expenses):				
Sales expenses		(66,942)	-	(66,942)
General and administrative expenses		(53,289)	-	(53,289)
Management remuneration		(11,139)	-	(11,139)
Financial expenses		(19,236)	-	(19,236)
Financial revenues		18,364	-	18,364
Other net operational expenses		**(8,706)**	**(69)**	**(8,775)**
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		104,704	(69)	104,635
INCOME TAX AND SOCIAL CONTRIBUTION	j	(31,512)	(9)	(31,521)
NET PROFIT FOR THE FINANCIAL YEAR		73,192	(78)	73,114
ATTRIBUTABLE A				
Participation of controlling shareholders		73,192		73,114
Participation of non-controlling shareholders		(5)	10	5
		73,187	(68)	73,119

Reconciliation of consolidated result

	On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)
	Result for the financial year
According to previous BR GAAP	73,187
Additional depreciation due to additional correction - CPCs 42, 27 and 23	(104)
Deferred IRPJ and CSLL - CPC 32	36
Total adjustments to the results	(68)
According to BR GAAP	73,119

Notes to the reconciliations

The adoption of the technical pronouncements CPC 15 to 43(R1) resulted in the following changes in accounting practices:

Description of the adjustments and the reclassification of the conversion of the previous BR GAAP to the current BR GAAP - Consolidated

		01/01/09	**12/31/09**
a)	Deferred fiscal assets transferred to non-current assets	(7,404)	(7,750)
b)	Court deposits and tax incentives, initially classified as a reduction factor to contingent liabilities, transferred to court deposits under non-current assets	3,006	4,408
c)	Deferred fiscal asset transferred to current assets	7,404	7,750
	Constitution of deferred fiscal asset on the effects of the IFRS standard on the result	117	148
		7,521	**7,898**
d)	Additional monetary correction to fixed asset - CPCs 42, 27 and 23	1,422	1,422
	Depreciation to additional monetary correction	(303)	(402)
		1,119	**1,020**
e)	Reversion of amortisation of goodwill premium at subsidiary Sama, for the financial years 2006 and 2007 - IFRS 3 and IAS 36	16,558	16,558
	Additional monetary correction of fixed asset - CPCs 42, 27 and 23	1,422	1,422
		17,980	**17,980**
f)	Partial reversion of administrative costs in the formation of intangible asset- CPC 4	(133)	(133)
	Partial reversion of administrative costs in the formation of intangible asset- CPC 4	97	97
		(36)	**(36)**
g)	Depreciation of additional monetary correction	(303)	(402)
	Partial reversion of administrative costs in the formation of intangible asset- CPC 4	(133)	(133)
	Partial reversion of administrative costs in the formation of intangible asset- CPC 4	97	97
	Constitution of deferred fiscal asset on the effects of the IFRS standard on the result	117	148
		(222)	**(290)**

4.2. Effects of the adoption of the new pronouncements issued by the CPC on individual financial statements

4.2.1. Adoption of the new accounting practices adopted in Brazil

In the preparation of its individual financial statements (identified as Parent Company (BR GAAP)), the Company adopted all the technical pronouncements and respective interpretations and guidelines issued by the CPC and approved by the CVM, which together with the accounting practices included under Brazilian Corporation Law, are known as the accounting practices adopted in Brazil (BR GAAP).

The Company has applied the accounting practices defined in the explanatory note No.2 period shown, and which include the opening balance sheet as at January 1, 2009. In the measurement of the adjustments and preparation of this opening balance sheet, the Company applied the requirements set out in technical pronouncements CPC 43(R1) - Initial Adoption of Technical Pronouncements CPC 15 to 43, adjusting its individual financial statements in such a way as they produce, when consolidated, the same values for shareholders' equity, attributable to the owners of the parent company, and the results in relation to the consolidation drawn up in accordance with the IFRS standard to the application of IFRS 1 and technical pronouncements CPC 37(R1) - Initial Adoption of International Accounting Standards. For this, in its individual financial statements, the Company has carried out adjustments for the adoption of the IFRS standard in its consolidated financial statements, as set out in explanatory note No. 2. This procedure was adopted with the aim of obtaining the same result and shareholders equity attributable to the owners of the parent company in the individual and consolidated financial statements.

The effects of the adoption of the new pronouncements issued by the CPC in the individual balance sheet (BR GAAP)

		On 01/01/09(date of transition)			On 31/12/09 (date of the last period drawn up in accordance with previous accounting practices)		
	Item (*)	Previous BRGAAP	The effect of adoption of new CPCs	BR GAAP represented	Previous BR GAAP	Effect of adoption of new CPCs	BRGAAP represented
ASSETS							
Current							
Cash and equivalents		2,947	-	2,947	57,403	-	57,403
Temporary investments		-	-	-	65,400	-	65,400
Client accounts receivable		42,538	-	42,538	48,529	-	48,529
Dividend receivable		17,090	-	17,090	9,289		9,289
Stock		40,188	-	40,188	45,524	-	45,524
Taxes recoverable		2,744	-	2,744	4,287	-	4,287
Deferred income tax and social contribution	a	4,516	(4,516)	-	4,372	(4,372)	-
Other accounts receivable		4,465	-	4,465	3,484	-	3,484
Total current assets		**114,488**	**(4,516)**	**109,972**	**238,288**	**(4,372)**	**233,916**
Non-current							
Court deposits and tax incentives	b	1,896	3,006	4,902	3,536	4,408	7,944
Taxes recoverable		20,798	-	20,798	20,855	-	20,855
Deferred income tax and social contribution	c	20,161	4,453	24,614	20,773	4,311	25,084
Special judicial orders receivable		1,655	-	1,655	1,010	-	1,010
Other accounts receivable		492	-	492	443	-	443
Investments in subsidiaries	e	94,028	17,637	111,665	102,208	17,572	119,780
Other permanent investments		8	-	8	8	-	8
Fixed	d	97,591	184	97,775	104,431	179	104,610
Other intangible assets	f	936	-	936	917	-	917
Total non-current assets		**237,565**	**25,280**	**262,845**	**254,181**	**26,470**	**280,651**
Total assets		**352,053**	**20,764**	**372,817**	**492,469**	**22,098**	**514,567**

	Item (*)	On 01/01/09(date of transition) Previous BRGAAP	The effect of adoption of new CPCs	BR GAAP represented	On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices) Previous BR GAAP	Effect of adoption of new CPCs	BRGAAP represented
LIABILITIES							
Current							
Suppliers		21,149	-	21,149	17,831	-	17,831
Loans and financing		132	-	132	1,811	-	1,811
Salaries, provisions and charges		9,394	-	9,394	9,429	-	9,429
Taxes and contributions to be collected		5,546	-	5,546	7,237	-	7,237
Dividends and interest-on-equity payable		18,137	-	18,137	18,118	-	18,118
Provision for employee future benefits		1,645	-	1,645	1,645	-	1,645
Contingency provision		425	-	425	-	-	-
Other accounts payable		2,850	-	2,850	3,204	-	3,204
Total current liabilities		**59,278**	**-**	**59,278**	**59,275**	**-**	**59,275**
Non-current							
Provision for future benefits for former employees		18,916	-	18,916	19,071	-	19,071
Financing		501	-	501	1,233	-	1,233
Loans		16,632		16,632	22,918		22,918
Contingency provision	b	8,065	3,006	11,071	13,681	4,408	18,089
Taxes and contributions to be collected		-	-	-	2,739	-	2,739
Advance revenues		721	-	721	451	-	451
Total non-current liabilities		44,835	3,006	47,841	60,093	4,408	64,501
Total liabilities		104,113	**3,006**	**107,119**	**119,368**	**4,408**	**123,776**
SHAREHOLDERS EQUITY							
Paid-up capital		226,851	-	226,851	334,152	-	334,152
Capital reserve	g	1,955	16,558	18,513	1,955	16,558	18,513
Shares in treasury		(2,906)	-	(2,906)	(174)	-	(174)
Profit reserves	h	22,040	1,200	23,240	37,168	1,132	38,300
Total shareholders Equity		**247,940**	**17,758**	**265,698**	**373,101**	**17,690**	**390,791**
Total liabilities and shareholders Equity		**352,053**	**20,764**	**372,817**	**492,469**	**22,098**	**514,567**

Reconciliation of Company's Shareholders Equity

	Item (*)	On 01/01/09 (date of transition)	On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)
Total shareholders equity according to previous BR GAAP		247,940	373,101
Reversion of goodwill premium amortisation for subsidiary Sama, for the financial years 2006 and 2007 - CPC 15 and CPC 01	e	16,558	16,558
Additional monetary correction of the fixed assets, according to CPC 42	d	212	212
Depreciation in additional monetary correction- CPC 27 and CPC 23	d	(28)	(33)
Equity income result	f	1,079	1,014
Deferred IRPJ and CSLL - CPC 32	c	(63)	(61)
Total adjustments to Shareholders Equity		17,758	17,690
Total Shareholders Equity in accordance with BR GAAP		**265,698**	**390,791**

Effects of the adoption of the new pronouncements issued by the CPC on individual financial statements

		Financial year ending 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)		
	Item (*)	Previous BR GAAP	Effect of adoption of new CPCs	BRGAAP Re-presented
Net operating revenue		333,330	-	333,330
Cost of products sold		(247,200)	-	(247,200)
Gross profits		86,130	-	86,130
Operating revenue (expenses):				
Sales expenses		(32,650)	-	(32,650)
General and administrative expenses		(27,720)	-	(27,720)
Management remuneration		(6,431)	-	(6,431)
Net financial results		1,683	-	1,683
Other net operational expenses	g	(7,691)	(5)	(7,696)
Equity income result	g	61,547	(65)	61,482
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		74,868	(70)	74,798
INCOME TAX AND SOCIAL CONTRIBUTION	g	(1,681)	2	(1,679)
NET PROFIT FOR THE FINANCIAL YEAR		73,187	(68)	73,119

Reconciliation of Company Result

	Item (*)	On 12/31/09 (date of the last period drawn up in accordance with previous accounting practices)
		Resultado results for the financial year
According to previous BR GAAP		73,187
Additional depreciation due to additional correction - CPCs 42, 27 and 23	g	(5)
Equity income result	g	(65)
Deferred IRPJ and CSLL - CPC 32	g	2
Total adjustments to result		(68)
According to BR GAAP		73,119

The adoption of the technical pronouncements CPC 15 to CPC 43(R1) resulted in the following changes in accounting practices:

Description of the adjustments and reclassifications in the conversion from the previous BR GAAP to the current BR GAAP - Individual

		12/31/09	01/01/09
a)	Deferred fiscal assets transferred to non-current assets	(4,372)	(4,516)
b)	Court deposits and tax incentives, initially justified as a reduction factor in contingency liabilities, transferred to court deposits under non-current assets	4,408	3,006
c)	Deferred fiscal asset transferred from current assets	4,372	4,516
	Constitution of deferred fiscal asset with respect to the effects of the CPC on the results	(61)	(63)
		4,311	**4,453**
d)	Additional monetary correction of fixed asset - CPCs 42, 27 and 23	212	212
	Depreciation of additional monetary correction	(33)	(28)
		179	**184**
e)	Reversion in the amortisation of goodwill premium at subsidiary Sama, for the financial years 2006 and 2007 - CPC 15 and CPC 01	16,558	16,558
f)	Addition to equity income result due to the effects of the CPCs	1,014	1,079
g)	Depreciation of additional monetary correction	(5)	(6)
	Equity income result	(65)	(64)
	Constitution of deferred fiscal assets due to the effects of the CPC on the result	2	2
		(68)	**(68)**

5. CASH AND EQUIVALENTS

The heading "Cash and equivalents" includes cash under the control of the Group, net of uncovered bank balances. The balance under this heading at the end of the period covered by the report, as registered in the cash flow statements, can be reconciled with the respective items in the asset balance sheets, as shown below:

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Cash and bank balances	1,769	999	1,762	3,357	6,927	2,461
Investment funds	13,332	35,806	-	36,394	52,947	13,826
Bank Deposit Certificates CDBs	-	20,598	1,185	-	20,598	14,991
Total	15,101	57,403	2,947	39,751	80,472	31,278

As at December 31, 2010, the investment funds were remunerated at an average rate of 103% of the Interbank Deposit Certificate rate - CDI (105% as at December 31, 2009 and 95% as at January 1, 2009), having in its portfolio basically referenced funds - DI and fixed-income.

6. TEMPORARY INVESTMENTS

Part of the increase in paid-up capital carried out on October 29, 2009, as set out in explanatory note No. 18, was invested in investment funds with an average rate of 103% of the variation in the CDI rates.

The financial investments have the principal objective of financing the Company's permanent investments.

7. CLIENT ACCOUNTS RECEIVABLE

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Client accounts receivable	66,106	50,152	43,724	141,682	113,371	110,528
Bad debt provision	(2,217)	(1,623)	(1,186)	(6,384)	(4,485)	(3,901)
Total	**63,889**	**48,529**	**42,538**	**135,299**	**108,886**	**106,627**

Breakdown of client balances by age of the due-date

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Falling due	62,804	47,017	40,610	128,441	101,172	104,120
Post due:						
Up to 30 days	1,115	1,154	1,149	5,108	6,624	1,876
30 to 60 days	196	119	319	1,053	170	488
Over 60 days	1,991	1,862	1,646	7,080	5,405	4,044
	66,106	**50,152**	**43,724**	**141,682**	**113,371**	**110,528**

Movements in bad debt provisions

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	**12/31/09**	**01/01/09**	**12/31/10**	**12/31/09**	**01/01/09**
Initial balance	(1,623)	(1,186)	(1,089)	(4,485)	(3,901)	(2,826)
Addition	(847)	(807)	(708)	(2,253)	(1,063)	(2,023)
Receipts	43	72	5	71	86	7
Written off	210	298	104	284	393	439
Transfer to non-current assets	-	-	502	-	-	502
Total	**(2,217)**	**(1,623)**	**(1,186)**	**(6,383)**	**(4,485)**	**(3,901)**

8. STOCK

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	**12/31/09**	**01/01/09**	**12/31/10**	**12/31/09**	**01/01/09**
Finished products	40,723	23,077	29,883	49,252	29,306	37,712
Products in progress	-	-	-	1,976	1,520	416
Resale	10,706	1,916	533	13,242	2,825	936
Raw materials	20,903	18,607	8,461	20,364	16,608	7,939
Additional materials	2,486	1,924	2,428	15,180	11,100	13,769
(-) Loss Provision (*)	(900)	-	(1,117)	(1,569)	(343)	(1,497)
Total	**73,918**	**45,524**	**40,188**	**98,445**	**61,016**	**59,275**

(*) The counter-entry for the loss provision is registered under the heading "Net Operational Expenses", in the financial statements.

9. TAXES RECOVERABLE

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	**12/31/09**	**01/01/09**	**12/31/10**	**12/31/09**	**01/01/09**
Current:						
ICMS	1,279	1,301	1,110	1,718	1,694	1,558
IRRF	509	106	97	715	159	249
IRPJ	2,323	1,221	1,118	3,458	1,412	1,195
CSLL	739	416	272	1,287	508	324
IRRF –interest-on-equity	412	576	-	548	576	-
FOMENTAR Fund - ICMS	685	273	-	711	290	-
COFINS and others	356	394	147	362	460	350
Total	6,303	4,287	2,744	8,799	5,099	3,676
Non-current:						
ICMS and others	3,052	2,526	3,194	3,865	3,004	3,789
IRRF	12,090	11,662	11,200	12,090	11,662	11,200
IRPJ	6,912	6,667	6,404	6,912	6,668	6,404
Total	**22,054**	**20,855**	**20,798**	**22,867**	**21,334**	**21,393**

10. INVESTMENTS

Below we show the details of the Company's subsidiaries at the end of the financial year:

	Parent Company (BR GAAP)		
Subsidiaries	**12/31/10**	**12/31/09**	**01/01/09**
Sama S.A. Minerações Associadas ("Sama")	99.99	99.99	99.99
Engedis Distribuição Ltda. ("Engedis")	99.99	99.99	99.99
Precon Goiás Industrial Ltda. ("Precon")	99.99	99.99	99.99
Prel Empreendimentos e Participações Ltda. ("Prel")	99.99	99.99	99.99
Wagner Ltda. ("Wagner")	99.85	99.85	99.85
Wagner da Amazônia Ltda. ("Wagner da Amazônia")	99.85	99.85	99.85
Tégula Soluções para Telhados Ltda. (Tégula)	99.99	-	-

Summary of main information on subsidiaries

Subsidiary	Location	Principal activity
Sama	Minaçu/GO	Extraction and processing of chrysotile ore
Engedis	Minaçu/GO	Has no economic activity
Precon	Anápolis/GO	Manufacture and sale of fibre cement products and artefacts
Prel	São Paulo/SP	Participation in industrial and commercial companies, etc.
Wagner	São Paulo/SP	Has no economic activity
Wagner da Amazônia	São Paulo/SP	Has no economic activity
Tégula	Atibaia/SP	Manufacture and sale of concrete tiles and accessories

The movement in investment in subsidiaries, shown in the individual financial statements, is as follows:

	Parent Company (BR GAAP)						
	Wagner	**Sama**	**Precon**	**Prel**	**Neptune(*)**	**Tégula (*)**	**Total**
As at January 1 2009	3,467	89,037	11,147	8,014	-	-	111,665
Dividends	-	(42,699)	(4,235)	(540)	-	-	(47,474)
Interest-on-equity	(211)	(4,555)	(682)	(445)	-	-	(5,893)
Equity income result	2,763	51,582	6,199	938	-	-	61,482
On December 31, 2009	6,019	93,365	12,429	7,967	-	-	119,780
Capital injection (*)							
Dividends	-	-	-	-	41,996	-	41,996
Interest-on-equity	-	(44,026)	(8,852)	(440)	(3,020)	-	(56,338)
Equity income result	-	(4,774)	(668)	(437)	(672)	(400)	(6,951)
Additional monetary correction- IFRS	(2,066)	52,704	11,207	879	2,716	11,271	76,711
Incorporation	-	-	-	-	-	243	243
On December 31, 2010	3,953	97,269	14,116	7,969	-	52,134	175,441

(*) See explanatory note No. 1.b).

11. RELATED PARTIES

a) Balances and transactions of Parent Company with related parties

	Parent Company (BR GAAP)		
	12/31/10	12/31/09	01/01/09
Balances:			
Current assets:			
Accounts receivable: (i)			
Sama	1	-	7
Precon	1,154	1,307	682
	1,155	**1,307**	**689**
Dividends and interest-on-equity (ii):			
Sama	12,550	7,256	13,965
Prel	188	260	813
Precon	2,247	1,729	2,312
Wagner	-	44	-
Tégula	1,135	-	-
	16,120	**9,289**	**17,090**
Total	17,275	10,596	17,779

	Parent Company (BR GAAP)		
	12/31/10	12/31/09	01/01/09
Current liabilities:			
Suppliers - (i)			
Sama	7,173	4,160	4,816
Other accounts payable -			
Prel	-	21	21
Total	**7,173**	**4,181**	**4,837**
Non-current liabilities -			
Loan :(iii)			
Sama	23,177	21,460	16,632
Prel	1,573	1,458	-
Total	**24,750**	**22,918**	**16,632**
Transactions:			
Sales:			
Precon	13,092	7,372	2,887
Tégula	270	-	-
Total	**13,362**	**7,372**	**2,887**
Purchases:			
Sama	79,987	59,271	51,140
Precon	-	140	389
Total	**79,987**	**59,411**	**51,529**
Administrative expenses			
Prel	259	257	233
Interest on loan:			
Sama	2,075	1,957	-
Prel	141	-	-
Total	**2,216**	**1,957**	**-**
Discounts obtained -			
Sama	3,368	1,749	2,656

(i) Balances receivable and payable refer to suppliers and purchases of raw materials (chrysotile ore) and finished products, eliminated in the Company's consolidated financial statements, these transactions being normal and constant during the years, the reason why these balances are classified under the current accounts.

(ii) Interest-on-equity net of income tax retained at source, receivable from subsidiaries .

(iii) The funds obtained by the Company from its subsidiaries Sama and Prel, classified under non-current liabilities, refer to loan contracts to which is applied a variation of 100% of the CDI rate with a paydown period of 24 months, these funds being destined for investment in the Company's fixed assets .

b) Management remuneration

The Group pays its managers in the form of salaries and variable remuneration, as follows:

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	12/31/09	12/31/10	12/31/09
Salaries and fees	2,446	2,738	3,794	3,329
Profit-sharing	1,568	1,535	2,208	2,046
Bonuses	2,319	2,158	3,957	5,764
Total	**6,333**	**6,431**	**9,959**	**11,139**

In 2006 the Company's Board of Directors approved an incentive plan for the purchase of shares in the Company by its directors. The Company grants a complementary bonus to directors who invest up to 100% of the net value of bonuses received in the Company's shares. This complementary bonus is based on the appreciation in the share price over the last 12 months, and must be entirely invested in shares of the Company. The plan establishes specific rules for the purchase and trading of shares, with a minimum lock-up period of one year following the purchase of the shares before they can be traded, with withdrawals limited to 30% a year. The Directors must also respect the trading rules covered in CVM Instruction No. 358/02.

The following shares had been acquired by the Directors as at December 31, 2010: 1,339,706 shares-ETER3 (663,709 shares-ETER3 up to December 31, 2009).

12. FIXED AND INTANGIBLE

	Parent Company (BR GAAP)					
		12/31/10			12/31/09	01/01/09
	Annual depreciation/ amortisation Rates -%	Cost corrected	Accumulated depreciation/ amortisation	Residual balance	Residual balance	Residual balance
Fixed						
Land	-	701	-	701	808	808
Buildings and improvements	2.9	31,318	(17,234)	14,084	13,814	9,194
Machinery and equipment	8.6	90,220	(40,671)	49,549	35,957	33,199
Tools and moulds	15	11,371	(6,553)	4,818	4,313	4,386
Installations	10	74,127	(28,786)	45,341	41,656	32,159
Vehicles	20	3,566	(2,067)	1,499	1,568	1,568
Furniture and utensils	10	3,717	(1,696)	2,021	2,124	1,743
IT equipment	20	2,910	(2,078)	832	877	726
Building works in progress	-	6,154	-	6,154	3,488	13,992
Total		**224,084**	**(99,085)**	**124,999**	**104,605**	**97,775**
Intangible						
Software	20	5,298	(3,513)	1,785	898	916
Others	-	26	-	26	19	20
Total		**5,324**	**(3,513)**	**1,811**	**917**	**936**

	Parent Company (BR GAAP)									
	Land	**Buildings & Improve-ments**	**Machinery & equipment**	**Tools & moulds**	**Installa-tions**	**Vehicles**	**Furniture & utensils**	**IT Equipment**	**Building works in progress**	**Total**
Cost										
Balances at January 1, 2009	**808**	**25,235**	**71,000**	**9,140**	**51,422**	**2,913**	**3,063**	**2,530**	**13,992**	**180,103**
Additions	-	-	50	-	-	-	-	-	16,802	16,849
Write-offs	-	(19)	(425)	(3)	(16)	-	(74)	(92)	-	(629)
Transfers	-	5,187	5,435	748	14,390	439	662	445	(27,306)	-
Balances at December 31, 2009	**808**	**30,403**	**76,060**	**9,885**	**65,796**	**3,352**	**3,651**	**2,883**	**3,488**	**196,326**
Additions	-	-	-	-	-	-	-	-	30,749	30,749
Write-offs	(107)	-	(1,117)	(78)	(93)	(59)	(115)	(188)	-	(1,757)
Transfers	-	917	15,278	1,564	8,424	273	182	215	(28,083)	(1,230)
Balances at December 31, 2010	**701**	**31,320**	**90,221**	**11,371**	**74,127**	**3,566**	**3,718**	**2,910**	**6,154**	**224,088**
Depreciation										
Balances at January 1, 2009	**-**	**(16,041)**	**(37,801)**	**(4,754)**	**(19,263)**	**(1,345)**	**(1,320)**	**(1,804)**	**-**	**(82,328)**
Additions	-	(552)	(2,528)	(821)	(4,890)	(439)	(260)	(295)	-	(9,785)
Write-offs	-	4	226	3	13	-	53	93	-	392
Balances at December 31, 2009	**-**	**(16,589)**	**(40,103)**	**(5,572)**	**(24,140)**	**(1,784)**	**(1,527)**	**(2,006)**	**-**	**(91,721)**
Additions	-	(647)	(1,146)	(808)	(5,187)	(341)	(298)	(289)	-	(8,716)
Write-offs	-	-	885	53	65	58	99	188	-	1,348
Transfers	-	-	(308)	(226)	476	-	29	29	-	-
Balances at December 31, 2010	**-**	**(17,236)**	**(40,672)**	**(6,553)**	**(28,786)**	**(2,067)**	**(1,697)**	**(2,078)**	**-**	**(99,089)**
Residual value										
On January 1, 2009	808	9,194	33,199	4,386	32,159	1,568	1,743	726	13,992	97,775
On December 31, 2009	808	13,814	35,957	4,313	41,656	1,568	2,124	877	3,448	104,605
On December 31, 2010	701	14,084	49,549	4,818	45,341	1,499	2,021	832	6,154	124,999

Intangible

	Parent Company (BR GAAP)			
	Software	Others	Intangible ongoing	Total
Cost				
Balances at January 1, 2009	**3,660**	**26**	**-**	**3,686**
Additions	497	-	137	634
Write-offs	(88)	-	-	(88)
Transfers	137	-	(137)	-
Balances at December 31, 2009	**4,206**	**26**	**-**	**4,232**
Additions	-	-	-	-
Write-offs	(138)	-	-	(138)
Transfers	1,230	-	-	1,230
Balances at December 31, 2010	**5,298**	**26**	**-**	**5,324**
Amortisation				
Balances at January 1, 2009	**(2,744)**	**(6)**	**-**	**(2,750)**
Additions	(653)	(1)	-	(654)
Write-offs	89	-	-	89
Balances at December 31, 2009	**(3,308)**	**(7)**	**-**	**(3,315)**
Additions	(342)	7	-	(335)
Write-offs	137	-	-	137
Balances at December 31, 2010	**(3,513)**	**-**	**-**	**(3,513)**
Residual value				
On January 1, 2009	916	20	-	936
On December 31, 2009	898	19	-	917
On December 31, 2010	**1,785**	**26**	**-**	**1,811**

	Consolidated (IFRS and BR GAAP)					
		12/31/10			12/31/09	01/01/09
	Annual depreciation/ amortisation Rates -%	Cost corrected	Accumulated depreciation/ amortisation	Residual balance	Residual balance	Residual balance
Fixed						
Land	-	4,084	-	4,084	1,431	1,507
Buildings and improvements	2.9	72,729	(42,848)	29,881	20,695	15,774
Machinery and equipment	8.6	160,368	(93,836)	66,532	41,551	39,171
Extraction equipment	28.4	16,023	(13,140)	2,883	1,796	2,271
Tools and moulds	15	25,416	(16,325)	9,091	4,313	4,387
Installations	10	191,129	(127,335)	63,794	53,725	41,206
Vehicles	20	11,987	(7,814)	4,173	3,288	3,730
Off-road vehicles	25	3,828	(3,809)	19	17	30
Furniture and utensils	10	10,626	(5,605)	5,021	3,785	3,416
IT equipment	20	6,367	(4,830)	1,537	1,291	1,234
Mine repair	2.9	1,847	(158)	1,689	1,741	1,803
Mineral resources	5.3	13,387	(1,487)	11,900	8,229	4,419
Building works in progress	-	9,385	-	9,385	8,467	21,993
Total		**527,176**	**(317,187)**	**209,989**	**150,329**	**140,941**
Intangible						
Goodwill premium	-	19,995	-	19,995	16,558	16,558
Software	20	9,306	(6,092)	3,214	1,326	1,122
Brands and patents	-	1,156	-	1,156	-	-
Others	15	89	-	89	83	84
Total		**30,546**	**(6,092)**	**24,454**	**17,967**	**17,764**

Breakdown of Goodwill Premium

Company Acquired	Date	Goodwill premium	Amortization 01/01/09	Balance as at 01/01/09	Balance as at 12/31/09	Balance as at 12/31/10
Sama (subsidiary)	December/97	45,608	(36,484)	9,124	9,124	9,124
Sama (6,903,333 shares in treasury)	January/01	26,026	(18,591)	7,435	7,435	7,435
Tégula (parent company)	February/10	3,436	-	3,436	3,436	3,436
			-			
Total		**75,070**	**(55,075)**	**19,995**	**19,995**	**19,995**

Annual impairment test

The Group has evaluated the recoverable balance of the goodwill premium resulting from the acquisition of:

- Sama, and has declared that there is no need to apply any reduction to the non-amortized balance ("impairment"). The goodwill premium was allocated for the purpose of the impairment test in the reportable chrysotile ore segment - the chrysotile ore extraction and sale cash generation unit. The recovery based on the generation of cash from the extraction and sale of chrysotile ore was evaluated based on its use value. The discount rate applied was 10.25% per year on the projected cash flow for five years, based on estimates approved by the Management.

- Tégula, and has declared that there is no need to apply any reduction in the non-amortized balance ("impairment"). The goodwill premium was allocated for the purpose of the impairment tests to the reportable concrete tiles segment. The recovery based on the generation of cash from the production and sale of concrete tiles was based on its use value. The discount rate applied was 10.25% per year to the projected cash flow for five years, based on estimates approved by the Management.

	Land	Buildings & Improve-ments	Machinery & Equipment	Extraction Machinery	Tools & moulds	Installations	Vehicles
	Controladora (BR GAAP)						
Cost							
Balances at January 1, 2009	**1,507**	**52,807**	**120,172**	**15,929**	**10,960**	**152,599**	**7,793**
Additions	-	72	228	265	-	3,057	188
Write-offs	(76)	(133)	(3,947)	(905)	(16)	(109)	(10)
Transfers	-	6,229	6,387	237	748	16,923	438
Balances at December 31, 2009	**1,431**	**58,975**	**122,840**	**15,526**	**11,692**	**172,470**	**8,409**
Acquisition through merger of businesses (Tégula)	1,400	9,494	16,758	-	9,693	2,019	2,683
Most valued premium Tégula	1,360	1,367	2,899	-	-	-	-
Additions	-	1,231	2,740	-	2,562	83	1,040
Write-offs	(107)	(185)	(1,752)	(846)	(96)	(175)	(556)
Transfers	-	1,845	16,884	1,343	1,565	16,732	411
Balances at December 31, 2010	**4,084**	**72,727**	**160,369**	**16,023**	**25,416**	**191,129**	**11,987**
Depreciation							
Balances at January 1, 2009	**-**	**(37,033)**	**(81,001)**	**(13,658)**	**(6,573)**	**(111,393)**	**(4,063)**
Additions	**-**	**(1,265)**	**(4,056)**	**(977)**	**(822)**	**(7,458)**	**(1,068)**
Write-offs	-	18	3,768	905	16	106	10
Balances at December 31, 2009	**-**	**(38,280)**	**(81,289)**	**(13,730)**	**(7,379)**	**(118,745)**	**(5,121)**
Additions through merger of businesses (Tégula)	-	(3,322)	(10,307)	-	(7,054)	(1,332)	(1,858)
Additions	-	(1,291)	(3,179)	(256)	(1,737)	(7,881)	(1,264)
Write-offs	-	47	1,246	846	71	147	429
Transfers	-	-	(308)	-	(226)	476	-
Balances as at December 31, 2010	**-**	**(42,846)**	**(93,837)**	**(13,140)**	**(16,325)**	**(127,335)**	**(7,814)**
Residual value							
As at January 1, 2009	1,507	15,774	39,171	2,271	4,387	41,206	3,730
As at December 31, 2009	1,431	20,695	41,551	1,796	4,313	53,725	3,288
As at December 31, 2010	4,084	29,881	66,532	2,883	9,091	63,794	4,173

	Consolidated (IFRS and BR GAAP)						
	Off road Vehicles	Furniture and Utensils	IT Equipment	Mine Repairs	Mineral Resources	Building works in progress	Total
Cost							
Balances at January 1, 2009	**6,827**	**8,623**	**5,414**	**1,847**	**5,594**	**21,993**	**412,065**
Additions	-	59	58	-	75	23,679	27,681
Write-offs	(861)	(1,273)	(684)	-	(883)	(582)	(9,479)
Transfers	(1)	876	484	-	4,302	(36,623)	-
Balances at December 31, 2009	**5,965**	**8,285**	**5,272**	**1,847**	**9,088**	**8,467**	**430,267**
Acquisition through merger of businesses (Tégula)	-	1,000	1,010	-	-	-	44,057
Most valued premium Tégula	-	-	-	-	-	-	5,626
Additions	-	205	143	-	-	50,931	58,935
Write-offs	(2,151)	(192)	(481)	-	-	(3,937)	(10,478)
Transfers	15	1,327	422	-	4,299	(46,076)	(1,233)
Balances at December 31, 2010	**3,829**	**10,626**	**6,366**	**1,847**	**13,387**	**9,385**	**527,174**
Depreciation							
Balances at January 1, 2009	**(6,797)**	**(5,207)**	**(4,180)**	**(44)**	**(1,175)**	**-**	**(271,124)**
Additions	(9)	(539)	(486)	(62)	(362)	-	(17,104)
Write-offs	858	1,246	685	-	678	-	8,290
Balances at December 31, 2009	**(5,948)**	**(4,500)**	**(3,981)**	**(106)**	**(859)**	**-**	**(279,938)**
Additions through merger of businesses (Tégula)	-	(582)	(816)	-	-	-	(25,271)
Additions	(13)	(717)	(541)	(52)	(628)	-	(17,559)
Write-offs	2,151	166	480	-	-	-	5,583
Transfers	-	29	29	-	-	-	-
Balances as at December 31, 2010	**(3,810)**	**(5,604)**	**(4,829)**	**(158)**	**(1,487)**	**-**	**(317,185)**
Residual value							
As at January 1, 2009	30	3,416	1,234	1,803	4,419	21,993	140,941
As at December 31, 2009	17	3,785	1,291	1,741	8,229	8,467	150,329
As at December 31, 2010	19	5,021	1,537	1,689	11,900	9,385	209,989

Intangible

	Consolidated (IFRS and BR GAAP)					
	Software	Others	Goodwill premium	Brands and patents	Intangible ongoing	Total
Cost						
Balances at January 1, 2009	5,362	90	16,558	-	-	22,010
Additions	792	-	-	-	296	1,088
Write-offs	(87)	-	-	-	-	(87)
Transfers	296	-	-	-	(296)	-
Balances at December 31, 2009	**6,363**	**90**	**16,558**	**-**	**-**	**23,011**
Acquisition through merger of businesses (Tégula)	785	-	3,665	1,156	-	5,606
Additions	73	-			993	1,066
Write-offs	(139)	-	(228)		-	(367)
Transfers	2,224	-	-	-	(993)	1,231
Balances at December 31, 2010	**9,306**	**90**	**19,995**	**1,156**	**-**	**30,547**
Amortisation						
Balances at December 31 2008	**(4,240)**	**(6)**			**-**	**(4,246)**
Additions	(885)	(1)			-	(886)
Write-offs	88	-	-	-	-	88
Balances at December 31, 2009	**(5,037)**	**(7)**	**-**	**-**	**-**	**(5,044)**
Acquisition of Tégula - February 11, 2010	(594)	-	-	-	-	(594)
Additions	(600)	6	-		-	(594)
Write-offs	139	-	-	-	-	139
Balance at December 31, 2010	**(6,092)**	**(1)**	**-**	**-**	**-**	**(6,093)**
Residual value						
On January 1, 2009	1,122	84	16,558	-	-	17,764
On December 31, 2009	1,326	83	16,558	-	-	17,967
On December 31, 2010	3,214	89	19,995	1,156	-	24,454

As a result of ongoing court cases, subsidiary Sama has offered guarantees in the form of fixed assets at a cost value of R$6,483.

13. SUPPLIERS

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	**12/31/09**	**01/01/09**	**12/31/10**	**12/31/09**	**01/01/09**
Domestic market	24,415	17,848	21,218	32,996	20,856	23,845
Foreign markets	8,254	64	28	8,299	56	326
Adjustment to present value	(146)	(81)	(97)	(198)	(107)	(133)
Total	**32,523**	**17,831**	**21,149**	**41,097**	**20,805**	**24,038**

14. LOANS AND FINANCING

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Current:						
Loans (a)	-	1,682	-	-	1,682	-
Financing (b)	441	129	132	1,024	129	639
ACE (c)	-	-	-	19,419	28,656	29,798
ACC (d)	-	-	-	-	-	7,709
	441	1,811	132	20,443	30,467	38,146
Non-current-						
Financing (b)	1,071	1,233	501	3,491	1,233	501
Total	**1,512**	**3,044**	**633**	**23,934**	**31,700**	**38,647**
Payment flow:						
2010	-	-	145	-	-	145
2011	-	441	145	-	346	145
2012	461	374	145	1,066	346	145
2013	323	238	66	928	325	66
2014	266	180	-	871	216	-
2015	21	-	-	626	-	-
Total	**1,071**	**1,233**	**501**	**3,491**	**1,233**	**501**

(a) Loans

In March 2009, the Company took out a working capital loan from Banco Bradesco, for R$5,000, at floating rates based on the CDI rate, plus annual interest of 4.28%. This loan was paid off in March 2010.

(b) Financing

Funds obtained by the company from the National Bank for Economic and Social Development - BNDES, raised in 2007, were used for the purchase of machinery and equipment, which are being used as a guarantee for the debt, which carries an average weighted average annual interest rate of 7.4%, already including the Long-Term Interest Rate - TJLP.

(c) Advances on Export Contracts- ACE

These funds are used to leverage the working capital of subsidiary Sama, raised in US dollars at an average exchange rate of R$1.68 and updated by the rates of R$1.6654 as at December 31, 2010. Funds raised at an average PRIME rate of 3.25% a year, with these advances, owing to the characteristics of the transaction, falling due in up to 360 days.

The company is the guarantor for part of the ACE operations of subsidiary Sama, the guarantee as at December 31, 2010 being R$19,419, representing 97.14% of the total balance as at December 31, 2010.

(d) Advances on Foreign Exchange Contracts - ACC

These funds are used to leverage the working capital of subsidiary Sama, raised in US dollars at an average exchange rate of R$1.627 at an average London Interbank Rate - LIBOR of 3.25% a year, with these advances, owing to the characteristics of the transaction, falling due in up to 360 days.

15. SALARIES PROVISIONS AND SOCIAL CHARGES

	Parent company (BR GAAP)						
	01/01/09	Additions	Payments	12/31/09	Additions	Payments	12/31/10
13^{th} salary	-	3,793	(3,793)	-	4,544	(4,544)	-
Holidays	4,443	5,498	(5,064)	4,877	6,518	(5,579)	5,816
Profit-sharing (i)	3,862	7,568	(8,234)	3,196	21,272	(13,664)	10,804
Salaries	-	34,823	(34,823)	-	36,252	(36,252)	-
FGTS	154	3,712	(3,598)	268	4,364	(4,179)	453
Salary-education	122	888	(876)	134	1,149	(6)	1,277
INSS	813	13,268	(13,137)	944	15,912	(16,477)	379
Private pension (ii)	-	3,343	(3,338)	5	3,647	(2,736)	916
Union contribution	-	221	(216)	5	196	(208)	(7)
	9,394	**73,114**	**(73,079)**	**9,429**	**93,854**	**(83,645)**	**19,638**

	Consolidated (IFRS and BR GAAP)						
	01/01/09	Additions	Payments	12/31/09	Additions	Payments	12/31/10
13^{th} salary	-	6,379	(6,379)	-	9,068	(9,068)	-
Holidays	7,207	9,325	(8,434)	8,098	12,046	(10,313)	9,831
Profit-sharing (i)	8,190	12,019	(10,455)	9,754	34,549	(24,377)	19,926
Salaries	-	50,626	(50,626)	-	63,145	(63,145)	-
FGTS	354	6,198	(6,060)	492	7,668	(7,330)	830
Salary-education	160	1,512	(1,492)	180	1,849	(684)	1,345
INSS	1,432	21,950	(21,709)	1,673	29,302	(29,385)	1,590
Private pension (ii)	272	3,753	(3,693)	332	6,393	(5,434)	1,291
Union contribution	7	330	(300)	37	401	(410)	29
	17,622	**112,092**	**(109,148)**	**20,566**	**164,421**	**(150,146)**	**34,842**

(i) Profit-sharing

The Group has adopted a profit-sharing program for its employees. The agreement has been ratified by the union. The amount is registered as an administrative expense under "profit-sharing".

(ii) Private pension

The group offers a private pension plan to its employees, managed by an authorised financial institution not linked to the Group. The plan is called PGBL, and follows the defined contribution model.

16. TAXES AND CONTRIBUTIONS TO BE COLLECTED

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	**12/31/09**	**01/01/09**	**12/31/10**	**12/31/09**	**01/01/09**
Current						
Taxes on earnings:						
IRPJ	628	2	-	11,493	4,015	2,499
CSLL	227	-	-	2,405	342	766
Other taxes:						
ICMS	4,082	3,156	2,369	7,335	6,956	6,214
IPI	2,026	1,594	1,054	2,223	1,776	1,237
COFINS	1,630	1,344	980	3,404	2,613	1,819
PIS	351	292	213	736	567	395
IRRF	288	780	653	967	1,306	1,104
CFEM	-	-	-	1,097	997	998
Others	125	69	277	277	213	345
Total	**9,357**	**7,237**	**5,546**	**29,937**	**18,785**	**15,377**
Non-current						
ICMS (*)	6,757	2,739	-	7,017	2,739	-
IRPJ	-	-	-	-	267	-
Total	**6,757**	**2,739**	**-**	**7,017**	**3,006**	**-**

(*) ICMS originated from tax incentives - PRODUZIR at the Parent Company and FOMENTAR subsidiary Precon.

17. PROVISION FOR THE FUTURE BENEFIT OF FORMER EMPLOYEES

The Group, based on an actuarial report with a base date of December 31, 2010 prepared by an independent specialist company, with the report issued on February 21, 2011, booked a provision to cover future health benefits (medical assistance and laboratory examinations) for former employees.

a) The main actuarial assumptions used for the determination of the present value of these beneficiaries are as follows :

	12/31/10	**12/31 /09**	**01/01/09**
Discount rate	10.73% p.a.	11.29% p.a.	10.25%p.a.
Expected growth in health expenses	8.5% p.a.	8.51% p.a.	8.50% p.a.
Long-term inflation rate	4.5% p.a.	4.50% p.a.	4.50% p.a.
General mortality table	GAM83	GAM83	GAM83

b) Actuarial Valuation

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Number of participants	339	351	365	559	568	584
Present value of obligations at the beginning of the period	21,343	21,285	19,444	31,063	31,464	28,492
Interest on actuarial obligations	2,249	2,082	1,909	3,181	3,061	2,781
Actuarial (gains) losses	-	(402)	1,658	-	(1,274)	2,972
Expenditure realized in the period	(2,218)	(2,024)	(1,726)	(3,444)	(3,462)	(2,781)
Present value of obligations at the end of the period	**21,374**	**20,941**	**21,285**	**30,800**	**29,789**	**31,464**

c) Amortisation of actuarial gains

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Actuarial (gains) losses not recognised	1,375	(402)	(804)	4,038	(1,274)	(1,963)
Aisle - 10% present value of obligations	(2,137)	(2,094)	(2,128)	(3,080)	(3,462)	(3,146)
Actuarial losses recognized from 2011	-	-	-	958	-	-
Average future service expected (in years)	16.42	17.42	18.60	16.42	17.42	18.60

d) Accounting reconciliation of liabilities

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Accounting balance at the beginning of the period	20,716	20,561	20,297	29,449	29,562	29,501
Expenditure realized in the period	(2,218)	(2,024)	(1,726)	(3,444)	(3,462)	(2,781)
In addition to provision	2,433	2,179	1,990	3,400	3,349	2,842
Total	**20,931**	**20,716**	**20,561**	**29,405**	**29,449**	**29,562**
Current	1,645	1,645	1,645	2,835	2,893	2,718
Non-current	19,286	19,071	18,916	26,570	26,556	26,844
Total	**20,931**	**20,716**	**20,561**	**29,405**	**29,449**	**29,562**

18. SHAREHOLDERS' EQUITY

a) Paid-up capital

At an Extraordinary General Meeting held on October 29, 2009, approval was granted for an increase to the Company's paid-up capital from R$226,851 to R$334,251, through a private share subscription of R$107,400, through the issue of 17,900,000 new ordinary, nominative, book-entry shares without nominal value, for a unit share price of R$6.00. This capital increase was ratified at a meeting of the Board of Directors on January 15, 2010 .

By December 21, 2009, 17,890,492 shares had been subscribed for for a value of R$107,301 (totalling R$334,152); the remaining 9,508 shares not taken up, amounting to R$99, were auctioned on January 12, 2010.

Shareholder Breakdown

	12/31/10		12/31/09	
Shareholder breakdown	Shareholders	Shares	Shareholders	Shares
Private individuals	5,543	50,962,215	6,318	40,869,396
Companies	90	1,961,772	95	1,615,788
Residents abroad	72	6,585,698	49	3,220,359
Clubs, funds and foundations	205	29,960,949	153	25,865,091
Subtotal	**5,910**	**89,470,634**	**6,615**	**71,570,634**
Shares in treasury	-	29,366	-	29,366
Total	**5,910**	**89,500,000**	**6,615**	**71,600,000**

b) Profit retention reserve

In compliance with Instruction No. 480, published by the CVM on December 7, 2009, the company has published a statement of the capital budgets estimated for the financial year 2011 and subsequent years.

Market conditions, macro-economic situations and other operational factors, because they involve risks, uncertainties and assumptions, may affect forecasts and business prospects, and consequently the figures in these capital budgets.

As one of the sources of funding for the financing of the investments set out in the capital budget, the management is proposing the retention of surplus earnings for the financial year 2010, of R$11,354, with the total figure as at December 31, 2010 amounting to R$33,495 booked under the heading "Profit Retention Reserve ".

Capital budget - application of funds

	2011 - Projection
Investment in fixed assets	33,500
Projects requiring new investments	80,200
	113,700

c) Legal Reserve

As at December 31, 2010, the Company had constituted a legal reserve of R$5,104 (R$3,656 as at December 31, 2009), as set out in Article 193 of Brazilian Corporation Law.

d) Statutory Reserve

As at December 31, 2010, the Company had constituted a statutory reserve of R$5,104 (R$3,656 as at December 31, 2009). As set out in the Company bylaws, this reserve is earmarked for the maintaining of the Company's working capital, until it reaches 10% of paid-up capital.

e) Dividends

The Company bylaws guarantee a minimum obligatory dividend of 25% of net earnings in each financial year, deducting the booking of a legal reserve of 5% of profit and statutory reserve of 5% of profit, in accordance with the Brazilian Corporation Law. In addition, the profit remaining after the constitution of profit reserves will be totally distributed to shareholders.

The Bylaws make provision for the distribution of dividends based on annual, half yearly or interim balance sheets.

The dividends paid or proposed for the financial year ending December 31, 2010 were as follows:

Event	Start of Payment	Total Amount	Amount per Share- R$
Board meeting of of 04/27/10	05/10/10	12,347	0.138
Board meeting of 08/04/10	08/27/10	12,257	0.137
Board meeting of 10/21/10	11/16/10	12,347	0.138
Board meeting of 03/02/11	03/25/11	21,204	0.237
Total		**58,156**	**0.650**

f) Interest-on-equity

The Board of Directors may also decide on the distribution of earnings in the form of interest-on-equity, in accordance with the legislation in force.

Interest-on-equity paid or proposed for the financial year ending December 31, 2010 was as follows:

Event	Start of Payment	Total Amount	Amount per Share- R$
Board meeting of of 04/27/10	05/10/10	5,548	0.062
Board meeting of 08/04/10	08/27/10	5,636	0.063
Board meeting of 10/21/10	11/16/10	5,547	0.062
Board meeting of 03/02/11	03/25/11	5,637	0.063
Total		**22,368**	**0.250**

On December 31, 2010 and 2009, the following dividends and interest-on-equity payments were made, and divided as follows:

Evento	12/31/10	12/31/09
Net earnings for the financial year	102,085	73,119
(-) Legal reserve (5%)	(5,104)	(3,656)
(-) Statutory reserve (5%)	(5,104)	(3,656)
Profit to be distributed	91,877	65,807
Minimum obligatory dividends	22,969	16,452
Dividends paid in advance	36,952	25,980
Proposed dividends	21,204	14,226
Interest-on-equity paid (R$14,221, net of income tax retained)	16,731	11,452
Proposed interest-on-equity (R$4,791, net of income tax retained)	5,637	3,668
Total dividends and interest-on-equity	80,524	55,326
Percentage of calculation base	87.64%	84.07%

g) Shares held in treasury

In June 2009, the Company cancelled 461,434 ordinary shares, at an average cost of R$5.92, coming to a total value of R$2,732, as decided on and approved at an Extraordinary General Meeting held on April 14, 2009.

On December 31, 2010 and 2009, the market value of shares held in treasury were R$352 and R$254, respectively.

h) Covering financial statement

There were no transactions in terms of shareholders equity, in any relevant aspect, which resulted in adjustments which could comprise a covering financial statement.

i) Net earnings per share

In compliance with IAS 33 (equivalent to technical pronouncement CPC 41 - Earnings per Share), the following table reconciles net earnings with the figures used for the calculation of basic profit and diluted per share.

Parent Company (BR GAAP) and Consolidated (IFRS and BR GAAP)

	12/31/10	12/31/09
Basic and diluted numerator - Net earnings for the financial year attributable to the owners of the Company	102,085	73,119
Basic and diluted denominator - Weighted average of the ordinary shares in circulation, deducting the average amount of ordinary shares held in treasury	89,470	72,061
Basic profits and diluted per share - R$	1.14	1.01

There is no anti-dilutive effect which should be considered in the previous calculation.

19. INCOME TAX AND SOCIAL CONTRIBUTION

a) Reconciliation of income tax and social contribution expenses, with their nominal values

The reconciliation of the effective and nominal rates of income tax and social contribution for the years ending December 31, 2010 and 2009, is shown below:

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	12/31/09	12/31/10	12/31/09
Profit before income tax and social contribution	112,630	74,798	133,384	104,635
Nominal rate (%)	34	34	34	34
Income tax and social contribution, and nominal rates	(38,294)	(25,431)	(45,351)	(35,576)
Adjusted to obtain the effective rate due to permanent differences:				
Equity income result	26,082	20,904	-	-
Interest-on-equity	4,972	3,138	4,972	5,140
Management bonus	(1,735)	(830)	(4,031)	(1,422)
Donations and promotional gifts	(805)	(25)	(2,050)	(268)
Realization of the most valuable of the assets of Tégula	-	-	1,196	-
Non-deductible taxes and fines	(232)	(16)	(232)	(16)
Other (additional) exclusions	(533)	(101)	5,342	(202)
Other temporary additions	(2,010)	(753)	(7,321)	(2,735)
Compensation for tax loss and negative CSLL calculation base	3,632	967	3,739	1,248
Current IRPJ and CSLL	(8,923)	(2,147)	(43,736)	(33,831)
Temporary reversions	2,010	753	7,321	2,735
Unrealized profit on stock	-	-	810	466
Booking of deferred fiscal asset	-	682	8,044	367
Compensation for tax loss and negative CSLL calculation base	(3,632)	(967)	(3,739)	(1,248)
Deferred IRPJ and CSLL	(1,622)	468	12,436	2,320
Expenses for the year	**(10,545)**	**(1,679)**	**(31,300)**	**(31,511)**

b) Make-up of deferred fiscal asset

Deferred fiscal credits, shown under non-current assets, refer to income tax and social contribution on temporary differences in the measurement of taxable earnings, tax losses and negative base, as follows:

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Tax losses and negative CSLL calculation base	8,959	12,571	13,538	16,893	12,571	13,538
Valor presente das obrigações no início do período	21,343	21,285	19,444	31,063	31,464	28,492
Future benefits for former employees	5,130	5,549	5,003	8,140	8,189	7,787
Provision for risks	6,275	6,092	3,909	12,801	9,457	5,733
Unrealized profit on stock	-	-	-	2,405	1,595	1,129
Provision for losses in the receipt of credits	-	-	-	3,125	2,787	2,786
Provision for profit-sharing	2,122	327	1,181	4,805	1,362	2,281
IRPJ and CSLL on CPC adjustments	2	2	2	123	148	117
Other provisions	1,066	548	981	1,496	1,093	1,474
Total	**23,554**	**25,089**	**24,614**	**49,788**	**37,202**	**34,845**

Expectation of realization of tax credits

i) Tax losses and negative CSLL calculation base

Based on the projections of the generation of taxable earnings of the Company and its subsidiary Tégula, the estimate of the recoverable balance of non-current assets in the form of deferred income tax and social contribution on tax losses and negative base, are shown below:

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
2010	-	2,344	973	-	2,344	973
2011	2,922	3,192	2,357	3,297	3,192	2,357
2012	1,484	2,374	2,933	2,245	2,374	2,933
2013	925	1,068	2,569	1,746	1,068	2,569
2014 to 2019	3,628	3,593	4,706	9,604	3,593	4,706
Total	**8,959**	**12,571**	**13,538**	**16,892**	**12,571**	**13,538**

The deferred fiscal asset booked is limited to the value whose compensation is backed by forecasts of taxable earnings, discounted to present value, realized by the Company and its subsidiary Tégula over the next 10 years, also considering that the compensation for tax losses and negative social contribution base is limited to 30% of annual profits, as determined in accordance with the current Brazilian legislation in force, being imprestrictible and compensatable against future taxable earnings.

The subsidiary Tégula, as at December 31, 2010, had an accumulated tax loss of R$36,535 and a negative social contribution base of R$37,161, for which no deferred tax was provisioned.

ii) Temporary differences

It is estimated that the non-current asset balance, referring to deferred taxes as a result of temporary differences, will be realized as follows:

	Parent company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
2010	-	1,970	3,479	-	5,559	6,548
2011	3,578	1,526	1,526	9,740	2,718	2,718
2012	1,978	1,219	1,219	13,185	2,632	2,632
2013	1,877	901	901	2,108	1,997	1,997
2014 to 2019	7,162	6,902	3,951	7,863	11,725	7,412
Total	**14,595**	**12,518**	**11,076**	**32,896**	**24,631**	**21,307**

The estimate of the realization of the balance of deferred taxes due to temporary differences, as at December 31, 2010, may be subject to alterations, because a large proportion of this balance is subject to court decisions over which the Company has no control, and neither is it able to predict when a final ruling will be forthcoming.

The forecasts for the future generation of taxable income included various estimates referring to the performance of the Brazilian as well as the international economy, fluctuation in exchange rates, sales volume, sales prices, income tax rates, among others, which may vary from the actual effective data and figures.

As the income tax and social contribution result does not only referred to taxable earnings, but also the existence of non-taxable revenue, non-deductible expenses and various other variables, there is no significant correlation between the net earnings of the Company and the final result of income tax and social contribution on profits.

c) Deferred income tax and social contribution, shown under non-current liabilities, and refers to the adjustments taking into account tax legislation and the CPC pronouncements, as follows:

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	**12/31/09**	**12/31/10**	**12/31/09**
Goodwill premium amortization	-	-	220	-
IRPJ and CSLL on adjustments for IFRS	90	-	60	-
Total	**90**	**-**	**280**	**-**

20. EMPLOYEE PROFIT-SHARING

The Group grants profit-sharing to its employees, with the amount earmarked to employees being calculated in accordance with the union agreement signed by the Group. The following table set out the Group's profit-sharing expenses:

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	**12/31/09**	**12/31/10**	**12/31/09**
Profit-sharing	**10,351**	**4,430**	**20,531**	**12,019**

21. PROVISION FOR RISKS

The Group is involved in the number of civil, labour related and tax related court cases, which are under discussion in various different judicial spheres.

The risk provision has been booked for those court cases whose loss has been deemed as probable, based on the individual analysis of the respective cases carried out by the Group's legal consultants .

The Management of the Group believes that the risk provision booked is sufficient to cover possible losses from court cases, as shown in the table below:

	Parent Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	12/31/10	**12/31/09**	**01/01/09**	**12/31/10**	**12/31/09**	**01/01/09**
Labor-related cases	14,366	12,918	9,894	22,697	19,429	13,956
Civil and tax cases	4,091	5,171	1,601	15,612	9,071	3,673
	18,457	**18,089**	**11,495**	**38,309**	**28,500**	**17,629**

Movements in the risk provisions are shown below:

	Parent Company (BR GAAP)				
	12/31/09	**Additions**	**Payments**	**Reversions**	**12/31/10**
Labour-related cases	12,917	2,913	(262)	(1,202)	14,366
Civil and tax cases	5,172	4,033	-	(5,114)	4,091
	18,089	**6,946**	**(262)**	**(6,316)**	**18,457**

	Consolidated (IFRS and BR GAAP)				
	12/31/09	**Additions**	**Payments**	**Reversions**	**12/31/10**
Labour-related cases	19,429	8,491	(709)	(2,511)	24,700
Civil and tax cases	9,071	12,084	(156)	(7,390)	13,609
	28,500	**20,575**	**(865)**	**(9,901)**	**38,309**

Whenever necessary the Company makes court deposits not linked to contingency provisions, classified under a specific heading under non-current liabilities.

The provision for labor contingencies refers to compensation claims, work-related accidents and labor related complaints, considered by our legal consultants as having a probable loss outcome.

As at December 31, 2010, the Company was subjected to Civil Public Action brought by the Public Ministry of the State of São Paulo, which raises questions related to the occupational health of former workers at the old factory in Osasco, in this state of São Paulo. The case has been ruled as groundless, the opinion of the Company's legal consultants being that a loss of this case by the Company is possible. An appeal has been filed by the Public Ministry.

The Company is also subject to a Popular Action in Poções, in the state of Bahia, referring to questions of an environmental and health nature related to Public Civil Actions brought about by the State and Federal Public Ministries of the State of Bahia, in the judicial district of Vitória da Conquista, which has been evaluated by the Group's legal consultants as having a possible loss outcome.

The company is also subject to an ongoing Public Consumer Civil Action in the state of Rio de Janeiro and another in the state of Pernambuco, whose objective is to prohibit the sale of products that contain chrysotile ore in those states. This prohibition has been suspended as a result of a decision contained in the court rulings as a result of a complaint brought before the Supreme Court. The case in Pernambuco, is in its initial phase.

On the same date, the Group was subject to an Action of Administrative Improbity, whereby questions were raised related to Financial Compensation for the Extraction of Mineral Resources, as well as an annulment action, as well as a tax case of a similar nature (CFEM).

The Company is also subject to a Popular Action in the legal jurisdiction of Minaçu, in the state of Goiás, related to the sale by the state of Goiás of a piece of land to subsidiary Sama.

Additionally, on December 31, 2010, there were also other labour-related complaints, civil, tax and administrative processes on going against the Company and its subsidiaries, for which the Company's legal advisers have classified the likely outcome as a possible loss, amounting to R$5,850; therefore, no provisions have been booked for these labour complaints, civil, tax or administrative processes, because they are still in their initial phase, and will develop over time.

22. SUPPLEMENTARY PENSION PLAN

The Group maintains an open supplementary pension plan with a private authorised pension entity. Plan was contracted with the main purpose of providing supplementary retirement and pension payments for its employees and executives. Contributions are based on the "Generation Plan Free Benefit" – PGBL model, being of the defined contribution type. Contributions are made by the companies and the plan participants, following pre-established percentages, in accordance with the progressive contribution bands.

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	**12/31/09**	**12/31/10**	**12/31/09**
Contributions made	**2,286**	**2,182**	**3,996**	**3,753**

23. NET OPERATING REVENUE

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	**12/31/09**	**12/31/10**	**12/31/09**
Gross sales revenue	574,610	444,815	991,302	743,393
Discounts and unconditional reductions	(8,019)	(2,495)	(8,607)	(2,613)
Taxes on sales	(142,275)	(108,990)	(223,950)	(157,512)
	424,316	**333,330**	**758,745**	**583,268**

24. INFORMATION ON THE NATURE OF EXPENSES

The Company has presented a financial statement using a classification of expenses based on function. The information on the nature of these expenses recognised in the financial statement is shown in the table below:

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	**12/31/09**	**12/31/10**	**12/31/09**
Cost of products and merchandise sold	297,876	247,200	432,219	337,616
Sales expenses	41,932	32,650	88,403	66,942
General and administrative expenses	50,816	34,151	101,311	64,428
Financial expenses	5,023	5,051	22,676	19,236
Other operational expenses	9,156	11,502	22,580	19,244
	404,803	**330,554**	**667,189**	**507,466**
Raw material consumed	203,487	151,817	305,712	229,028
Personnel expenses and charges	88,438	69,513	169,031	121,470
Materials, electric power and services	61,741	60,614	31,872	31,290
Variable sales expenses	2,481	1,719	33,353	29,675
Depreciation and amortisation	9,051	10,443	18,154	17,991
Provision for contingencies	6,958	5,083	30,432	22,151
Outsourced services	10,749	7,748	19,792	12,977
Commissions on sales	1,862	2,052	2,829	2,655
Contribution to class entities	1,502	6,595	10,601	11,026
Advertising and publicity	3,289	1,523	9,159	4,963
Taxes	5,525	3,160	5,991	3,264
Financial charges on financing and loan	2,313	2,430	122	488
Exchange-rate variation liability	174	163	16,986	12,957
Others	7,233	7,694	13,155	7,531
	404,803	**330,554**	**667,189**	**507,476**

25. OTHER NET OPERATING EXPENSES

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	12/31/09	12/31/10	12/31/09
Other operating revenues:				
Sales of property assets	783	152	2,475	4,973
Other revenues	888	3,643	4,480	4,050
Other sales	-	-	200	135
Prescribed dividends and interest-on-equity	174	3	174	3
Realisation of advanced revenues	68	-	115	-
Rental	15	8	1,984	1,308
	1,928	**3,806**	**9,428**	**10,469**
Other operating expenses:				
Provision for risks	(2,850)	(6,595)	(11,051)	(10,873)
Provision for future benefits of former employees	(2,249)	(2,083)	(3,181)	(3,062)
Environmental revitalisation	-	-	(949)	-
Provision for various losses	(1,791)	-	(1,791)	-
Taxes on other sales	(579)	(253)	(1,296)	(1,257)
Guarantee of quality	(142)	(231)	(276)	(350)
Replacement of damaged products	(521)	(194)	(529)	(213)
Expenditure on labour related and civil compensation	(1,116)	(800)	(1,487)	(1,026)
Cost of property write-offs	(434)	(226)	(628)	(1,198)
Others	526	(1,120)	(1,392)	(1,265)
	(9,156)	**(11,502)**	**(22,580)**	**(19,244)**
Total	**(7,228)**	**(7,696)**	**(13,152)**	**(8,775)**

26. FINANCIAL REVENUE AND EXPENSES

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	12/31/09	12/31/10	12/31/09
Financial expenses:				
Interest on financing	(97)	(473)	(122)	(488)
Interest on loans	(2,216)	(1,957)	-	-
Interested liable	(670)	(509)	(1,655)	(2,949)
Banking expenses	(529)	(682)	(760)	(883)
Discounts granted	(329)	(196)	(1,507)	(837)
IOF	(235)	(462)	(492)	(549)
PIS and COFINS – interest-on-equity	(716)	(545)	(827)	(545)
Exchange-rate variation liabilities	(174)	(163)	(16,986)	(12,957)
Others	(57)	(64)	(327)	(28)
	(5,023)	**(5,051)**	**(22,676)**	**(19,236)**
Financial revenues:				
Return on financial investments	7,012	1,523	8,909	2,768
Discounts obtained	3,390	1,750	53	4
Interest assets	2,234	2,243	5,668	5,240
Monetary variation assets	978	889	1,127	1,070
Exchange-rate variation assets	864	329	16,547	9,187
Others	-	-	96	95
	14,478	**6,734**	**32,400**	**18,364**
Next financial revenues (expenses)	**9,455**	**1,683**	**9,724**	**(872)**

27. INFORMATION BY BUSINESS SEGMENT

a) Adoption of IFRS 8 (equivalent to technical pronouncement CPC 22 - Operational Segments)

The Group has adopted IFRS 8 (equivalent to technical pronouncement CPC 22 -Operational Segments), with effect from January 1, 2009. IFRS 8 is the technical pronouncement CPC 22 requiring that operational segments be identified based on internal reports, with respect to the components of the Group, be regularly reviewed by the President (the main taker of operational decisions), with the purpose of allocating funds to the segments and to evaluate their performance.

As a result, after the adoption of IFRS 8 and technical pronouncement CPC 22, the identification of the reportable segments of the Group changed.

b) Products and services for which the reportable segments have their revenues generated

In previous years, the information by segments disclosed was analysed based on two segments (fibre cement and chrysotile ore). However, the information communicated to the Present of the Group, for the purpose of allocating funds and evaluating the performance of the segment, is specifically orientated to geographical areas (fibre-cement) and local and foreign markets (chrysotile ore). The reportable segments of the Group in accordance with IFRS 8 and technical pronouncement CPC 22 are as follows:

Parent Company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
Description	**Geographical area**
Fibre cement	Southeast, South, Midwest, North and Northeast
Chrysotile ore	Local and foreign markets
Concrete tiles	Local market
Others	Local market

- Fibre cement: includes the manufacture and sale of tiles, water tanks, moulded panels, wall partitions and flat panels .
- Chrysotile ore: includes the extraction and sale of chrysotile ore .
- Concrete tiles: includes the manufacture and sale of concrete tiles.
- Others: includes the manufacture and sale of components for construction systems and polyethylene water tanks to the local market; and the resale of vitreous chinaware, lavatory seats, filters for water pipes, solar heating, accessories and metallic tiles.

c) Revenues and results of reportable segments

		Consolidated (IFRS and BR GAAP)			
		Net revenue		Gross profit	
		12/31/10	12/31/09	12/31/10	12/31/09
Fibre cement and synthetic fibre cement	Southeast	95,844	85,009	26,021	21,966
	South	107,614	85,945	32,031	22,207
	Midwest	156,699	124,897	50,770	32,858
	North and Northeast	68,896	57,502	20,530	14,858
	Exports	51	189	50	189
		429,104	**353,542**	**129,402**	**92,078**
Chrysotile ore	Domestic market	109,537	82,667	80,633	79,950
	Foreign markets	111,268	130,219	81,909	69,273
		220,805	**212,886**	**162,542**	**149,223**
Concrete tiles		57,963	-	18,754	-
Others		50,873	16,840	15,828	4,351
Net revenue		758,745	583,268		
Gross profits				326,526	245,652
Non allocated expenses and revenues				**(193,142)**	**(141,017)**
Pre-tax profits				**133,384**	**104,635**

Sales between related parties

During the year the chrysotile ore segment sold R$79,987 worth of goods to the fibre-cement segment and synthetic fibre-cement segment (R$59,411 in 2009).

No one side of the group represents more than 1.66% of the respective trade notes receivable as at December 31, 2010 (2.49% on December 31, 2009).

d) Assets and liabilities of reportable segments

		Consolidated (IFRS and BR GAAP)			
		Assets		Liabilities	
		12/31/10	12/31/09	12/31/10	12/31/09
Fibre-cement and synthetic fibre cement	Southeast	38,698	28,684	8,119	2,319
	South	89,720	80,926	4,620	4,086
	Midwest	64,828	55,123	8,586	6,262
	North and Northeast	32,450	19,107	1,648	1,029
		225,696	**183,840**	**22,973**	**13,696**
Chrysotile ore	Domestic market	110,499	102,166	10,123	6,379
Concrete tiles		43,395	-	3,949	-
Other products (*)		54,115	30,577	2,776	567
Other accounts in the balance sheet		227,373	255,259	208,526	160,398
		661,078	**571,842**	**248,347**	**181,040**

(*) Wall Panels, metallic tiles, polythene water tanks, vitreous chinaware and filters.

e) Other information on reportable segments

		Consolidated (IFRS and BR GAAP)			
		Depreciation, amortisation and exhaustion		Additions to fixed and intangible assets	
		12/31/10	12/31/09	12/31/10	12/31/09
Fibre-cement and synthetic fibre cement	Southeast	2,017	2,862	1,021	1,216
	South	3,657	3,941	10,767	13,389
	Midwest	1,689	2,474	2,688	1,788
	North and Northeast	1,153	1,368	15,116	816
		8,516	**10,645**	**29,592**	**17,209**
Chrysotile ore	Domestic market	5,400	6,061	15,544	8,613
		5,400	**6,061**	**15,544**	**8,613**
Concrete tiles		2,673	-	15,447	-
Others		1,565	1,079	2,438	2,948
Total		**18,154**	**17,785**	**63,021**	**28,770**

28. INSURANCE COVERAGE

The insurance policies maintained by the Company and its subsidiaries, as at December 31, 2010, against eventual risks, are set out in the table below:

Type	Assets covered	Amount of coverage
Engineering and operational risks, risks associated with civil responsibility, and risk of interruption in earnings	Buildings, installations, equipment and others	429,003

29. FINANCIAL INSTRUMENTS

a) General considerations

The Group contracts financial operations involving financial instruments, all registered in equity accounts, which are designed to meet their operational and financial needs. The group contracts financial investments, financing and exchange-rate contracts.

The management and administration of these financial instruments is carried out according to policies, strategy definition and the establishment of control systems, duly monitored by the management of the Company and its subsidiaries, with the aim of maximising the profitability of the business for the shareholder, as well as establishing a balance between capital from third parties and the Company's own capital.

Financial investments

The policy of financial investments established by the Management of the Company and its subsidiaries elects the financial institutions with which the operations may be carried out, as well as defining limits with regard to the amounts that can be applied to each one of them.

Loans and financing

The operations are registered in accordance with the contracts entered into and the respective usual rates of market interest, as set out in explanatory note No. 14.

All the financing operations are denominated in national currency, and are corrected according to the floating CDI rate.

Foreign exchange contracts

i) Foreign Exchange Risks

The subsidiary Sama enters into foreign exchange contracts with a view to protecting its exposure to currency variations, as a result of the sale of finished products in foreign markets.

ii) Interest rate risks

The Group has a policy of maintaining indicators of its exposure to interest rates assets and liabilities linked to floating rates.

The Group did not operate any derivative financial instruments in the financial years ending December 31, 2010 and 2009.

b) Exposure to foreign exchange

As at December 31, 2010, the main groups of accounts linked to foreign currency, for the most parts linked to the US dollar, and related to subsidiary Sama, are shown in the table below:

	Consolidated (IFRS and BR GAAP)		Quotation on 12/31/10 (US$1.00 = R$)
	12/31/10	12/31/09	
Clients in foreign markets (i)	38,074	40,204	1,666
Suppliers in foreign markets	(8,299)	(56)	1,666
ACE (ii)	(19,419)	(28,656)	1,666
Commissions outside Brazil	(111)	(66)	1,666
International freight	(477)	(775)	1,666
Total foreign exchange exposure	**9,768**	**10,651**	

(i) Amounts receivable from clients abroad from sales of chrysotile ore.

(ii) The subsidiary Sama has the policy of discounting export contracts whenever the US dollar quotes appears favourable for this type of operation, minimising the risk of losses from change rate variation.

c) Exposure to interest rates

The exposure of the assets (liabilities) of the Company and its subsidiaries to interest rates are shown in the table below:

	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/10	12/31/09	12/31/10	12/31/09
Assets-				
Financial investments (i)	54,232	121,804	77,294	138,945
Liabilities:				
ACE (ii)	-	-	(19,419)	(28,656)
Loans and financing (iii)	(1,512)	(3,044)	(4,515)	(3,044)
Total exposure to interest rates	**(52,720)**	**(118,760)**	**(53,360)**	**(107,245)**

(i) These are represented by fixed interest funds and CDBs, with an average remuneration of 103% and 109%, respectively, of the CDI rate (see explanatory notes No. 5 and No. 6).

(ii) Discounts applied to receivable discounts corresponds to the PRIME rate with an average variation of 3.25% per year (see explanatory note No.14).

(iii) Index to the TJLP at average weighted rates varying from 7.4% to 10% per year (see explanatory note No. 14).

Loans raised based on guarantees are linked to the variation in the CDI rate, plus 0.3% a month.

d) Market Value

The book values of the financial instruments of the Company and its subsidiaries substantially reflect their market values. The market values of these financial instruments, in the case of financial investments, loans and ACE, were obtained from a calculation of their present value, considering rates and interests currently practised in the markets for operations of a similar term, and with a similar level of risk.

e) Sensitivity Analysis

The balance receivable from exports will be totally settled in up to 90 days. Based on the exchange rate as at December 31, 2010 (R$1.666 for US$1.00), it was estimated what the adjustments would be to the accounts receivable, ACE, commissions and freight payable for three scenarios for the US dollar, in relation to the rate on December 31, 2010.

Considering the behaviour of foreign exchange variation for the dates and scenarios mentioned, the management estimates that the subsidiary Sama would incur the following results, with their corresponding impacts on the consolidated financial statements, and the Company:

Scenario	Variation- %	Appreciation- R$	Depreciation- R$	Gains or losses - R$
Probable	2	1.699	1.6334	361
Possible	25	2.0834	1,250	4,517
Remote	50	2.499	0.8334	9,034

f) Credit Risk

The sales of the Group are made to a large number of clients and this risk is managed by a rigorous process of credit granting. The result of this management is reflected under the heading "Bad Debt Provisions" as set out in explanatory note No. 7.

No one client of the group represented more than 1.66% of the respective balance of trade notes receivable on December 31, 2010 (2.49% on December 31, 2009).

The Group is also subject to credit risks related to financial instruments contracting by the management of its businesses. The Management of the Company and its subsidiaries considers the risk to be low of non-liquidation of the operations that it maintains with financial institutions based in Brazil.

30. ENVIRONMENT AND MINERAL RESOURCES

Environment

The mining industry in Brazil is subject to governmental controls to prevent potential risks to the environment, resulting from mineral extraction.

According to Decree No. 97.632/89, mining projections are required, detailing an environmental recovery program, as well as the impact on the environment. Subsidiary Sama adheres to PRAD, duly ratified and with a schedule for the "repairing of the site" after the exhaustion of mineral resources.

According to PRAD, Sama is expert in the extraction and processing of chrysotile ore. According to the initial project, extraction and processing of chrysotile ore is expected to cease in 2042, when the project will be put in to practice for demolition, compensation and revitalisation of the degraded area.

Every financial year, Sama registers its obligations to environmental revitalisation, in the same proportion as the ore extracted, in accordance with its fair value, taking the following criteria:

Discount rate	9.08% p.a.
Long-term inflation rate	4.5% p.a.

Present value of expected disbursements

Year	2010	2009
2042	905	818
2043	803	726
2044	429	388
2045 and 2049	368	331
Total	**2,505**	**2,263**

Considering the agreement entered into with PRAD, the environmental revitalisation of the mine will take place between 2042 and 2049.

The value of the total expenses recognised for environmental revitalisation of the mine in 2010 amounted to R$242 (R$175 in 2009), calculated based on the current production level of chrysotile ore.

c) Mineral resources (not audited)

The following is a breakdown of the mineral resources of the Group (chrysotile ore), which have been extracted and transformed by the subsidiary Sama:

Year	2010	2009
Mineral resources	9,073,532 t	9,375,789 t
Annual production	302,257 t	288,452 t
Estimated useful life of the mine (*)	31.5 years	32.5 years

(*) The reduction in estimated useful life is due to the revision in the estimated production of the mine based on a valuation report drawn up by an independent company.

31. EFFECTS ON THE RESULTS AND ON SHAREHOLDERS EQUITY FOR EACH QUARTER OF 2009 AND 2010, DUE TO THE FULL ADOPTION OF THE IFRS STANDARD AND THE NEW ACCOUNTING PRACTICES ADOPTED IN BRAZIL

In compliance with Article 2 of CVM Ruling No. 656, of January 25, 2011, combined with Article 1 of CVM Ruling No. 603, of November 10, 2009, in the table below the Company shows the effects on its results and shareholders Equity due to the full adoption of the standards in 2010, as compared to the quarters ending March 31, June 30, and September 30, 2010, and compared to the same period in 2009.

a) Reconciliation of Shareholders Equity at the Parent Company and on a Consolidated basis

	On 03/31/10 (date of 1st quarter)		On 03/31/09 (date of 1st quarter)	
	Parent company	Consolidated	Parent company	Consolidated
Shareholders Equity in according to previous accounting practices	378,577	378,577	255,263	255,263
Reversion of goodwill premium on the acquisition of subsidiary Sama	16,558	16,558	16,558	16,558
Additional monetary correction on fixed assets	212	1,665	212	1,422
Additional depreciation of monetary correction	(34)	(427)	(29)	(328)
Reversion of deferred assets	-	(133)	-	(133)
Reversion of the amortisation of deferred asset	-	97	-	97
Equity income result	1,242	-	1,061	-
Deferred IRPJ and CSLL	(61)	157	(62)	124
Total shareholders Equity according to BR GAAP and IFRS	**396,494**	**396,494**	**273,003**	**273,003**

	On 06/30/10 (date of 2nd quarter)		On 06/30/10 (date of 2nd quarter)	
	Parent Company	Consolidated	Parent Company	Consolidated
Shareholders Equity in according to previous accounting practices	384,969	384,969	264,693	264,693
Reversion of goodwill premium on the acquisition of subsidiary Sama	16,558	16,558	16,558	16,558
Additional monetary correction on fixed assets	212	1,665	212	1,422
Additional depreciation of monetary correction	(36)	(453)	(31)	(354)
Reversion of deferred assets	-	(133)	-	(133)
Reversion of the amortisation of deferred asset	-	97	-	97
Equity income result	1,226	-	1,046	-
Deferred IRPJ and CSLL	(60)	166	(62)	133
			-	
Total shareholders Equity according to BR GAAP and IFRS	**402,869**	**402,869**	**282,416**	**282,416**

	On 09/30/10 (date of 3rd quarter)		On 09/30/10 (date of 3rd quarter)	
	Parent Company	Consolidated	Parent Company	Consolidated
Shareholders Equity in according to previous accounting practices	392,607	392,607	266,452	266,452
Reversion of goodwill premium on the acquisition of subsidiary Sama	16,558	16,558	16,558	16,558
Additional monetary correction on fixed assets	212	1,665	212	1,422
Additional depreciation of monetary correction	(37)	(480)	(32)	(378)
Reversion of deferred assets	-	(133)	-	(133)
Reversion of the amortisation of deferred asset	-	97	-	97
Equity income result	1,209	-	**1,030**	-
Deferred IRPJ and CSLL	(60)	175	(61)	141
			-	
Total shareholders Equity according to BR GAAP and IFRS	**402,869**	**402,869**	**282,416**	**282,416**

b) Reconciliation of the results of the Parent Company

	On 03/31/10 (date of 1st quarter)	
	01/01/10 to 03/31 /10	01/01/09 to 03/31/09
Net earnings for the period according to previous accounting practices	23,249	21,637
Depreciation on additional monetary correction	(2)	(1)
Equity income result	(16)	(16)
Deferred IRPJ and CSLL	1	-
Net earnings according to BR GAAP	**23,232**	**21,620**

	On 06/30/10 (date of 2nd quarter)			
	04/01/10 to 06/30/10	01/01/10 to 06/30/10	04/01/09 to 06/30/09	01/01/09 to 06/30/09
Net earnings for the period according to previous accounting practices	24,286	47,535	17,303	38,940
Depreciation on additional monetary correction	(1)	(3)	(1)	(2)
Equity income result	17	1	(16)	(33)
Deferred IRPJ and CSLL	-	1	-	1
			-	
Net earnings according to BR GAAP	**24,302**	**47,534**	**17,286**	**38,906**

	On 09/30/10 (date of 3rd quarter)			
	07/01/10 to 09/30/10	**01/01/10 to 09/30/10**	**07/01/09 to 09/30/09**	**01/01/09 to 09/30/09**
Net earnings for the period according to previous accounting practices	25,533	73,068	17,004	55,944
Depreciation on additional monetary correction	(2)	(5)	(2)	(4)
Equity income result	25	26	(16)	(48)
Deferred IRPJ and CSLL	1	2	1	1
			-	
Net earnings according to BR GAAP	**25,557**	**73,091**	**16,987**	**55,893**

c) Reconciliation of consolidated result

	On 03/31/10 (date of 1st quarter)	
	01/01/10 to 03/31/10	**01/01/09 to 03/31/09**
Net earnings for the period according to previous accounting practices	23,249	21,637
Depreciation on additional monetary correction	(26)	(26)
Deferred IRPJ and CSLL	9	9
Net earnings according to IFRS standard	**23,232**	**21,620**

	On 06/30/10 (date of 2nd quarter)			
	04/01/10 to 06/30/10	**01/01/10 to 06/30/10**	**04/01/09 to 06/30/09**	**01/01/09 to 06/30/09**
Net earnings for the period according to previous accounting practices	24,286	47,535	17,303	38,940
Depreciation on additional monetary correction	(27)	(53)	(26)	(52)
Interest on property financing	52	52	-	-
Deferred IRPJ and CSLL	(9)	-	9	18
			-	
Net earnings in accordance with IFRS standard	**24,302**	**47,534**	**17,286**	**38,906**

	On 09/30/10 (date of 3rd quarter)			
	07/01/10 to 09/30/10	**01/01/10 to 09/30/10**	**07/01/09 to 09/30/09**	**01/01/09 to 0 9/30/09**
Net earnings for the period according to previous accounting practices	25,533	73,068	17,004	55,944
Depreciation on additional monetary correction	(27)	(80)	(26)	(78)
Interest on property financing	63	115	-	-
Deferred IRPJ and CSLL	(12)	(12)	9	27
			-	
Net earnings in accordance with IFRS standard	**25,557**	**73,091**	**16,987**	**55,893**

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for publication by the Board of Directors on March 2, 2011.