# 2010 - Fosfertil accompanies international fertilizer market recovery

Operational efficiency, cost controls, technological advancements and logistics optimization, coupled with a less hostile business environment resulted in an improvement of Fosfertil's results in the first quarter of 2010.

| Financial Results<br>R$ million | 1Q10 | 1Q09 | VAR %<br>2010 vs 2009 |
|---|---|---|---|
| Net Sales and services rendered | R$ 558 | R$ 670 | -17% |
| Cost of goods sold and services rendered | R$ 462 | R$ 609 | -24% |
| Net income | R$ 41 | R$ 38 | 9% |
| EBITDA | R$ 101 | R$ 89 | 14% |

The global fertilizer industry experienced a serious endurance challenge in 2009, not only because of consumption retraction effects in most of the markets, but also due to the steep price drop since the end of 2008, which impacted commodities in general, but phosphate fertilizers in particular.

The crisis, however, brought about opportunities for efficiency and competitiveness gains for Fosfertil, which was prepared to face the downturn cycle, with a good and controlled capital and cost structure, in addition to a team totally focused on maintaining competitiveness vis-à-vis the international market.

During 1Q10, the international fertilizer market experienced supply and demand adjustment changes for phosphate products through the adjustment of inventories in the global chain of fertilizer distributors (retailers) and due to the substantial consumption in important markets, such as the United States, India and China.

***BM&FBOVESPA***
FFTL4 - FFTL3

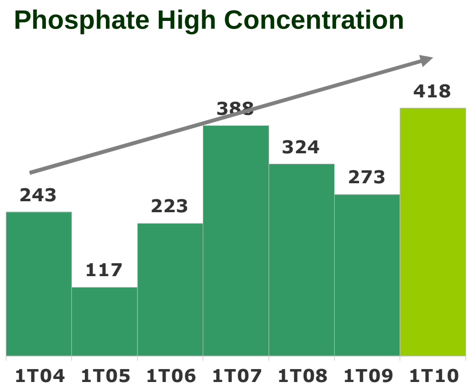
www.fosfertil.com.br
ri@fosfertil.com.br

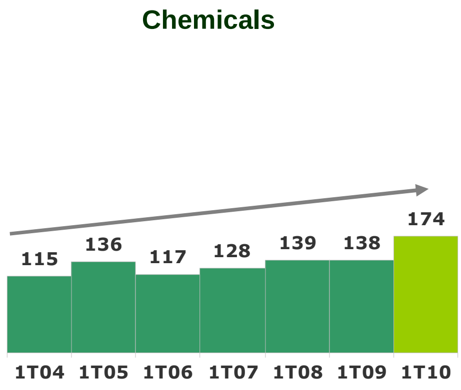
Investor Relations
(55) 11 5501-1163
(55) 13 3362-9610

In line with the international fertilizer market recovery and the elimination of inventories produced with raw materials at higher prices, Fosfertil achieved once again record-breaking sales with its two main product lines.

**Sales Volume**

**(thousand tonnes)**




Fosfertil carries on its strategic plan, developing new markets, investing in research and technology, seeking solutions to promote the increase of both productivity and competitiveness.

The investment plan is on schedule, and a R$798 million capital budget for 2010 was approved by the shareholders. During 1Q10, Fosfertil made investments in the amount of R$128 million (compared to R$64 million in 1Q09).

## INTERNATIONAL MARKET

The first quarter of 2010 was marked by intensive international fertilizer trade, primarily aimed at the Indian market, in addition to the strong consumption in the United States and China, countries that, together with Brazil and India, account for approximately 70% of worldwide consumption.

In Europe, at the end of 2009, the distribution channels of the main countries were virtually depleted, situation that changed in 1Q10 through the partial adjustment of inventories, aimed at meeting demand for the application season of the first half of the year. In addition, US producers (relevant exporters) remained with phosphate fertilizer inventories lower than the average for the last five years, despite the increase in usage rate of installed capacity over the last six months.

### International Prices

WORLD BANK - COMMODITY PRICE DATA
Fertilizantes

| Fertilizer (US$/ton) | Annual | | | Quarter | | | | | | Month | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | oct/09 | nov/09 | dec/09 | jan/10 | feb/10 | mar/10 |
| MAP/DAP | 433 | 967 | 323 | 663 | 362 | 304 | 310 | 317 | 465 | 300 | 290 | 360 | 428 | 491 | 476 |
| Rock Phosphate | 71 | 346 | 122 | 371 | 193 | 113 | 90 | 90 | 102 | 90 | 90 | 90 | 98 | 104 | 105 |
| Potash | 200 | 570 | 630 | 767 | 865 | 727 | 507 | 423 | 334 | 435 | 435 | 399 | 354 | 335 | 313 |
| TSP | 339 | 879 | 257 | 659 | 322 | 248 | 225 | 236 | 317 | 247 | 229 | 232 | 296 | 300 | 354 |
| Urea | 309 | 493 | 250 | 292 | 267 | 241 | 242 | 248 | 281 | 239 | 245 | 261 | 276 | 289 | 279 |

DAP/MAP f.o.b. US Tampa
Rock Phosphate (Morocco), 70% BPL, f.o.b. Casablanca
Potash, granular, spot, f.o.b. Vancouver
TSP (triple superphosphate), granulado, f.o.b. Tunisia
Urea, granular, f.o.b. Black Sea

Development Prospects Group
Development Economics Vice Presidency
World Bank

The main internationally traded phosphate products (MAP - monoammonium phosphate and DAP - diammonium phosphate) reached their lowest level in the last 30 months: US$290 per tonne in December 2009. In 1Q10, prices went up to US$470. India accounted for a great part of this recovery due to the revision of its subsidy policy for the acquisition of fertilizers, which substantially includes phosphate and potash, but not just nitrogen fertilizers. The planting of corn for the ethanol industry in the United States also contributed to the intensive worldwide fertilizer consumption in the first quarter, which also impacted international prices.

Nitrogen fertilizers experienced price increases, however, smaller than phosphate fertilizers, primarily as a result of the substantial supply of urea in the Asian market (Russia and the Middle East). Potash fertilizers reflected the price pressure movement due to the higher inventory levels in Canada and the United States.

**BRAZILIAN FERTILIZER MARKET**

Specialized consulting firms expect an approximate growth of 5% in 2010, with a total volume of 23.5 million tonnes of fertilizers (NPK) based on the availability of funds for farmers. Over the last three years, in general, producers have managed to make their cultures profitable due to the international price levels of agricultural commodities and the federal government agribusiness support programs, in particular due to the Harvest Financing Plan of Banco do Brasil and the Guaranteed Minimum Price Policy (PGPM) of the Brazilian Ministry of Agriculture, Livestock and Supply.

The uncertainties for the Brazilian market in 2010 are directly related to the prices of the main agricultural commodities (corn, soybean, coffee, sugarcane and cotton), to the currency volatility of the Real vis-à-vis the US dollar, and to the credit volume available for the planting season of the 2010/2011 harvest. In addition, Brazilian farmers may, once again, change in a few months the period for the acquisition of fertilizers with a view to making a better decision for the area to be planted and the amount of technology to be employed. In the next months, Brazilian farmers, probably with a better view of international price conditions of both fertilizers and agricultural commodities, and of the Real exchange rate, will decide the volume and period of fertilizer acquisitions, indicating the planted area and the size of the harvest.

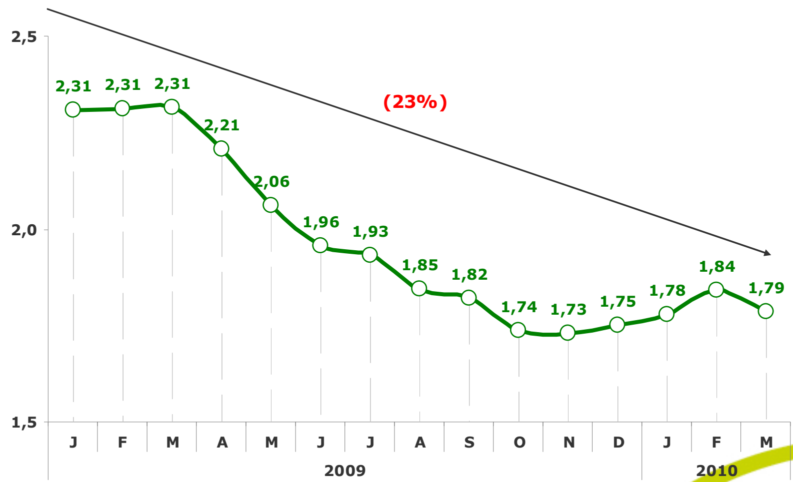
## BUSINESS ENVIRONMENT – DOMESTIC FERTILIZER INDUSTRY

In 2010, the Brazilian economy is presenting clear signs of recovery, similar to what is happening with the world's main economies, in particular China and India. The appreciation of the Real against the US dollar did not consolidate as expected, presenting an average exchange rate of R$1.80 for the quarter.

Brazilian exporters and companies that are price takers in the international market, which suffered with the appreciation of the Real over the last three years, anticipate a stable scenario for exchange rates, which allows for planning in order to maintain competitiveness vis-à-vis other international producers.

**US$ vs. Real - Exchange Rate**

**Monthly - Source: Brazilian Central Bank**




Brazilian producers of fertilizer raw materials are price takers in the international market. As a result, the appreciation of the Real leads to the reduction of competitiveness in an industry.

The domestic industry still faces various structural issues, since (phosphate) ore reserves have higher costs (due to ore concentration), and their exploitation processes are more complex than those from international competitors (Morocco and the USA). In addition, natural gas prices for the domestic industry are significantly higher than international ones.

Despite structural and circumstantial issues, the domestic industry works hard to advance R&D of new technological routes that bring solutions for increasing productivity and competitiveness. The companies of the industry presented recent studies indicating investments in excess of R$7 billion in production increase, operational improvements, and safety- and environmental-related issues.

## FOSFERTIL - Operational Context

### INDUSTRIAL PERFORMANCE AND PRODUCTION

The Brazilian fertilizer market presented a demanding profile in 1Q10, providing suitable conditions for Fosfertil to fully focus on the optimization of the installed capacities of end products. Together, MAP (monoammonium phosphate) and TSP (triple superphosphate) production increased 21% year-over-year, and the main item leveraging such growth, in addition to good market conditions, was the production optimization program focused on efficiency and cost reductions.

Urea and ammonium nitrate presented a slight decrease due to scheduled maintenance stoppages in the period. Phosphate rock and SSP (single superphosphate) production presented a higher decrease due to market conditions and the company's product mix strategy.

## Production - Main Products

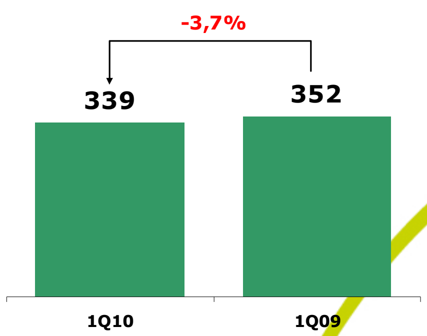
**(thousand tonnes)**

| Main Products | 1Q10 | 1Q09 | VAR % 2010 vs 2009 |
|---|---|---|---|
| Phosphate Rock | 598 | 792 | -24% |
| Phosphoric Acid | 204 | 179 | 14% |
| MAP | 239 | 259 | -8% |
| TSP | 201 | 104 | 93% |
| Urea | 144 | 147 | -2% |
| Nitric Acid | 111 | 115 | -3% |
| Ammonium Nitrate | 111 | 119 | -7% |
| Total | 806 | 744 | 8% |

In accordance with the 2010 capital budget approved by the Board of Directors, the company continues to make investments in operational improvements, industrial reliability, and chemical and mechanical efficiencies, enabling it to achieve over the next periods industrial performance growth with economies of scale, as well as gains in terms of costs and logistics. For 2010 alone the company has scheduled investments of approximately R$317 million solely for operational improvements, continuity and reliability. In addition, the volume of products handled by Fosfertil's Marine Terminal (own needs and rendering of services for third parties) amounted to 339 thousand tonnes in 1Q10 (352 thousand tonnes in 1Q09).

## Marine Terminal Handling

**(thousand tonnes)**



## NET SALES AND SERVICES REVENUE

In 1Q10, the company's net sales and services revenue presented a 17% drop year-over-year.

The main factors that had a negative impact on the revenue for the quarter were the reduction of average high-concentration phosphate fertilizer prices (when compared to the same period of the previous year) due to the international market and the appreciation of the Real against the US dollar (1Q10 => R$1.80 vs. 1Q09 => R$2.31). Total sales volume had a positive impact on revenue.

| Net sales (R$ million) | | |
|---|---|---|
| 1Q10 | 1Q09 | ⇩ |
| R$ 558 | R$ 670 | -17% |

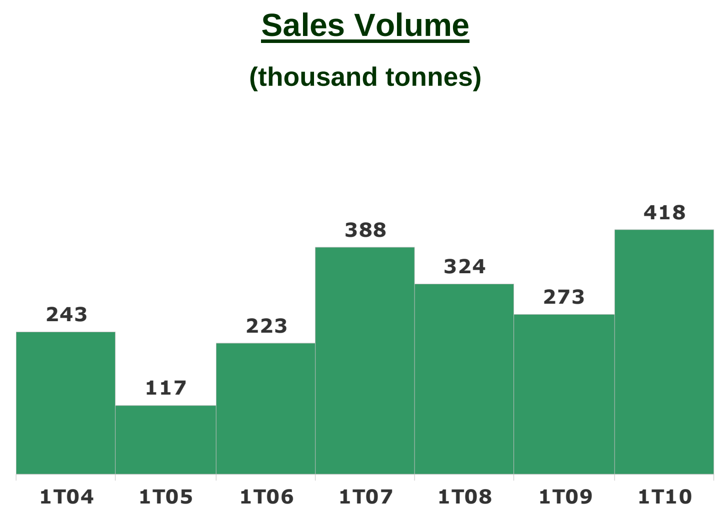
| Phosphate High Concentration Price (US$ ton) | | |
|---|---|---|
| 1Q10 | 1Q09 | ⇩ |
| $ 426 | $ 532 | -20% |

| R$ / US$ (average) | | |
|---|---|---|
| 1Q10 | 1Q09 | ⇩ |
| 1,80 | 2,31 | -22% |

| Sales Volumes main products (thousand tonnes) | | |
|---|---|---|
| 1Q10 | 1Q09 | ⇧ |
| 763,12 | 716,23 | 7% |

## SALES VOLUME

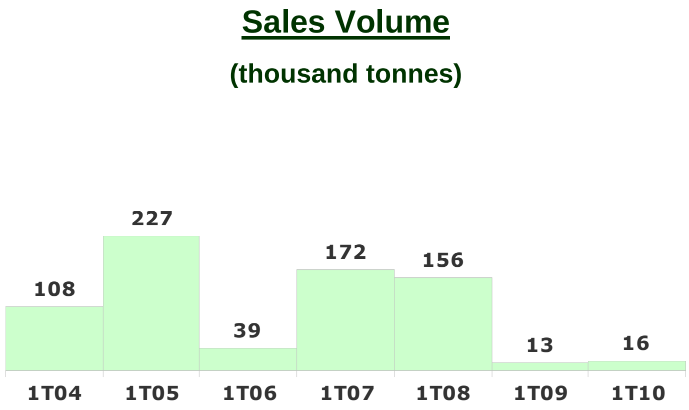
### . High-concentration Phosphate Fertilizers




In 1Q10, MAP, TSP and phosphoric acid sales amounted to 481 thousand tonnes, 53% higher than in 1Q09. Such sales volume represents a historical record for the period of January through March, showing Fosfertil's capacity to rapidly meet domestic market demand due to the strategic location of its mines and factories and the adequate product warehousing system.

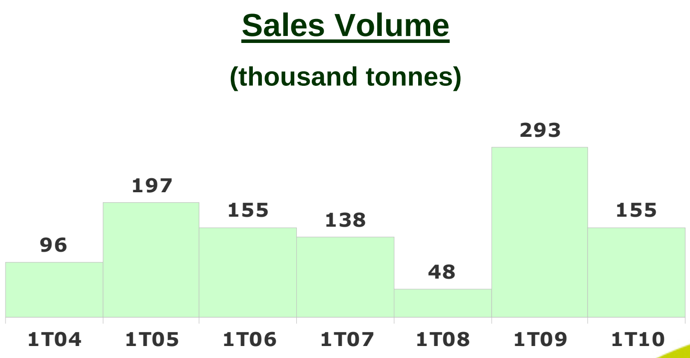
Part of the increase in sales reflected the movement to anticipate acquisitions due to the volatility of agricultural commodities prices. In addition to the recovery of the sugar and ethanol sector, there was a substantial revitalization of fertilization in the sugarcane planting areas.

### . Low-concentration Phosphate Fertilizers



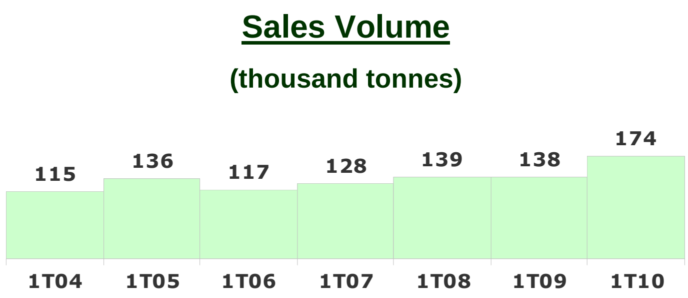

Part of the sales of these products is generated by the direct sales of phosphate rock for the industrialization of SSP (single superphosphate) by important customers of the company – unrealized sales transactions in the last quarters.

### . Nitrogen Fertilizers




In 1Q10, nitrogen fertilizer (urea, fertilizer nitrate and ammonia) sales presented a substantial reduction in comparison to the previous year, as a result of smaller availability of carryover inventories and specific operating issues in the urea plant.

**. Chemicals**




In the chemicals segment, which includes products such as low-concentration ammonium nitrate (for the explosive industry for construction and mining purposes, among other uses), nitric acid, urea (for livestock, furniture, automotive and other purposes) and ammonia, Fosfertil obtained in 1Q10 the best sales performance of its history, with a record-breaking sales volume amounting to 174 thousand tonnes, a 26% expansion when compared to the same period of 2009.

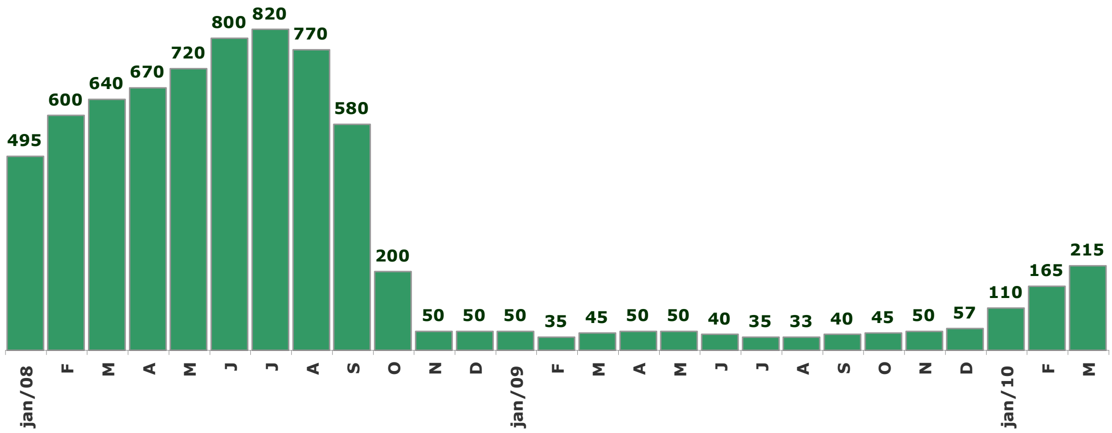
Sales volume in 1Q10 was outstanding with a 35% increase year-over-year, as a result of the recovery of Brazilian economic activities, materializing the good future perspectives for the chemicals segment.

## COSTS

In 1Q10, cost of goods sold (COGS) amounted to R$462 million, a 24% reduction in relation to 2009. A substantial portion of cost reduction is a result of the sale of products (MAP and TSP) in inventory (from 2009) and produced with imported raw material (sulphur) with lower average costs due to lower international price levels during 2009.

**International Sulphur Price Behavior**

**US$/tonne – FOB Middle East (Source: British Sulphur)**

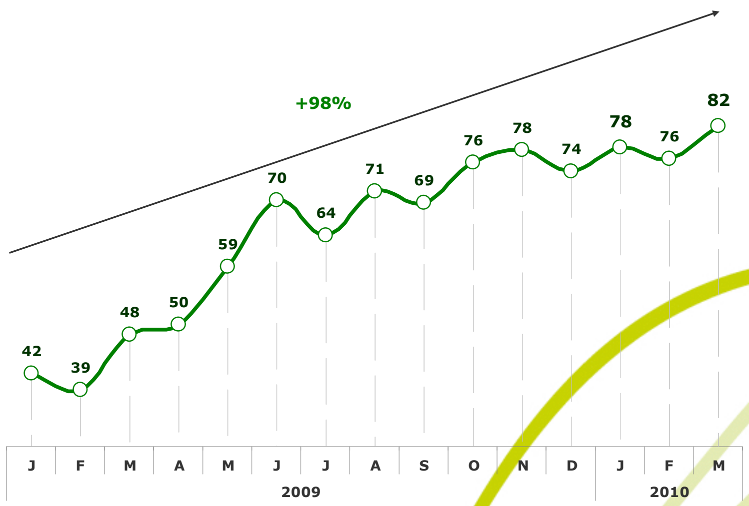



Sulphur is essential for the solubilization of phosphate in order to make this nutrient absorbable by plants. Worldwide, sulphur is produced primarily through the filtration of oil/natural gas. The main producers are the USA, Canada, Russia and Middle East countries. During 1Q10 international market sulphur prices went up again; however, this rise was due to conjunctural factors, such as: harsh winter with the freezing of the Baltic and Black Seas and the interruption of railway traffic to the ports; reduction in sulphur production in the USA due to the substitution of light for heavy oil, in addition to the high inventory levels of oil derivatives, which forced stoppages of refineries; low natural gas price, which resulted in the reduction in the production of sulphur in Canada; significant increase in sulphur imports by China; growth in the production of phosphate fertilizers in the USA to meet the 2010 US spring harvest.In Brazil, there is virtually no production of sulphur; imports account for almost the entire supply used in the country. Brazil imports approximately 2 million tonnes of granulated sulphur per year.

Fosfertil accounts for almost 50% of this volume. As a result, domestic phosphate fertilizer producers are highly dependent on the external supply of this essential input and are exposed to fluctuations in international prices, whose impact is worsened by the high seasonality of fertilizer sales in Brazil, giving rise to an unbalance between the acquisition of import raw materials (sulphur and ammonia) and the sale of end products (MAP and TSP). Nitrogen fertilizers and chemicals (based on urea) presented a growth in costs in 1Q10 as a result of the international prices of oil barrel, which reached US$79 per barrel against US$43 in 1Q09.

**International Oil Prices – WTI – US$/barrel**

**WTI US$/barrel (Source:** Oil Internacional Foundation**)**



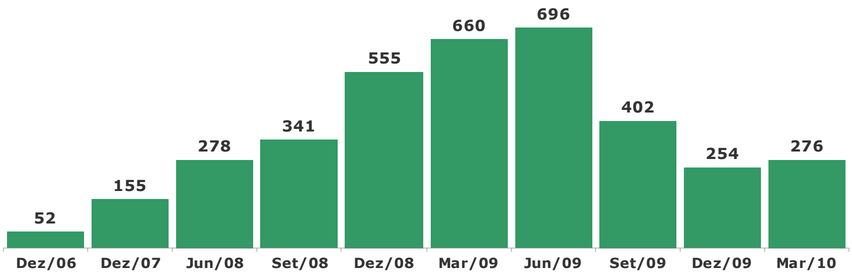
## END PRODUCT INVENTORIES – PER SEGMENT

. Phosphate

The company's phosphate product inventory volumes increased slightly during 1Q10, a normal movement taking into account the seasonal features of the domestic market, which consumes approximately 65% of the phosphate fertilizers in the second half. In addition, Fosfertil maintained its phosphate units working at full capacity, providing a good production volume of MAP and TSP in 1Q10, contributing to the creation of inventories.

**Inventory Volume – Phosphate Fertilizers**

**(thousand tonnes)**



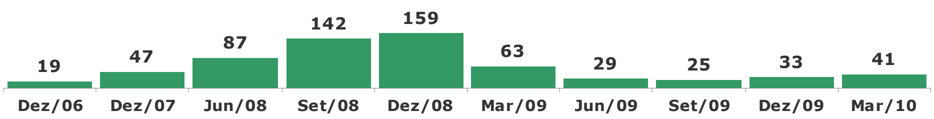

Fosfertil continued meeting fertilizer demand in various locations across the country (Southeast, Mid-West, and the states of Bahia and Paraná), expanding customer access to the company's products.

. Nitrogen

Nitrogen product inventory volumes remained at a reduced level due to the demand caused by the second corn harvest ("*Safrinha*") and due to scheduled stoppage interventions of the period.

**Inventory Volume – Nitrogen Fertilizers**

**thousand tonnes**

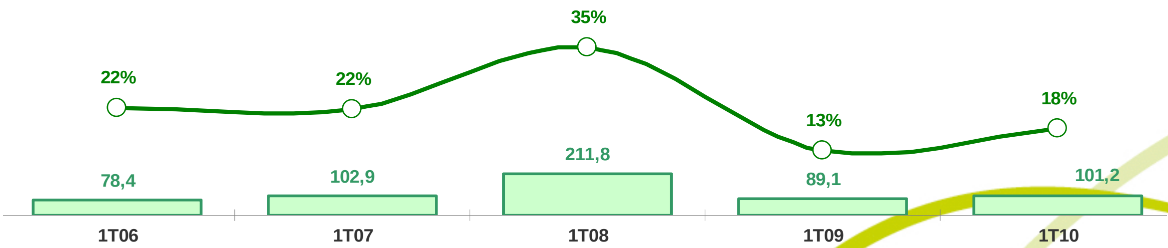



## EBITDA

Cash generation in 1Q10, as measured by EBITDA, amounted to R$101.2 million (14% higher year-over-year), due to a business environment with improved fundamentals. The growth of the sales volume of high-concentration phosphate fertilizers, coupled with the appreciation of the Real and the substantial reduction of COGS resulted in an 18% EBITDA margin in the quarter.

**EBTIDA**

**(R$ million)**



## DEBT AND CASH

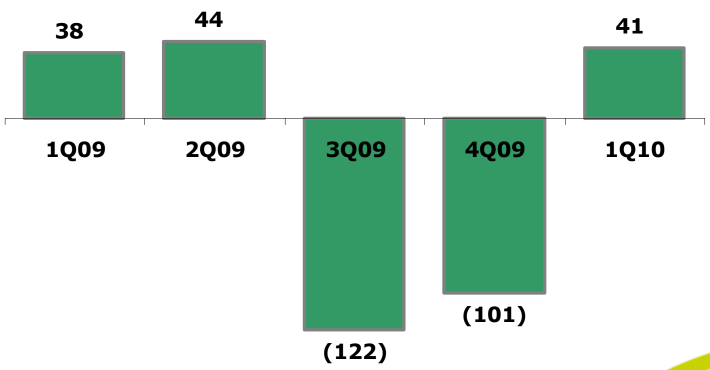
Fosfertil closed 1Q10 with cash and cash availabilities amounting to R$243 million and with a debt totaling R$504 million. The fertilizer industry is quite sensitive to economic cycles, in addition to being a capital intensive sector. One of the goals of the company's financial policy is to maintain low leverage during peak cycles, since during trough cycles the natural slowdown of cash generation means an increase in debt indicators.

## NET INCOME (LOSS)

In 1Q10, the company's net income totaled R$41 million (1Q09 R$38 million). Net earnings per share of the capital stock at the end of 1Q10 was R$0.0966.

**Net Income (Loss)**

**(R$ million)**



## CAPITAL MARKETS AND RETURN FOR THE SHAREHOLDERS

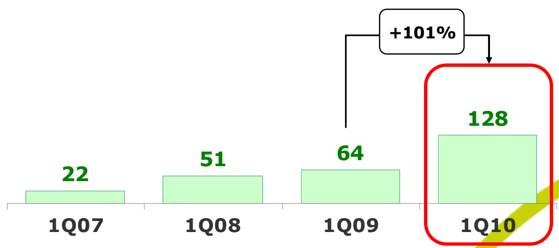
The company's preferred shares were traded in all trading sessions of the BM&F Bovespa during the quarter, with 940 average daily transactions recorded and 666,000 preferred shares traded, presenting a growth of 69% in the number of transactions and of 13% in the number of shares traded, respectively, in relation to the same period of 2009. The company's shareholder base amounted to 4,350 shareholders in 1Q10. Fosfertil's preferred shares appreciated by 1.1%, when comparing the closing of March 2010 versus December 2009.

## INVESTMENT – FOCUS ON BRAZILIAN AGRIBUSINESS

The company's investment plan remains on schedule, and a R$798 million capital budget for 2010 was approved by the shareholders, a record-breaking amount for a single year, being primarily allocated to the Phase III of Uberaba's Expansion Project (R$342 million), in addition to the R$98 million that will be used to continue the studies of the Salitre Project and other projects for increasing production capacity.

**Investments Made**

**R$ million**



The capital budget approved by the company's Management also highlighted investment estimates between 2011 and 2016 of approximately R$3.3 billion that are part of the company's strategy and are subject to a specific approval by the Board of Directors. It is worth mentioning that in the first quarter of 2010 alone, Fosfertil made investments in the amount of R$128 million, a higher amount when compared to the same period of 2009 when it invested R$64 million.

The intensification of the Investment Plan for the next years will double the production capacity of the high value-added phosphate product line, substantially reducing the dependence of domestic agriculture on import phosphate products.

Because it believes in the market fundamentals and, in particular, in global food demand growth, Fosfertil remains investing heavily to become one of the main fertilizer producing companies in the world.

## Uberaba's Expansion – Phase III

With works at full throttle, Fosfertil is setting a rapid pace in the expansion of its industrial complex in Uberaba (a 27% volume addition), which has on-going works and an expected initial production scheduled for 2011.

An investment budgeted at R$462 million (net of recoverable taxes), the work that is being carried out by the consortium comprising building companies Camargo Corrêa and Norberto Odebrecht, and engineering firm Promon Engenharia, includes the construction of phosphoric (increase of 230,000 tonnes/year, equivalent to 415,000 tonnes/year of MAP) and sulphuric (expansion of 481,000 tonnes/year) acid plants. The project took into account the best safety and environmental practices. The new sulphuric acid unit will have low emission of sulphur oxides ($SO_x$), equivalent to the emission limits adopted in Europe and the United States, similar to the existent unit that was also designed based on the maximum environmental stringency.

The new phosphoric acid unit will solubilize 95% of the phosphate ($P_2O_5$) contained in the phosphate concentrate, i.e., it will use as much as possible the mineral resource and will reduce the generation of residues during the liquid effluent treatment phase. Other important environmental improvement will be in the reduction of fluoride emissions, since the technology for cooling the reactor, coupled with the gas cleaning project, will reduce the emission of gases.

## Salitre Project

This is the next stage towards doubling production capacity. Concurrently with the Uberaba expansion project, Fosfertil is also moving forward with studies for the Salitre Project. Conclusion of studies is expected to take place in 1H10, when the project will be submitted to the approval of the Board of Directors. The project involves the opening of a new phosphate rock mine and the construction of a new industrial complex in the state of Minas Gerais, near the city of Patrocínio. The Salitre Project is expected to generate approximately 7,000 jobs during the opening of the new mine and construction of the ore concentration plant, distribution facilities, and the chemical complex (acid and fertilizer plants).

## Arla 32 Project (Automotive Liquid Reducing Agent)

Always attentive to global market trends, Fosfertil is considering a cooperation agreement in order to develop a product for the automotive industry. As of 2012, Brazil will adopt new international standards that require the reduction of the levels of pollutants released by vehicles. A promising alternative to do so is based on the use of liquid urea, which, after being pre-heated, will be injected into the exhaust to react with the exhaust gases (reduction of $NO_X$ - nitrogen oxides - of diesel-fueled vehicles). ARLA 32 is the Brazilian Portuguese acronym for Automotive Liquid Reducing Agent or high-concentration (32%) Urea Solution, used to reduce $NO_X$ (nitrogen oxides) of diesel-fueled vehicles. Internationally, it is known by other names: Adblue (Europe) and Diesel Exhaust Fluid (USA).

**SUSTAINABILITY**

Fosfertil has a permanent commitment to the sustainability of its operations, in its economic, social and environmental aspects. This is reflected in initiatives to promote the continuous improvement of processes and procedures, including those aimed at protecting the environment, at saving natural resources, and at promoting the environmental awareness of employees and the surrounding communities.

The company was a pioneer in the Cubatão Industrial Center when it introduced a carbon credit generation project (as set forth by the Clean Development Mechanism - CDM – of the Kyoto Protocol), from the reduction of the nitrous oxide ($N_2O$) emissions at the nitric acid units of the Piaçaguera and Cubatão (SP) industrial complexes.

The sale of the Carbon Credit Certificates (CCC) is expected to begin in 2010, and the funds to be obtained, net of the costs with the maintenance of the project, will be invested in environmental improvements in the Fosfertil units and in social projects for the local community. The expansion project for the phosphate industrial complex in Uberaba (MG) was conceived and is being carried out based on the most stringent environmental performance standards. The new sulphuric acid unit will have low emissions of sulphur oxides ($SO_x$), and the new phosphoric acid unit will solubilize 95% of the phosphate ($P_2O_5$) contained in the phosphate concentrate, i.e., it will use as much as possible the mineral resource and will reduce the generation of residues during the liquid effluent treatment phase.

**Phosphogypsum use in sanitary landfills**

Committed to contributing to the solution of environmental problems and, at the same time, developing new uses for its products, Fosfertil entered into a partnership with Feam (Environmental State Foundation of Minas Gerais) and the local government of Contagem (MG) to research the use of phosphogypsum (a byproduct of the phosphoric acid manufacturing) in the garbage decay process.

A pioneer study in Brazil, this is an initiative of Feam and is aimed at proving that phosphogypsum may increase the capacity and the useful life of sanitary landfills ("*lixões*"). With the use of 120 tonnes of phosphogypsum, donated by Fosfertil, two cells were built in the sanitary landfill of Contagem.

The first receive just garbage, treated with the usual technique, and the other was filled with garbage and three layers of phosphogypsum. Researchers will make a comparison of the data obtained in both cells, one with and the other without phosphogypsum. The experiment began in February 2010, and the first results will be known in approximately one year.

Phosphogypsum is already used commercially in agriculture, to correct the soil, and in the cement industry, as a special cement additive. In addition, studies to establish the feasibility of the use of phosphogypsum in the manufacturing of pre-molded slabs for construction and in the production of base substratum to receive pavement are also on-going.

***Viver Segurança* (Safety Living)**

Safety and preservation of life are priorities for Fosfertil. To achieve this goal it invests in raising workers' awareness. The company constantly promotes training sessions in the fields of health and safety in its units, as a way of enabling its staff to have a better understanding, cooperation and partnership in the management of these issues, based on a preventive action process.

As a result, Fosfertil ended 1Q10 with no record of disabling injuries, both of its own and outsourced employees, across all of its units. The zero accident achievement is due to management enhancements, technical improvements and people's awareness, which were already obtaining expressive results – such as the decrease in the frequency rate of disabling injuries per each million hours worked, which dropped from 2.33 in 2008 to 0.39 in 2009.

*Prêmio Fosfertil – Melhor Transportadora* (Fosfertil Award – Best Transportation Company) is granted annually to acknowledge the performance of partners in relation to the safety during transportation and distribution of products. The award is part of a program involving certification, awareness and training of drivers, in partnership with hazardous-material highway transportation companies.

Each year, Fosfertil also organizes safety courses and accident simulations at the chemical units, in accordance with the Responsible Action norms of the Brazilian Chemical Industry Association (Abiquim). The initiatives involve employees, service providers and also neighboring communities and local authorities.

## FERTILIZER BUSINESS OUTLOOK

The global fertilizer industry experienced an endurance challenge in 2009, not only because of the effects of the consumption retraction in most of the global markets, but also due to the steep price drop since the end of 2008, which impacted commodities in general, but phosphate fertilizers in particular.

After an adverse period, the current moment is of recovery thanks to the positive results of the 2009/10 worldwide grain harvest and the good expectation for the new planting cycle. International fertilizer demand is boosted, which favors international prices, enabling worldwide fertilizer producers to make production and new projects profitable. In Brazil, consulting firms specialized in agribusiness expect a 5% increase in sales volume in 2010, reaching approximately 23.5 million tonnes of fertilizers.

A study published by The Fertilizer Institute (TFI) revealed that phosphate fertilizer inventories in the United States are at the lowest levels for the past five years.

### Agreement for the sale of direct and indirect interest in Fosfertil

In January 2010, the shareholders of BPI – Bunge Participações e Investimentos S.A. (BPI), entered into an agreement to sell their direct and indirect interest in the company to a company controlled by Vale S.A. (Vale). This agreement provides for the acquisition by Vale of 100% of the shares outstanding of BPI, a company with fertilizer mining assets in Brazil and direct and indirect – through Fertifos Administração e Participações S.A. (Fertifos) – interests of 42.3% in the capital stock of the Company.

In addition, on later dates and as part of the acquisition process of BPI, Vale entered into put and call option agreements to acquire shares issued by the Company held directly and indirectly (through Fertifos) by Fertilizantes Heringer S.A. (Heringer), Fertilizantes do Paraná Ltda. – Fertipar (Fertipar), Yara Brasil Fertilizantes S.A. (Yara) and Mosaic Fertilizantes do Brasil S.A. (Mosaic).

After the conclusion of the acquisition of the direct and indirect interest of BPI, Heringer, Fertipar, Yara and Mosaic, Vale will hold 78.90% of the company's capital, equivalent to 99.81% of the common and 68.24% of the preferred shares.

The conclusion of the acquisition process entered into between BPI, Heringer, Fertipar, Yara and Mosaic, as one of the parties, and Vale, as the other party, is subject to the verification of preceding conditions, including obtaining approvals from governmental authorities. The agreement also provides that, as soon as the transaction is finalized, Vale will carry out a mandatory public offering for the acquisition of common shares held by the other shareholders of the company, in compliance with Article no. 254-A, of Law no. 6,404/76 and CVM Instruction no. 361/02.

**New outlook for Fosfertil and the domestic fertilizer industry**

The acquisition of Fosfertil's shareholding control and of BPI's mining assets in Brazil by Vale (a transaction subject to the fulfillment of contractual terms) points to a new moment in the domestic fertilizer market. In addition, the Accelerated Growth Program 2 ("*Programa de Aceleração do Crescimento 2*" or PAC 2), announced by the government, provides for investments in the fertilizer industry in excess of R$10 billion in the next years, with the same goal of reducing the country's dependence on imports.

The presence of big Brazilian companies in the fertilizer business promotes a business environment favorable to domestic production growth and a great leap in technological development in the next years. Such factors are fully aligned with the strategic planning that has been implemented by Fosfertil over the last years, always with a view to expanding domestic supply and contributing to overcome dependence on imports.


**Fosfertil**

Fosfertil is Brazil's main supplier of raw materials for the fertilizer industry and of inputs for chemical companies, as well as a provider of logistics services through its marine terminal. It runs its own mines, processing plants and industrial processing units, in addition to a logistics system that includes marine, railway and highway terminals, and pipelines. It operates in four Brazilian states (Minas Gerais, São Paulo, Paraná and Goiás) and has 2,800 directly-hired employees. For further information: www.fosfertil.com.br