

**MANAGEMENT REPORT AND FINANCIAL STATEMENTS
AT 31 DECEMBER 2018**



FUNDA  O
renova

(A free translation of the original in Portuguese)

Fundação Renova
Financial statements at
December 31, 2018
and independent auditor's report



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board Members and Managers
Fundação Renova

Opinion

We have audited the accompanying financial statements of Fundação Renova (the "Foundation"), which comprise the balance sheet as at December 31, 2018 and the statements of surplus, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Foundation in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information accompanying the financial statements and the independent auditor's report

The Foundation's management is responsible for the other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.



Fundação Renova

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.



Fundação Renova

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belo Horizonte, April 18, 2019

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

A handwritten signature in blue ink that reads "Fábio Abreu de Paula".

Fábio Abreu de Paula
Contador CRC 1MG075204/O-0

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Message from Management

Fundação Renova ("Foundation" or "Renova") is a private entity formed in August 2016 to carry out remediation and compensation measures in response to the damage caused by the failure of the Fundão dam in Mariana in Minas Gerais in November 2015. Its scope of activities involves the 42 programs defined for the impacted region, which corresponds to 39 municipalities along the 670 kilometers of waterways affected by the released waste, from Mariana all the way to Linhares, Espírito Santo, where the Doce River flows into the Atlantic. The actions being implemented are of a long term nature, covering a span of up to ten years.

The model established to remediate and mitigate these impacts was developed pursuant to an agreement - known as the "Framework Agreement" or *Termo de Transação e Ajustamento de Conduta* ("TTAC") - signed in March 2016 by government agencies and dozens of federal, state and municipal entities, Samarco Mineração SA ("Samarco"), Vale S.A. ("Vale") and BHP Billiton Brasil Ltda. ("BHP"), as well as representatives of the River Basin Committee. These entities work jointly through an Interfederative Committee (CIF). The signing of a Conduct Adjustment Agreement focused on governance (the so-called Governance TAC) in June 2018 expanded the participation of the affected population in all decision-making levels of the remediation effort, enhancing the model of joint construction of solutions.

The new arrangement provides for the creation of 19 Local Commissions and six Regional Chambers, entities which will assign four representatives will come to the CIF (two from Minas Gerais and two from Espírito Santo), as well as representatives to the 11 Technical Chambers (which are already part of the CIF and have no deliberative nature) and also to the Advisory and Trustee Councils of the Renova Foundation. The two instances of affected population are being constituted with the support of Fundo Brasil, under the supervision of a task force of the Public Prosecution Office (MP). As a result of the same agreement, the both Public Prosecutor's Office and the Public Defender's Office have representatives with a right to participation in the CIF, and the latter also has the right to appoint a voting technician.

The quest for greater synergy among programs and better attunement to the aspirations and needs of the affected population has also led Renova to make structural changes. The first was the creation of six territorial management groups - Mariana, Upper Rio Doce, Rio Doce Bed, Middle Rio Doce, Lower Rio Doce and the Estuary - and the second refers to the creation of two new departments - of Infrastructure and Planning/Management -, which were added to the existing departments: Presidency, Programs and Social Engagement and Participation. These are measures that strengthen governance by channeling, through a quality dialogue, the expectations and aspirations of stakeholders, investing in the best possible alignment of strategic parameters, plans and points of view.

The complexity of the necessary interventions in the impacted territories, unprecedented in the world, has required learning, studies and research on all fronts involved in the execution of the various programs. This information, the advances and setbacks in the path of remediation and listening to those who experience the direct impact caused by the failure of the Fundão dam constitute a narrative of great transformative power for the affected region. To manage this information and enable its integration into more intelligent and strategic solutions, Renova invests in the development of a database and access tools that provide total transparency regarding the goals and actions in progress, always guided by a realistic, prudent, appropriate and cost-effective approach.

In parallel, the Foundation seeks to learn about the actual changes in the lives of people, organizations and the landscape, being committed to going beyond formal technical deliveries. This involves listening and sensitivity to address issues and concerns about the evolution of remediation and compensation for the damages generated by the failure of Fundão. Renova also collaborates in solving complex public problems with qualified dialogue among the key actors in each situation, governance models and adequate strategies of encouragement and accountability.

The year 2018 was marked by important achievements under the TTAC. Renova finalized one program (Environmental Risk Management - Clause 176 of the TTAC), five others had their scope and definitions approved by the CIF and seven were partially approved. The funds allocated to the programs in the period totaled R\$ 2.07 billion. From 2015 to date, R\$ 5.26 billion have already been invested in remediation and compensation actions (including Samarco values).

For fiscal year 2019, R\$ 2.94 billion were budgeted, of which R\$ 2.84 billion for TTAC programs, R\$ 91.5 million for administrative expenses and R\$ 10.1 million for costs of governance. An amount of R\$ 2.32 billion is forecast to be contributed directly to Renova by its sponsors.

Scope of the programs

The 42 programs executed by Fundação Renova are divided along three thematic axes, which group the main targets on each front of the remediation of the impacts caused by the failure of the Fundão dam.

People and communities axis

Activities:

- Identification and indemnification
- Education and culture
- Health and well-being
- Traditional and indigenous communities
- Fomenting economy
- Engagement and dialogue.

Related programs: survey and register of impacted population, compensation and indemnification of the impacted population; protection and recovery of the quality of life of indigenous peoples; protection and recovery of the quality of life of other traditional peoples and communities; social protection; communication and social participation, participation, dialogue and social control; school recovery and reintegration of the school community; historical, cultural and artistic memory; tourism, culture, sports and recreation; support to the physical and mental health of the impacted population; promotion of innovation; resumption of water based and fishing activities; economic development and diversification; micro and small business recovery; stimulus to local hiring; emergency financial aid; environmental education; information for the population; national and international communication; reimbursement of extraordinary public authority expenditures.

Land and water axis

Activities:

- Land use
- Water management
- Tailings management
- Biodiversity
- Assistance to animals

Related programs: assistance to animals; recovery of the Candonga dam of the Risoleta Neves hydropower plant; resumption of agricultural and livestock activities; recovery of environmental area 1; promotion of CAR and PRA; tailings management; rehabilitation of permanent preservation areas; recovery of springs; biodiversity conservation; wildlife recovery: land fauna and flora; preparation for environmental emergencies; monitoring of the Doce river basin; conservation units.

Reconstruction and Infrastructure Axis

Activities:

- Resettlement
- Tailings containment (Axis 1)
- Treatment of water and effluents
- Urban infrastructure and accesses

Related programs: Reconstruction of towns; recovery of other impacted communities and infrastructure; installation of tailings containment systems and *in situ* treatment of impacted rivers; collection and treatment of sewage and disposal of solid waste; improvement of water supply systems; environmental risk management.

Major deliveries of the programs in 2018

People and communities

- R\$ 596 million were paid in indemnities and financial aid in 2018, out of a cumulative amount of R\$ 1.3 billion, already allocated to the monthly grant of emergency financial assistance to almost 27 thousand people and more than 273 thousand indemnities.
- R\$ 22.5 million of the R\$ 40 million available were released in credit lines for 800 micro and small businesses in the impacted municipalities by the Fundo Desenvolve Rio Doce. Due to the loans granted, it is estimated that the initiative may have contributed to the maintenance of more than 3,000 jobs.
- The prioritization of local suppliers in contracting reached 218 companies in the municipality of Mariana (MG) alone. The business carried out with local companies generated R\$ 27.4 million in ISS (service tax) for the 39 municipalities served, of which R\$ 9.2 million was allocated to Mariana.

- In order to assist government agencies in the areas of health and social protection in the municipalities of Mariana and Barra Longa, Renova financed the hiring of 46 health professionals and 22 social workers, as well as renting vehicles for these services in the two cities.
- With the launch of the Call Fapes and Fapemig Research, the Foundation took the first step to invest R\$ 20.7 million in projects aimed at solutions for socio-economic and socio-environmental recovery in the impacted areas.
- 2,644 openings were offered in free professional skills development courses, carried out in partnership with the National Industrial Training Service (Senai) of the states of Minas Gerais and Espírito Santo. In 2018 alone, 819 students out of a total of 978 completed their courses, which include training in different specialties related to construction, mechanics and sewing.
- Safeguard actions already preserve 2,283 religious artifacts and fragments rescued from impacted areas. Currently, there are 16 archaeological sites under analysis and several projects are under way for the restoration of movable and integrated objects from the affected chapels. There were 45 workshops held for the diagnosis of cultural references in the municipalities of Mariana, Barra Longa, Santa Cruz do Escalvado and Rio Doce.
- Reimbursement of extraordinary public expenses resulting from the failure of the Fundão dam in 2018 came to R\$ 26.7 million, totaling R\$ 42.2 million so far (R\$ 28.3 million for different public and private entities). R\$ 13.9 million for city administrations). In addition, in 2018, a provision of R\$ 40.1 million was made in respect of municipal reimbursements to be carried out during 2019.

Land and water

- More than 1,000 springs have been recovered and protected in Minas Gerais and Espírito Santo since the beginning of operations, of which about 250 had their rehabilitation begun in 2018.
- 3,684 hours of technical assistance and rural extension (ATER) were totaled in the year, benefiting 177 properties since the middle of 2017.
- 11 nurseries were contracted to supply approximately 1 million seedlings to be used for the recovery of springs and Permanent Preservation Areas. These nurseries are local and will receive technical support from the Foundation both for business management and to ensure the good quality of the seedlings.
- Contracting of studies to identify impacts on 40 Conservation Units (UCs), which may have been directly or indirectly affected by the dam failure.

Reconstruction and Infrastructure

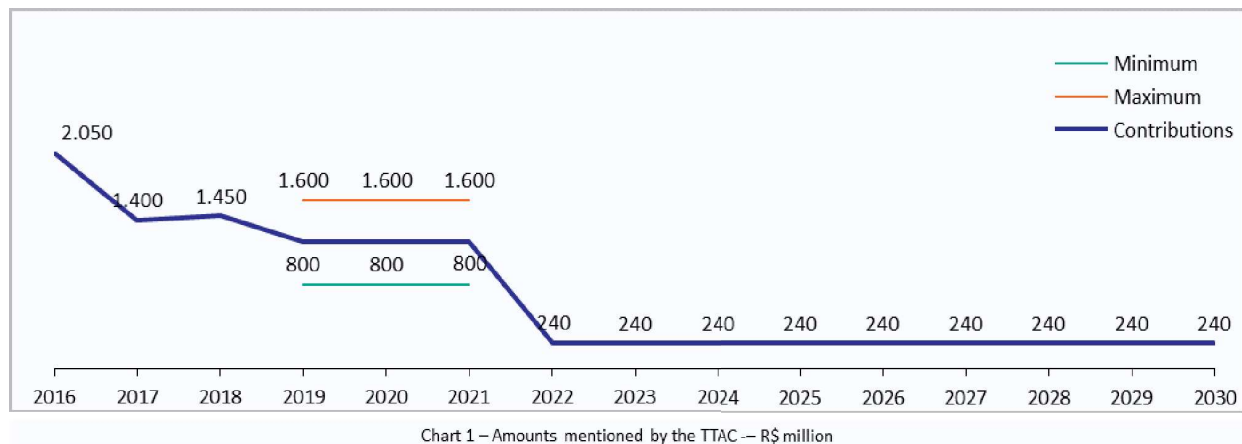
- The compensatory program for basic sanitation and solid waste disposal (non-reimbursable fund in the amount of R\$ 500 million) began in 39 municipalities along the Doce River, in partnership with BDMG and Bandes.
- Four of six automatic air quality-monitoring stations have already been installed in the municipalities of Mariana and Barra Longa (MG). The results indicate that the particles found are compatible with emissions from any dirt road.
- Completion of Barra Longa waste landfill.
- Completion of the canal expansion works in the Bananal and Pequeno dams to reduce flooding in the Juparanã and Nova lagoons in Linhares (ES).
- Completion of works to recover the Caratinga site, where there was an emergency disposal of tailings at the time of the dam failure, including crossing over the Caratinga stream, recovery of slopes and treatment of erosion processes.

To learn about the progress of the programs and the deliveries made to date, go to the Renova site www.fundacaorenova.org which is periodically updated with new input, images and videos.

Sponsor funding: origin of the resources

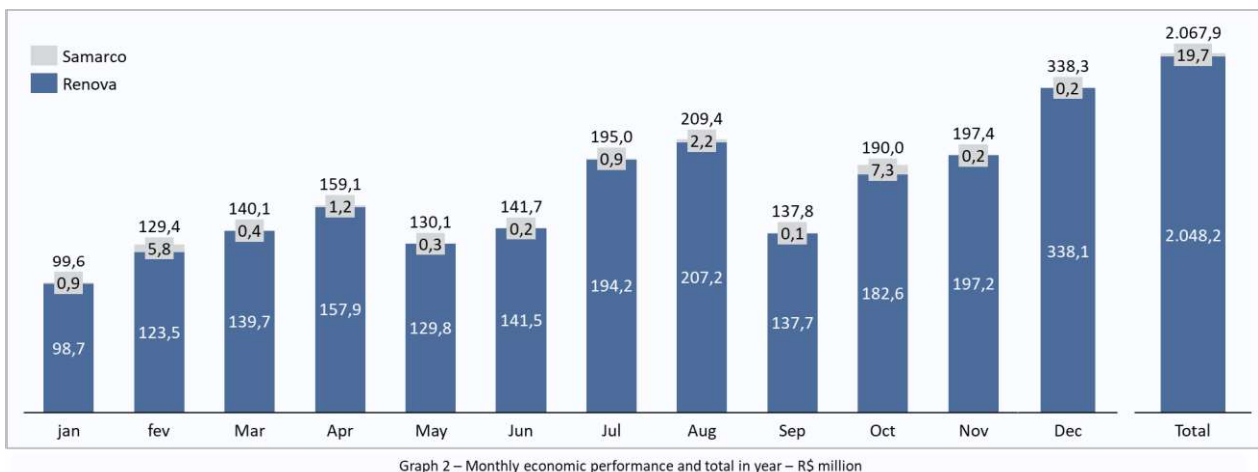
The TTAC establishes annual contributions by the sponsors for the formation of the necessary capital for the Renova Foundation to execute the defined programs. Preliminarily, as shown in chart 1, TTAC predicts figures between R\$ 9.46 billion and R\$ 11.86 billion, which are to be restated for inflation by the IPCA until their completion. These numbers include contributions of two kinds.

- Compensatory: these have a set value of R\$ 4.1 billion and involve two fronts. The first is the financing of the Program for the Collection and Treatment of Sewage and Disposal of Solid Waste in the municipalities along the River Doce, in the total amount of R\$ 500 million. The second, in the total amount of R\$ 3.6 billion, distributed in annual installments of R\$ 240 million, over a period of 15 years, starting in 2016, refers to different compensation programs, such as rehabilitation of Permanent Preservation Areas and springs.
- Remedial: these do not have maximum limit, that is, the necessary remediation actions will be implemented without being conditioned to the annual values established in a preliminary way in the TTAC. Measures and actions of remedial nature are those that aim to mitigate, remedy and / or remediation socio-environmental and socio-economic impacts resulting from the failure of the Fundão dam.



Total costs of the execution of the TTAC programs in 2018

The costs for the implementation of the TTAC programs by Samarco and the Renova Foundation up to December 2018, demonstrate compliance with the commitment of allocation for 2018.



R\$ 2,067.9 million was reported for the TTAC programs in 2018, of which R\$ 2,048.2 million by the Renova Foundation and R\$ 19.7 million by Samarco.

Amounts contributed to Fundação Renova in 2018

The Foundation received R\$ 2,091 million in 2018 from its sponsors Vale and BHP Billiton Brasil Ltda., as shown below.

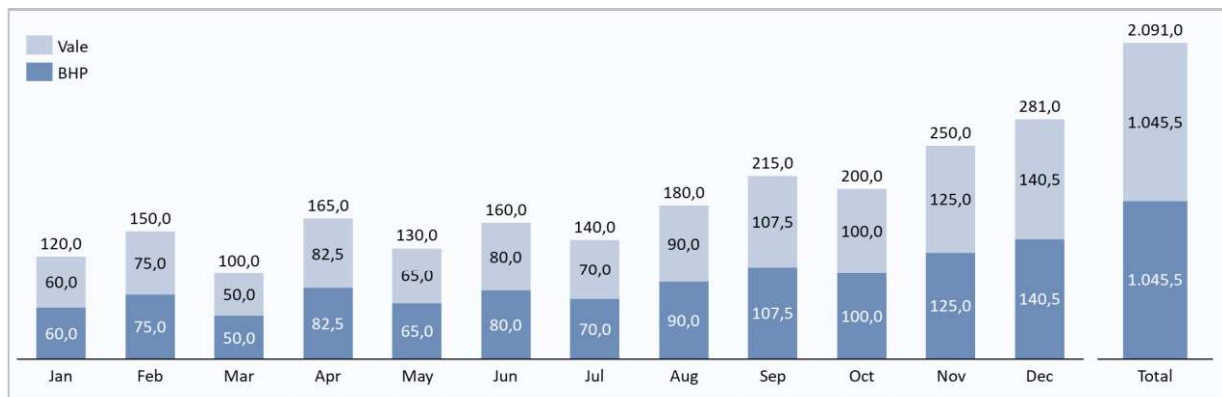


Chart 3 – Flow of monthly contributions and total in year – R\$ million

In the amount received from Vale, in December, R\$ 31 million were recorded, which the company spent on assisting the indigenous people of the Krenak community, between August 2016 and March 2018, in the context of the Program for the Protection and Recovery of the Quality of Life of Indigenous Peoples, pursuant to clause 43, of the TTAC. In that period, the Foundation was already in activity, but was unable to operationalize this action.

Economic performance amounts realized by Samarco

In addition to the R\$ 2,091 million contribution to the Renova Foundation, Samarco realized R\$ 19.7 million in activities of TTAC programs it carried out during 2018. The main amount relates to the works of Candonga and to technical advisory activities by Caritas, in Mariana, as well as final expenses of several contracts signed during the emergency period.

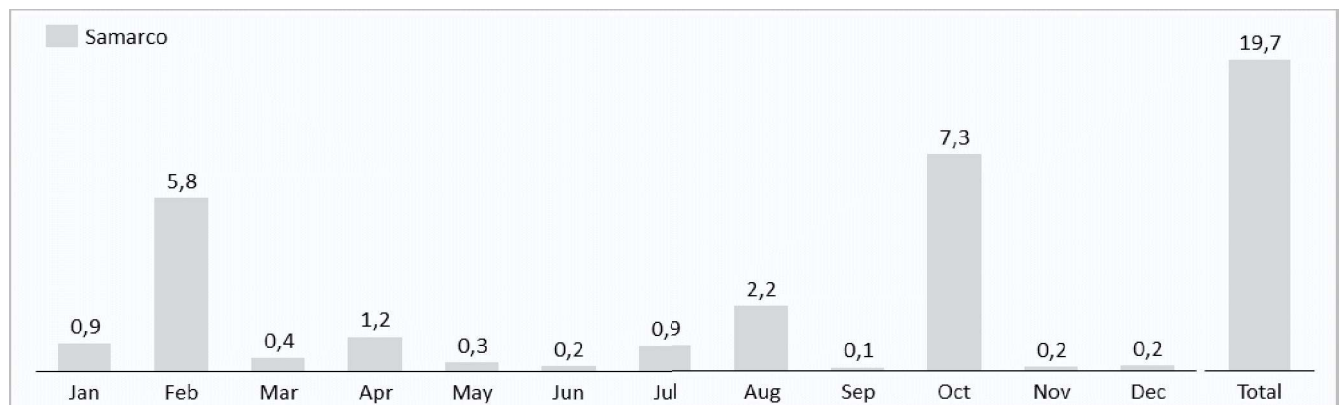


Chart 4 – Monthly flow Samarco – R\$ million

These amounts realized by Samarco are considered for contribution purposes, which generates a total of R\$ 2,110.7 million in 2018.

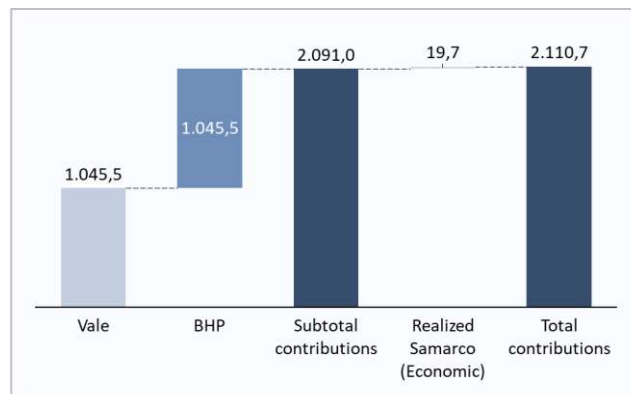


Chart 5 – Contributions to Renova and realized Samarco – R\$ million

Contributions to compensation programs (clause 232)

Contributions to compensation programs, pursuant to clause 232, which provides for annual installments of R\$ 240 million, were made in the last quarter of 2018, duly adjusted by the IPCA, as shown below.

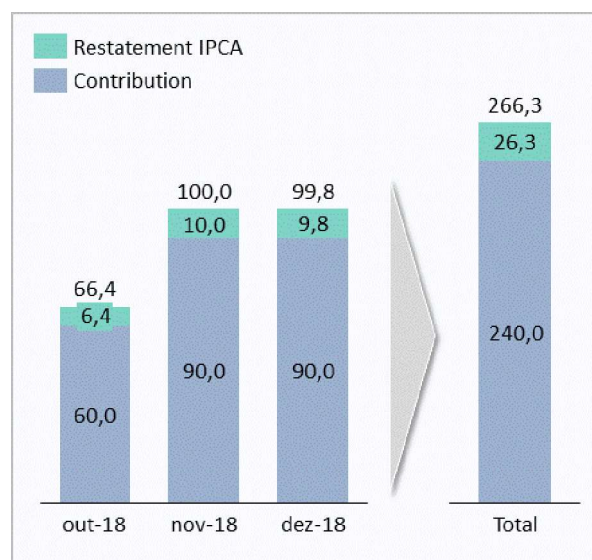


Chart 6 – Contributions to compensation programs – R\$ million

Statement of fulfillment of total allocation of 2018

To sum up the 2018 contributions to the Renova Foundation, the following were considered:

- resources of the sponsors transferred directly through bank deposits;
- expenditures accounted for by the sponsors Samarco and Vale for compliance with actions of the TTAC programs.

Below is a breakdown of the allocation of the amounts contributed by the sponsors to the Foundation, totaling R\$ 2,110.7 million, and the amounts realized in TTAC programs by Samarco.

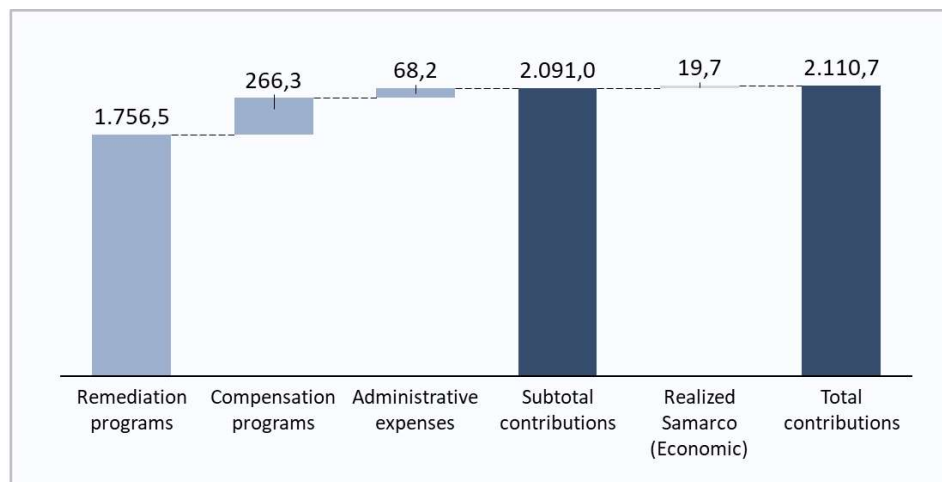


Chart 7 – Allocation of contributions in year – R\$ million

Proof of compliance with clauses 169 and 170

In order to comply with the Program for the Collection and Treatment of Sewage and Disposal of Solid Waste, of a compensatory nature, the amount of R\$ 250 million, according to items IV and V, clause 170, of the TTAC, was to be deposited to the Foundation, with R\$ 125 million in the first half of 2018 and R\$ 125 million in the second half.

According to clause 169 of the TTAC, the resources to be distributed and transferred to the municipalities were to be the responsibility of the Foundation, while the CIF would assess the projects submitted by the municipalities and indicate the amounts to be passed along to them. In June 2017, however, the CIF issued Deliberation 75, which assigns to the Foundation the responsibility to provide training to municipalities, implement a technical support structure and hire a public financial institution to evaluate, approve and monitor the projects, with a subsequent transfer of resources.

This new situation, including the "Guidelines for the Transfer of Resources, Technical Support and Training for the Municipalities" led Fundação Renova to propose the alignment of the contributions with the multi-year schedule of implementation of the projects by the municipalities. Thus, the amount of R\$ 250 million foreseen for 2018 would be contributed in 2020, with the transfers up to that date being covered by the resources already provided. The CIF agreed with the postponement of the contributions to 2019, according to its Extraordinary Review 2 of June 29:

"Extraordinary review of the scope of the Program of collection and treatment of sewage and solid waste disposal to expand the list of items subject to financing in Clause 169, the definition of new deadlines for the contributions of the financial resources provided for in Clause 170 and the inclusion of guidelines for the transfer of financial resources to the municipalities, by the Renova Foundation, considering capacity building, technical support and transfer of resources by financial institutions".

Revision of the amounts outlined in clause 169

Item 3 of the same extraordinary review also foresees that the R\$ 500 million amount stated in clause 169 of the TTAC will be increased with the resources required to comply with the "Guidelines for the Transfer of Resources, Technical Support and Training to Municipalities," with these amounts being additional deductible amounts of the compensatory resources provided in clause 232 - equivalent to R\$ 3.6 billion.

"3) Based on the extraordinary revision provided for in Clause 204 of the TTAC, they approve the extraordinary revision of the SOCIO-ENVIRONMENTAL PROGRAM provided for in clause 169 of the TTAC, regarding the COMPENSATORY RESOURCES TO COMPLY WITH THE GUIDELINES FOR THE RESOURCE REVIEW OF THE PROGRAM OF COLLECTION AND TREATMENT OF SEWAGE AND OF SOLID WASTE DISPOSAL (PG31 - Sanitation and Solid Waste - according to the systematization and nomenclature of the Renova Foundation), that by virtue of this extraordinary revision, the Program of Collection and Treatment of Sewage and Disposal of Solid Waste as provided in Clause 169 of the TTAC , it will be added that the resources to comply with the guidelines for transfer of resources and, consequently, to cover the costs of financial institutions, training and technical support, as foreseen in the document 'Guidelines for Transfer of Resources, Technical Support and Training to Municipalities 'shall be deducted from the compensatory measures provided for in Clause 232."

The Renova Foundation estimated the resources needed to cover the expenses arising from the "Guidelines for the Transfer of Resources, Technical Support and Training to Municipalities" at R\$ 70 million. It is still preliminary and will be better detailed at the time of hiring and evolution of activities.

Item 4 of said Extraordinary Revision, in turn, extends to 2019 the deadlines set forth in clause 170 for the two 2018 deposits, as explained below:

"4) Based on the forecast of the extraordinary revision provided for in Clause 204 of the TTAC, they approve the extraordinary revision of the SOCIO-ENVIRONMENTAL PROGRAM provided for in Clause 170 of the TTAC, referring to the TANKS for the Program for Collection and Treatment of Sewage and Disposal of Solid Waste - according to systematization and nomenclature of the Renova Foundation), that by virtue of this extraordinary revision, the Program for Collection and Treatment of Sewage and Disposal of Solid Waste as provided in Clause 170 of the TTAC, the periods provided for in clause 170 subsections IV and V will be deferred respectively to the first half of 2019 and the second half of 2019 and the following guidelines:

FIRST: No deposits will be required to comply with the guidelines set forth in the document "Guidelines for Transfer of Resources, Technical Support and Training to Municipalities". The amounts shall be paid according to the schedule for the execution of the programs, based on clause 232.

SECOND: All contributions previously foreseen that occurred after June 2018 must be monetarily restated by the IPCA variation between the date of signature of the TTAC and actual transfer of resources."

Accumulated amounts

The accumulated investments in the programs total R\$ 5,262.6 million up to 2018, of which R\$ 3,544.6 million came from the Renova Foundation and R\$ 1,718 million from Samarco.

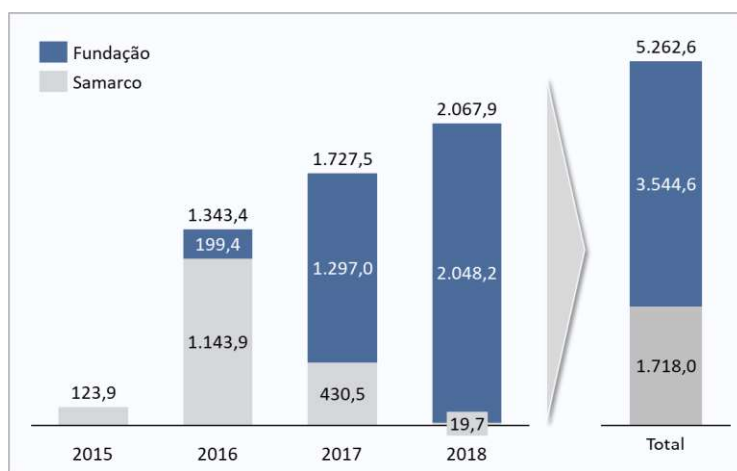


Chart 8 – Annual and accrued economic flow – R\$ million

The control of contributions also takes into account the amounts realized by Samarco related to the costs of the programs, totaling R\$ 1,718 million in the period up to 2018, generating a total of R\$ 5,800.9 million in contributions.

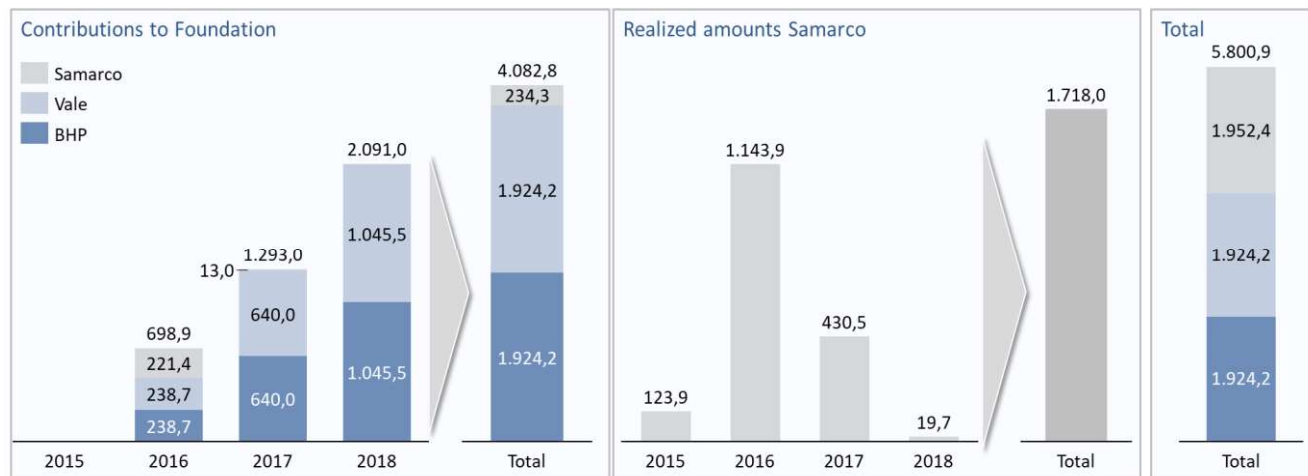


Chart 9 – Annual and accrued contributions – R\$ million

In addition to the contributions made to the Renova Foundation (R\$ 4,082.8 million) and the amounts provided by Samarco to execute programs and projects (R\$ 1,718 million), the amounts blocked by Public Civil Action 0400.15.004335-6 (ACP Mariana) are part of the accumulated contribution control.

The current blocked balance is R\$ 267.8 million, which, together with the R\$ 5,800.9 contributed, totals R\$ 6,068.7 million of accumulated contributions. From ACP Mariana, R\$ 32.2 million were unblocked up to December 2018 from an initially blocked amount of R\$ 300 million.

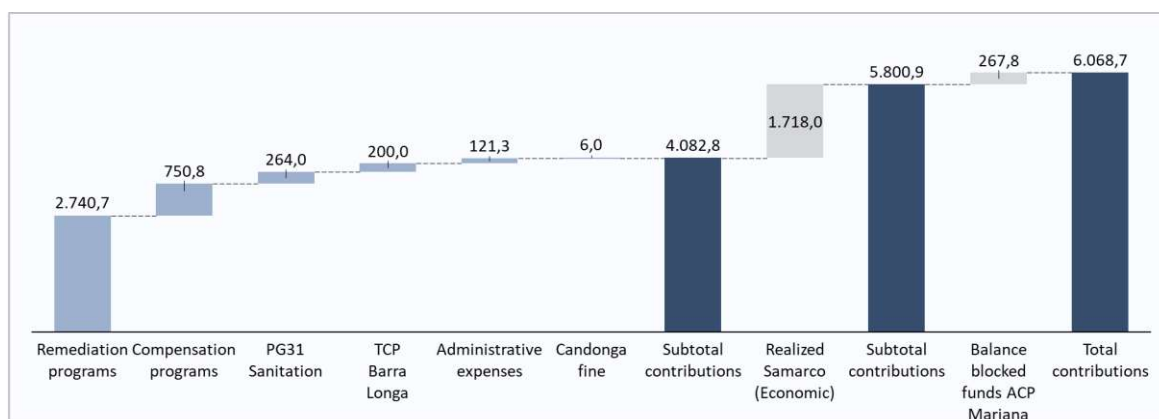


Chart 10 – Allocation accrued contributions – R\$ million

Economic performance of the programs

To allow for proper planning and correct allocation of costs, each program has a specific account, whose values accumulated through December 2018 are shown below.

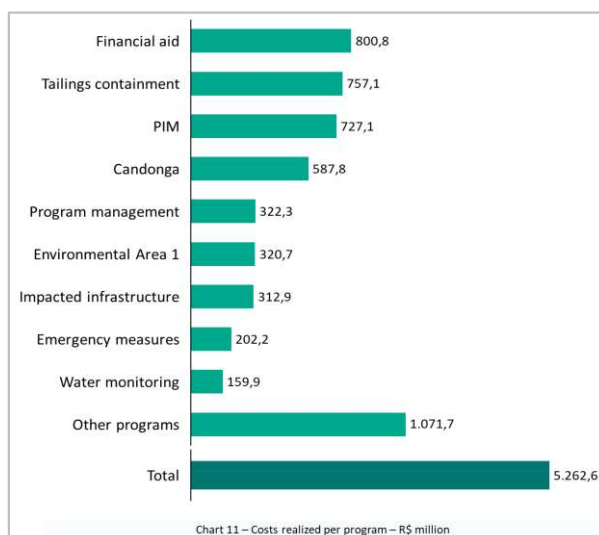


Chart 11 – Costs realized per program – R\$ million

Chart 12 shows the costs realized in the programs of each one of the thematic axes adopted by Fundação Renova.

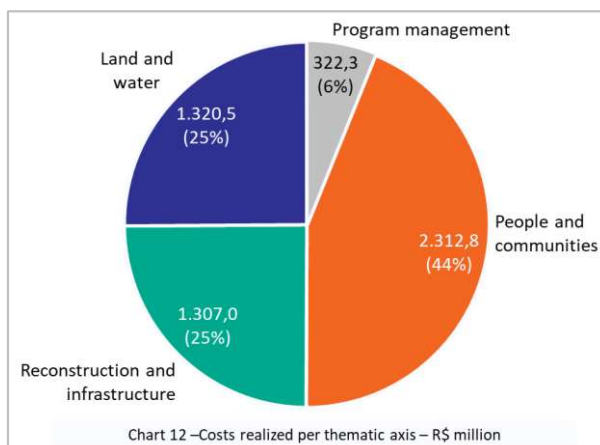
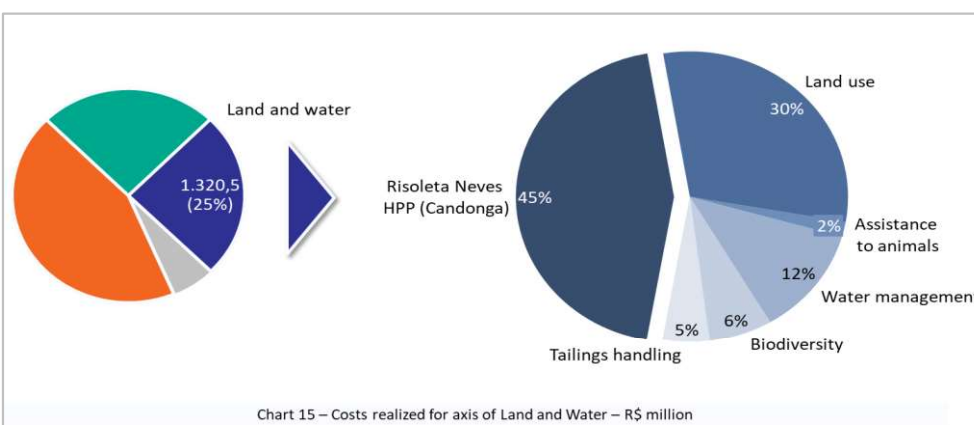
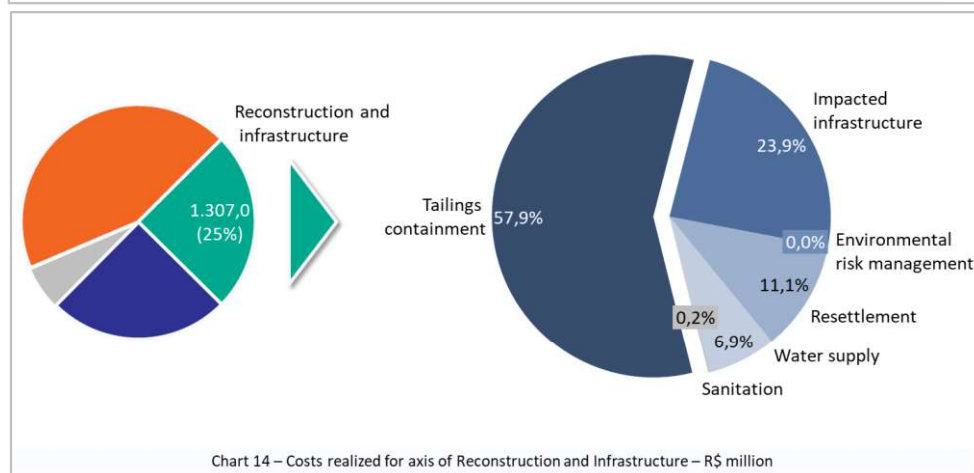
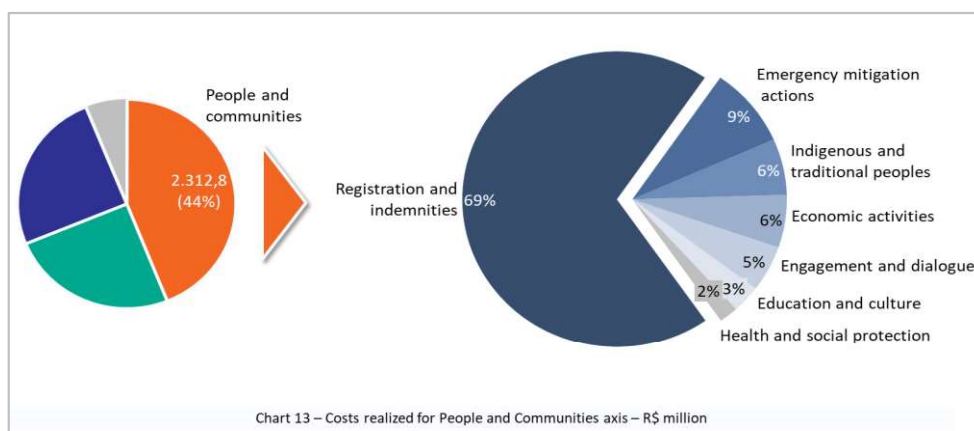


Chart 12 – Costs realized per thematic axis – R\$ million

Within each thematic axis, one can visualize below the participation of the various programs in the realized costs.



Summary

Since December 2015, R\$ 5.26 billion have been invested in actions related to socio-economic and socio-environmental impacts resulting from the failure of the Fundão dam, of which R\$ 4.84 billion in remediation actions and R\$ 0.42 billion in compensation actions.

The resources invested in the programs in 2018 totaled R\$ 2.07 billion.

The sponsors deposited directly to the Renova Foundation the total of R\$ 4.08 billion, of which R\$ 1.99 billion up to 2017 and R\$ 2.09 billion in 2018.

R\$ 27.4 million of ISS (service tax revenue) were generated for the municipalities in 2018 and R\$ 95.5 million in total so far, considering the services performed under the responsibility of Samarco and the Renova Foundation.

The indemnities paid for AD (water damage) and DG (general damages) reached approximately R\$ 606 million, which, added to the R\$ 722 million paid out by the financial aid program, increased to R\$ 1.32 billion the total disbursed with indemnities, of which R\$ 596 million occurred in 2018.

The distribution of resources reflects the materiality and complexity of the programs, affects and determines the creation of value, and provides input for decisions related to future investments.

There is symmetry in the information available, especially financial information.

Below are the financial statements in compliance with the accounting practices adopted in Brazil.

STATEMENT OF ASSETS AND LIABILITIES

At 31 December 2018

In thousands of Reais

ASSETS

Current	Note	2018	2017
Cash and cash equivalent	3	23.017	56.102
Restricted financial investments	3	743.775	622.908
Accounts receivable - sponsors	19	69.050	-
Taxes recoverable	4	195	2.246
Prepaid expenses - insurance		592	1.396
Prepayment partnerships and agreements	5	35.117	-
Other assets	6	8.268	1.203
Total current assets		880.014	683.855

Non-current

Assets under construction assigned as donations	7	89.277	23.337
Amounts receivable - <i>Fundo Desenvolve Rio Doce</i>	8	42.949	40.260
Judicial deposits	15	69	3
Property and equipment	9	14.978	7.729
Intangible	9	2.875	1.114
Total non-current assets		150.148	72.443
TOTAL ASSETS		1.030.162	756.298

LIABILITIES

Current	Note	2018	2017
Trade payable	10	93.943	69.011
Payroll and social contributions	11	7.822	4.948
Taxes payable	12	87.046	8.179
Miscellaneous provisions	13	155.186	104.925
Socio-economic and socio-environmental obligations	14	375.983	223.563
Contributed administrative expenses to be allocated	19	13.037	11.679
Other liabilities		36	40
Total current liabilities		733.053	422.345

Non-current

Socio-environmental and socio-economic obligations	14	293.394	299.210
Contingencies	15	162	-
Total liabilities		1.026.609	721.555

Net equity

Equity	16	3.961.523	1.938.711
Transfer to account for socio-environmental and socio-economic obligations	16	(3.961.523)	(1.938.711)
Accumulated surplus		-	1.635
Surplus for the year		3.553	33.108
Total net equity		3.553	34.743
TOTAL LIABILITY AND NET EQUITY		1.030.162	756.298

Management's explanatory notes are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME**Year ending 31 December 2018****In thousands of Reais**

	Note	2018	2017
Income			
Operating income - funding	17	1.946.564	1.237.382
Income from contributions	17	135.893	36.509
Income from volunteer services	17	2.302	32.932
Total income		2.084.759	1.306.823
Operating expenses			
Programs	18	(1.946.564)	(1.237.382)
General and administrative	19	(113.204)	(36.577)
Volunteer services	19	(2.302)	(32.932)
Total operating expenses		(2.062.070)	(1.306.891)
Operating Surplus (deficit) before financial result		22.689	(68)
Financial result			
Financial income	20	13.677	33.625
Financial expenses	20	(9.490)	(447)
Net foreign exchange losses		(64)	(2)
Profit before income tax and payroll taxes		26.812	33.108
Income tax and social contribution		(23.259)	-
Surplus for the year		3.553	33.108

Management's explanatory notes are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ending 31 December 2018

In thousands of Reais

	2018	2017
Surplus in year	3.553	33.108
Total comprehensive income in year	3.553	33.108

Management's explanatory notes are an integral part of the financial statements.

STATEMENT OF CASH FLOW

Year ending at 31 December 2018

In thousands of Reais

	Note	Equity	Transfer	Accumulated surplus	Total
Balance at 1 January 2017		693.950	(693.950)	1.635	1.635
Sponsor contributions		1.244.761	-	-	1.244.761
Transfer to socio-environmental and socio-economic obligations account	16	-	(1.244.761)	-	(1.244.761)
Surplus for the period		-	-	33.108	33.108
Balance at 31 December 2017		1.938.711	(1.938.711)	34.743	34.743
Allocation by sponsors	16	2.022.812	-	-	2.022.812
Transfer to socio-environmental and socio-economic obligations account	16	-	(2.022.812)	(34.743)	(2.057.555)
Surplus for the year		-	-	3.553	3.553
Balance at 31 December 2018		3.961.523	(3.961.523)	3.553	3.553

Management's explanatory notes are an integral part of the financial statements.

**Notes to the financial statements at
31 December 2018**

(In thousands of Reais R\$ unless otherwise stated)

	Note	2018	2017
Surplus for the year		3.553	33.108
Adjustment to reconcile surplus for the year with cash from operating activities:			
Depreciation and amortization	9	3.421	7
Update of socio-environmental and socio-economic obligations	14	25.598	15.571
		32.572	48.686
(Increase) decrease in operating assets:			
Accounts receivable - Fundo Desenvolve Rio Doce	8	(2.690)	(40.260)
Accounts receivable - sponsor	19	(69.050)	-
Judicial deposits		(66)	(3)
Taxes recoverable	4	2.051	(1.393)
Prepayments partnerships and agreements	5	(35.117)	-
Other assets	6	(6.261)	(2.599)
Increase (decrease) in operating liabilities:			
Trade accounts payable	10	24.932	21.265
Payroll, provisions and social contributions	11	2.874	4.340
Taxes payable	12	78.867	4.340
Provision for other liabilities	13	50.424	84.936
Socio-environmental and socio-economic obligations	14	86.263	7.642
Contributed administrative expenses to allocate	19	1.358	11.679
Other liabilities		(4)	39
Net cash provided by operations		166.153	138.672
Cash flow from investing activities			
Assets under construction assigned as donations	7	(65.940)	(18.315)
Acquisition of property and equipment and intangible assets	9	(12.431)	(8.812)
Restricted financial investments	3	(120.867)	(342.676)
Net cash used in investing activities		(199.238)	(369.803)
Net decrease in cash and cash equivalents		(33.085)	(231.131)
Cash and cash equivalents at beginning of year	3	56.102	287.233
Cash and cash equivalents at end of year	3	23.017	56.102
		33.085	231.131

Management's explanatory notes are an integral part of the financial statements.

1. Operational context

The Renova Foundation ("Foundation" or "Entity") is a non-profit private legal entity incorporated on June 24, 2016 and established in the city of Belo Horizonte, MG, with headquarters on Getúlio Vargas Avenue 671, 4th floor. The Renova Foundation was formed and is maintained by Samarco Mineração S.A. (Samarco) - as Main Sponsor - Vale S.A. (Vale) and BHP Billiton Brasil Ltda. (jointly the Sponsors), who are responsible for providing the resources needed to carry out the Foundation's activities.

The Foundation is governed pursuant to its by-laws and applicable legislation. Its sole objective is the management and implementation of the measures specified in the socio-economic and socio-environmental programs, including the promotion of social assistance to the population impacted as a result of the failure of the Fundão dam on Samarco property, as detailed in the Term of Transaction and Adjustment of Conduct (TTAC or Framework Agreement) signed on March 2, 2016 between Samarco, Vale, BHP Billiton Brasil on the one hand, and several government entities on the other.

The Foundation has the following registration and incorporation papers:

- Public deed of institution registered at the Notary Public Office No. 2 of the district of Belo Horizonte, book 2800N, pages 052 and 053, on June 29, 2016;
- By-laws registered at the Notary Public Office of Legal Entities in the district of Belo Horizonte under No. 138160 on July 5, 2016;
- Federal Register of Legal Entities under CNPJ No. 25.135.507/0001-83.

The Board of Trustees authorized the issuance of these financial statements on April 17, 2019. The Fiscal Council issued its favorable opinion on April 8, 2019.

2. Presentation of the financial statements and significant accounting policies

The main accounting policies applied in the preparation of these financial statements are described below.

2.1 Statement of compliance and basis of preparation

The financial statements were prepared in accordance with accounting practices adopted in Brazil, including the provisions of Resolution No. 1,409 / 12 of the Federal Accounting Council, which approved the Technical Interpretation "Entities without Purpose of Profit - ITG 2002 (R1)" and the pronouncements issued by the Accounting Pronouncements Committee ("CPC") approved by the Federal Accounting Council - CFC,

and evidence all relevant information specific to the financial statements, and only these, which are consistent with those used by management in its administration.

The preparation of the financial statements requires the Foundation's Management to make judgments in the determination and recording of accounting estimates. The Foundation reviews the estimates and assumptions at least annually. Those areas that require a higher level of judgment and are more complex, as well as the areas in which the assumptions and estimates are significant for the financial statements, are disclosed in Note 2.2.

Changes in accounting policies and disclosures

New or revised pronouncements applied for the first time in 2018

On January 1, 2018, CPC 48 - Financial Instruments and CPC 47 - Income from Contracts with Clients came into effect.

(i) CPC 48 - Financial Instruments

CPC 48 replaced the existing guidelines in CPC 38 Financial Instruments: Recognition and Measurement. CPC 48 included new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard has maintained existing guidelines on the recognition and derecognition of financial instruments.

Upon adoption, the classification mirrors the business model whereby a financial asset is managed by its contractual cash flows.

The new standard kept part of the requirements of the previous standard for the classification of financial liabilities. Substantial changes in the fair value classification are presented below:

- the portion of the change in fair value that is attributable to changes in the liability credit risk is presented in other comprehensive income; and
- the remaining portion of the change in fair value is presented in the statement of surplus.

The Foundation's Management evaluated the impacts of adopting CPC 48 in its operations and did not identify significant impacts. The classification of financial instruments according to the new standard is shown in Note 2.5 - Financial instruments by category.

(ii) CPC 47 - Income from contracts with clients

CPC 47 has introduced a comprehensive framework to determine if and when a revenue is recognized and how it is measured. CPC 47 replaced current standards for revenue recognition, including CPC 30 Revenue, CPC 17 Construction Contracts and the corresponding interpretations.

The Foundation's Management analyzed its operations based on the five-step model defined by this new standard and has not identified significant impacts.

Pronouncements issued which were not yet in effect at 31 December 2018

(i) CPC 06 (R2) - Lease Operations

CPC06 (R2) introduces a single model for the accounting of leases in the balance sheet for lessees. A lessee recognizes a right of use asset that represents its right to use the leased asset and a lease liability that represents an obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor's accounting is similar to the current standard, that is, lessors continue to classify leases as financial or operating.

CPC06 (R2) replaces existing lease standards, including CPC 06 Leasing Operations and ICPC 03 Complementary Aspects of Leasing Operations. The Standard is effective for annual periods beginning on or after January 1, 2019. Management has reviewed all lease agreements and expects no impact upon the adoption of this new standard in its financial statements.

2.2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise its judgment in the application of the Company's accounting policies which affect the amounts reported for assets, liabilities and expenses.

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

Based on assumptions, the Foundation makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the respective actual results. The estimates and assumptions that have a significant risk with likelihood of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

2.1.1. Provisions for civil, tax and labor risks

The Foundation recognizes provisions for civil, labor and tax claims. The assessment of likelihood of loss includes the available proof, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the assessment of internal and external counsel.

Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable limitation period, findings of tax inspections or additional exposures identified based on new matters or court decisions.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the inaccuracies inherent in the determination process. The Foundation reviews its estimates and assumptions on a monthly basis.

The recording of provisions occurs when the amount of the loss can be reasonably estimated (Note 15).

2.1.2. Miscellaneous provisions

The Foundation contracts significant third-party services to carry out its activities. When the services have already been provided but not billed, management, based on its internal controls and measurements, records a provision for the recognition of these obligations in the accrual period.

2.1.3. Provision for doubtful debts

The Foundation revises the amounts receivable with a view to identifying indicators of losses to establish a provision for doubtful accounts when necessary. The accounting policy to establish the provision requires the individual analysis of the credits considering their maturity dates.

2.3 Functional currency and presentation currency

The financial statements are presented in Brazilian Real/ Reais, which is the functional currency and the main economic environment in which the Foundation operates, generates and consumes cash, and is also its presentation currency.

2.4 Cash and cash equivalents

These include the balances of cash, bank deposits and investments with immediate liquidity with original maturities equal to or less than 90 days and involve insignificant risks of change in fair value.

2.5 Non-derivative financial instruments

2.5.1. Non-derivative financial assets

The Entity recognizes receivables and deposits initially as of the date on which they originated.

All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the trade date, which is the date on which the Entity becomes a party to the contractual provisions of the instrument.

The Entity classifies the non-derivative financial assets into the following categories: financial assets recorded at fair value through profit or loss and loans and receivables.

2.5.1.1. Financial assets reported at fair value through profit/loss

A financial asset is classified as measured at fair value through profit or loss if it is classified as held for trading, that is, designated as such at the time of initial recognition. Financial assets are designated at fair value through profit or loss if it manages such investments and makes purchase and sale decisions based on their fair values in accordance with the risk management and investment strategy documented by the Entity. Transaction costs are recognized in profit or loss as they are incurred. Financial assets recorded at fair value through profit or loss are measured at fair value and changes in the fair value of these assets are recognized in income for the year.

2.5.1.2. Loans and receivables

Loans and receivables are financial assets with fixed or calculable payments that are not quoted in the active market. Such assets are initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

Loans and receivables include accounts receivable, receivables from the Rio Doce Development Fund and other receivables.

2.5.2 Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value recognized in profit or loss) are recognized initially on the trade date on which the Entity becomes a party to the contractual provisions of the instrument. The Entity writes off a financial liability when contractual obligations are withdrawn, canceled or expired.

The Entity classifies non-derivative financial liabilities in the category of other financial liabilities. Such financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Foundation has the following non-derivative financial liabilities: accounts payable to suppliers and other accounts payable.

2.5.2.1 Trade and other accounts payable

The accounts payable to suppliers and other accounts payable are obligations to pay for goods and services that were acquired in the normal course of its statutory activities, and are classified as current liabilities if the payment is due in the normal course, for up to 12 months. After this period, they are presented in noncurrent liabilities. The amounts are initially recognized at fair value and subsequently, if necessary, measured at amortized cost using the effective interest rate method (Note 10).

2.5.3 Loss due to impairment

A financial asset not measured at fair value through profit or loss is valued at each reporting date to determine whether there is objective proof that there has been a loss in its recoverable amount. An asset may have a recoverable value loss if objective proof indicates that a loss event occurred after the initial recognition of the asset and that the loss event had a negative effect on projected future cash flows that can be reliably estimated.

2.6 Non-current assets allocated for donation

The assets are classified as assets intended for donation, when the Foundation is committed to a program that has a procurement plan for construction of assets (or series of assets) for which donation is considered highly probable. These assets are assessed at acquisition, formation or construction cost.

2.7 Property and equipment and intangible assets

Property and equipment and intangible assets are recorded at cost of acquisition, donation, formation or construction.

Depreciation and amortization commences as from the date the assets are installed and available for use.

Depreciation and amortization are calculated based on the straight-line method, considering their costs and their residual values over the estimated useful life, according to the rates detailed below:

Class	Useful life	Depreciation rate
Improvements to third party property	Variable	Contractual term, max. 3 years.
Machinery and equipment	10 years	10% p.a.
Furniture and fixtures	10 years	10% p.a.
Data processing equipment	5 years	20% p.a.
Systems - Software	5 years	20% p.a.

2.8 Trade payables

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

They are initially recognized at the value of the corresponding invoice or contract.

2.9 Taxes payable

2.9.1 Income tax and CSLL

Income and social contribution taxes are calculated as per legislation in force. This process usually involves complex estimates to determine taxable profit. Management periodically evaluates the positions assumed by the Entity in the income tax returns in relation to situations in which the applicable tax regulations give rise to interpretations. It establishes provisions, where appropriate, based on the amounts to be paid to the tax authorities.

2.10 Employee benefits

The Foundation provides benefits that include life insurance, private pension plan and health care plan to its employees and their dependents, which are recorded on the accrual basis and are discontinued in the event the employee leaves the Foundation.

2.11 Net equity

Formed by funding from its founding sponsors, as established in the public deed of constitution of the Foundation, plus or minus the surplus or deficit calculated in each year.

2.12 Calculation of surplus (deficit)

The result is determined by the accrual basis of accounting and includes income and expenses, as well as income, charges and indexation or exchange variations, at official rates or indexes, levied on current and noncurrent assets and liabilities.

a) Recognition of income from contributions

The contributions made by the sponsors to cover administrative expenses are recognized initially in liabilities upon receipt and are subsequently recorded as income when the corresponding expenses occur.

b) Recognition of income and expenses related to volunteer work

The services provided by the sponsors/funding companies, the Board of Trustees, the Advisory Council and the Audit Committee were recognized when effectively rendered, and when required by the technical interpretation of "Not for profit entities"- ITG 2002 (R1).

The amounts were measured at their fair value and reported as if a disbursement had occurred - in other words, incoming and outgoing financial resources.

These amounts were reported as revenue and expense in the same amount without generating a change in the surplus/deficit of the period/year or net equity.

c) Finance income and costs

Financial revenues include interest income on financial investments measured at fair value.

Financial expenses include delinquent interest penalties, IOF (tax on financial transactions) and bank charges.

Exchange gains and losses are reported on a net basis.

3. Cash and cash equivalents and restricted short-term investments

The amounts received by the Renova Foundation from its sponsors (BHP Billiton Brasil Ltda., Vale and Samarco) and not immediately used in the remediation and compensation actions were invested with highly-rated-rate Brazilian financial institutions in fixed income products, such as funds, CDB's, committed, LAM, considering the level of low risk classification, with daily liquidity, using as a benchmark the CDI interest rate. These financial investments are recorded at fair value, and periodically updated as reported by financial institutions.

a) Cash and cash equivalents

	2018	2017
Cash and bank deposits		
In Brazil	79	49
Financial investments		
In Brazil	22.938	56.053
	23.017	56.102

The cash balance will be applied to remediation programs and for the maintenance of Fundação Renova (administrative expenses).

b) Restricted short-term investments

Part of the resources provided by the sponsors are earmarked and therefore are separately managed.

	NOTE	2018	2017
Compensation programs - clause 232 TTAC	(i)	347.536	187.887
Sanitation and solid waste programs - PG31	(ii)	290.677	267.816
"TCP-Barra Longa" Reserve	(iii)	105.562	161.412
Compensation action program - penalty Candonga	(iv)	-	5.793
Total		743.775	622.908

i. The funds received for compensation projects, provided for in clause 232 of the TTAC, are managed in a separate bank account. In 2018, a further R\$ 240,000 (2017 - R\$ 240,000) was received and during the year R\$ 106,633 (2017 - R\$ 295,300) was applied / disbursed, resulting in an unused balance at the end of the year of R\$ 347,536. The contributions and amounts not invested are adjusted by the IPCA inflation index up to December 2018.

ii. In a separate bank account, R\$ 290,677 (2017 - R\$ 267,816) is allocated basic sanitation plans, development of sanitary sewage system projects, implementation of collection and treatment works, eradication of garbage dumps and the implementation of regional sanitary landfills (TTAC wording), where such resources are supposed to be fully transferred to the municipalities indicated by the Interfederative Committee (CIF). These transfers started at the end of the second half of 2018.

iii. The Renova Foundation was appointed by the sponsors to manage the resources related to the "Barra Longa TCP Reserve", an agreement signed by Samarco, Vale and BHP Billiton Brasil Ltda. with the Public Prosecutor's Office to create a reserve of R\$ 200,000 for remediation for the population of Barra Longa and surrounding areas. The amount was deposited in 2017 as agreed and is in a specific bank account. The balance at the end of the year was R\$ 105,562, indexed to the IPCA, the surplus of the amounts invested in comparison with the IPCA were transferred to the financial investments account.

iv. In compliance with Resolution No. 80 of the CIF, item 4.1, on August 28, 2017, Samarco deposited R\$ 5,950 for a fine imposed for non-compliance with clauses of the TTAC related to the works for the resumption of operations of the Risoleta Neves HPP (Candonga). This amount was earmarked for additional compensatory actions in the municipalities of Rio Doce, Santa Cruz do Escalvado, Barra Longa and Mariana. The resources began to be applied in 2017 and throughout 2018, all amounts were duly delivered to the municipalities.

4. Taxes recoverable

		2018	2017
ISSQN recoverable	(a)	629	19
(-) Provision for losses	(a)	(515)	-
INSS recoverable on payroll		-	601
IRRF on financial investments and other		36	1.585
Other taxes recoverable		45	41
		195	2.246

a) ISSQN - Service Tax to be recovered - refers to amounts overpaid to the municipalities where Renova carries out remediation and compensation projects. In 2018, the Foundation revised the payment of this tax for the municipalities of Rio Doce and Santa Cruz do Escalvado, for the period from August 2016 to March 2018, due to services performed on the riverbed of the Rio Doce, which also is the boundary between the two municipalities. The result of this work generated refund requests from both locations in the total amount of R\$ 515,000. Considering that the receipt of such amounts depends on an administrative decision of the city administrations, the Entity constituted a provision for loss.

5. Prepayments, Partnering and Agreements

During 2018, the Renova Foundation transferred funds to other institutions, through partnership agreements, with the purpose of mutual assistance in the development of research activities, new technologies and execution of projects under the TTAC Programs. Such transfers were carried out according to the schedule of disbursements provided for in the agreement and by rendering accounts of the previous stage.

	2018	2017
Partnering for Monitoring of Aquatic Biodiversity - Espírito Santo	24.161	-
Partnering for Technical Assistance to the impacted population of Barra Longa and surrounding areas	5.775	-
Forestry Consultancy and Support for degraded areas	1.761	
Other partnerships	3.420	-
	35.117	-

6. Other assets

Composed mainly of advances to Brazilian suppliers to for the execution of large works and the provision of support services to management and supervision thereof, aiming at the implementation of the programs in the impacted areas.

	2018	2017
Prepayments to suppliers in Brazil	7.782	1.102
Other assets	486	101
	8.268	1.203

7. Assets under construction assigned as donations

From 2016, the Renova Foundation has been making investments in the program for reconstruction of Bento Rodrigues, Paracatu and Gesteira, as provided in the TTAC, investments were intensified in 2018 especially due to the beginning of the construction of the new district of Bento Rodrigues.

These expenses are classified as long-term assets, as the project is expected to be completed by 2021, the year in which all properties and public facilities in the new towns will be fully delivered to the respective owners and therefore recognized in the financial results of the Foundation.

The amounts included in this account are shown below:

		2018	2017
Civil works, surveying and soil boring tests	(a)	31.879	1.158
Real estate properties	(b)	22.352	14.181
Engineering design	(c)	17.763	4.204
Environmental studies and consultancy	(d)	9.350	1.583
Support, communication and dialogue	(e)	4.130	-
Management and other		3.803	2.211
		89.277	23.337

a) Involves expenses with the civil works, earthwork, boring and surveying services of the acquired lands.

b) Refers to the acquisition of land, property ownership legalization, and inspection for construction of housing and infrastructure of the community resettlement program.

c) Related to hiring engineering services, conceptual design and urban projects.

d) Consultancy and environmental studies necessary to support the project execution phase, as well as actions for environmental licensing and other measures.

e) Communication, publicity, events, as well as all support for the works (meals, transportation, vehicles, surveillance, IT, among others).

8. Amounts Receivable - Fundo Desenvolve Rio Doce

	2018	2017
Fundo Desenvolve Rio Doce MG	32.138	30.203
Fundo Desenvolve Rio Doce ES	10.811	10.057
	42.949	40.260

The Rio Doce Development Fund, launched in late 2017, in partnership with the Espírito Santo Development Bank (BANDES) and the Minas Gerais Development Bank (BDMG), offers credit lines to micro and small companies from 39 Brazilian municipalities, 35 in Minas Gerais and four in Espírito Santo, in compliance with item "A" of clause 130 of the TTAC.

An amount of R\$ 40,000 was provided to constitute this Fund. On December 31, 2018, the balance was R\$ 42,949, given the surplus condition of both Funds. Of this amount, R\$ 25,305 is available in the Fund's cash account and R\$ 17,644 was borrowed mostly for a period of 24 months with a grace period of six months. Since November 2017, the Fund has started receiving the amounts lent out.

Management evaluated the risk of loss of receivables as of 12/31/2018 as being not material.

The term of validity of the Fund is 10 years, and may be extended for an equal period. It is a reimbursable Fund for working capital financing with competitive interest rates below the market average and extended terms.

From its inception until December 31, 2018, 800 companies have benefited from it, of which 465 located in the State of Minas Gerais and 335 in the State of Espírito Santo, for the released amount of R\$ 22,529. The loans granted generated an estimated 3,151 jobs across various economic activities, mainly in commerce.

9. Property and equipment and intangible assets

The Renova Foundation started its activities in August 2016 in leased facilities, and carried out renovation in 2017 and 2018 in the offices located in Belo Horizonte, Mariana, Governador Valadares and Linhares. In addition, it purchased furniture, fixtures, computer equipment and systems, all essential to the execution of the administrative and operational functions of the Renova Foundation. The entity also acquired property, machinery and equipment, given the need to implement the programs provided for in TTAC.

a) Fixed assets

The table below shows the changes in assets:

	Balance in 2016	Additions	Depreciation and amortization	Balance in 2017	Additions	Depreciation and amortization	Balance in 2018
Improvements third party assets	-	3.221	(5)	3.216	869	(1.390)	2.695
Equipment and data processing	-	2.525	-	2.525	1.591	(584)	3.532
Machinery and equipment	-	242	-	242	5.903	(879)	5.266
Fixed assets in progress	38	1.086	-	1.124	286	-	1.410
Furniture and fixtures	-	624	(2)	622	466	(82)	1.006
Real estate	-	-	-	-	1.069	-	1.069
Total Fixed Assets	38	7.698	(7)	7.729	10.184	(2.935)	14.978

b) Intangible

	Balance in 2016	Additions	Depreciation and amortization	Balance in 2017	Additions	Depreciation and amortization	Balance in 2018
Software systems	-	1.114	-	1.114	2.254	(493)	2.875
Total Intangible	-	1.114	-	1.114	2.254	(493)	2.875

LOANED ASSETS FOR OWN USE

The Entity received in 2016, in the form of a loan for use from its sponsors Samarco and Vale, assets for the execution of its operational and administrative activities, which have remained in the Foundation until the present date, and are basically composed of furniture, fixtures, computer and telecommunications equipment.

In addition, in 2018 the Entity received the following real estate under a loan for use regime:

- Vale - Fazenda Mina da Alegria (registration 10.034) and Fazenda Fábrica Nova (registration 17.189);
- Samarco - Fazenda Asa Branca (registration 15.313 - area 95.93 ha);
- Grupo Aliança - land area (registration 1.553).

The reported amounts are the residual book values of these assets in the owner company books.

Considering the obligation of the Renova Foundation to return these items to the sponsors, at the end of the contracted period, the values of these assets are recorded as follows:

ITEMS ON LOAN FOR OWN USE	2018	2017
Data processing equipment	57	7
Furniture and fixtures	196	196
Real estate	2.027	-
Subtotal	2.280	203
ITEMS ON LOAN TO BE RETURNED TO OWNER		
Data processing equipment	(57)	(7)
Furniture and fixtures	(196)	(196)
Real estate	(2.027)	-
Subtotal	(2.280)	(203)

The Entity, considering the characteristic of its assets, believes there is no evidence of impairment for the registered assets.

10. Suppliers

The balance of Suppliers consists of amounts payable to service providers and acquisition of materials.

	2018	2017
Brazilian market	93.943	67.953
Foreign market	-	1.058
	93.943	69.011

11. Payrolls, provisions and payroll taxes

		2018	2017
Provision for vacation	(a)	6.699	4.031
FGTS payable	(b)	694	547
INSS of employees payable	(c)	275	276
Salaries payable	(d)	24	1
Other	(e)	130	93
		7.822	4.948

a) The vacation provision is constituted proportionally to the period worked considering legal determinations.

b) Monthly contribution of 8% of the salary of the employee, as the employer's obligation, as per current legislation.

c) Refers to the employee's contribution, withheld for transfer to the National Institute of Social Security (INSS).

d) The wages paid in 2018 by Renova were based on the payment within the accrual month. The fortnightly advance of 40% of the gross amount was also made on the 15th day of the month.

e) Composed principally of amounts payable, for group and permanent life insurance of the employees of the Entity.

12. Taxes payable

Upon preparing the financial statements for the year ended December 31, 2017, the Foundation believed it was entitled to tax immunity, provided for in article 150, item VI, letter "C" of the Federal Constitution / 1988 as well as exemption from social security contributions, provided for in article 195, paragraph 7 of the 1988 Constitution. Hence, it opted not to pay to that date.

This decision was based on the best information available to Management at the time regarding tax legislation. Fundação Renova has now formulated a consultation with the Brazilian Federal Revenue Office in 2017 on the subject, which was deemed ineffective on March 14, 2018. It has not been provided with the basis for the denial regarding the merit of the matter.

Throughout 2018, Renova continued to pursue the matter and seek a definitive position from the tax authorities to confirm its tax immunity. No information has been forthcoming. Accordingly, and as supported by the advice of a renowned tax lawyer, the Foundation revisited its position, mainly because it understands that its constitution occurred solely and exclusively to fulfill the obligations of the TTAC assumed by its sponsors. Based on this understanding, the Foundation no longer relies on the assumption that it would comply with the requirements of the applicable legislation and opted to abandon the quest for tax immunity. It has, however, opted to make use of its condition of exemption from COFINS on its own revenues and to pay the PIS contribution at the rate of 1% on the payroll, pursuant to article 13, VIII of MP 2.158-35.

Consequently, Renova revised its estimate of the levy of these taxes, treating the matter prospectively, pursuant to the terms of technical pronouncement CPC 23 - Accounting Policies, Change of Estimate and Error Rectification. Accordingly, the debts related to PIS, COFINS, income tax, social contribution, social security contributions and other taxes were recognized under Taxes payable (a), against the surplus for the year. The respective payment will be made as soon as the preparation of ancillary obligations is completed.

The balance of taxes payable is outlined below:

		2018	2017
Payroll taxes	(a)	40.636	-
IRPJ / CSLL	(a)	28.730	-
Taxes on financial income	(a)	6.656	-
ISS - withheld service tax	(b)	3.170	3.139
IRRF - withheld income tax	(b)	2.951	2.259
Withheld federal taxes	(c)	2.163	1.612
INSS - withheld from suppliers	(b)	2.018	1.169
ITR and ISS on remittances abroad	(a)	722	-
		87.046	8.179

- a) Amounts payable related to direct taxes arising from the operations of the Foundation.
- b) Taxes withheld from suppliers, generally service providers;
- c) Refers to withholding amounts of federal taxes PIS, COFINS and CSLL, in accordance with Law 13.137 / 2015 of June 19, 2015.

13. Miscellaneous provisions

The Entity acquires significant third-party services to carry out its activities. On December 31, some of its suppliers did not have all the elements required to issue their invoices related to services already rendered. The Entity has work fronts in several municipalities to negotiate indemnities and financial assistance (PIM - Mediated Indemnity Program and AFE - Emergency Financial Assistance) for damages caused to the people affected by the failure of the Fundão Dam, generating commitments of amounts payable. Accordingly, management. Based on its internal controls and measurements, management constituted a provision to meet the accruals principle. The detail of services is as below:

		2018	2017
Emergency financial aid - AFE	(a)	77.681	-
Reimbursement to city administrations	(b)	40.092	-
Infrastructure	(c)	11.689	-
Indemnity - PIM general damages	(d)	8.374	61.632
Indemnity - PIM water damages	(e)	5.710	35.952
Civil works	(f)	1.627	1.066
Other contracted services	(g)	10.013	6.275
		155.186	104.925

- a) Emergency financial assistance (AFE) - Provide emergency financial assistance to the affected population having suffered a reduction in income due to disruption of productive or economic activities as a result of the dam failure, until the reestablishment of conditions for resuming productive or economic activities. The provision refers to eligible beneficiaries, with agreements signed in the PIM, but not yet receiving the benefit from Renova.
- b) Reimbursement to municipalities - reimbursement of extraordinary expenses due to the failure of the Fundão Dam, agreed in the CIF, which were assumed by the Renova Foundation with the municipalities, according to the values described in the official letters and which were not paid due to the impasse in the wording of the settlement document.

- c) Earthworks, drainage, paving and complementary works related to the implementation of the Fazenda Floresta Project to dispose of tailings, recovery of access from the left bank to the Candonga HPP through interventions at points P2 and P3, and dredging of the reservoir of the Risoleta Neves Hydroelectric Power Plant (Candonga).
- d) Compensation - PIM General Damages: considers people who lost income or material assets such as vehicles, residential and commercial properties, rural properties, among others. In order to be compensated, they must have enrolled in the integrated register, in the impacted regions, and prove the damage suffered. The provision refers to agreements signed, but not yet settled.
- e) Compensation - PIM Water Damage: intended for all people living in cities / districts where the distribution of drinking water was suspended for more than 24 consecutive hours in November 2015. The provision refers to signed agreements, but not yet settled, in general, due to the need for court ratification.
- f) Civil works: services for construction and maintenance of fences on properties and roads, reconstruction of the properties and infrastructure of the Barra Longa region, asphalt paving, bioengineering for environmental recovery, bus services at the Risoleta Neves HPP, engineering and construction services of the football field, monitoring service and rent of radar, rockfill transportation and Intermediate dike and Main Sector 11.
- g) Other contracted services: other minor expenses, such as: consulting and miscellaneous studies, leasing of water tank trucks with driver for basic and potable water supply, leasing of equipment, legal advice, communication services, identification of areas for irrigation, cleaning of rural properties, assistance to animals, IT improvements - Software Licensing, insurance, fauna and water monitoring, consulting, engineering services, vehicle rental, environmental impact studies, among others.

14. Socio-environmental and socio-economic obligations

The socio-environmental and socio-economic obligations comprise the allocation received from the sponsors for the final TTAC program expenses. As soon as they are received, the appropriations are transferred to liabilities. The composition of the balance of these socio-environmental and socio-economic liabilities is detailed below:

	Balance in 2017	Contributions (Note 21)	New input (a)	Write-off (Note 17)	Transfer	Update Fundo Desenvolve Rio Doce (Note 8)	Update IPCA (Note 20)	Balance in 2018
Remediation programs	(115.358)	1.756.532	-	(1.807.726)	-	-	26	(166.526)
Remediation programs - Barra Longa	77.319	-	-	(65.263)	24.248	-	3.696	40.000
Compensation programs	203.109	266.280	-	(63.319)	-	2.689	7.595	416.354
Compensation programs - actions related to development of basic sewage plans	52.701	-	-	(1.636)	28.356	-	2.217	81.638
Compensation programs - Appeal against fine for HPP Candonga	5.792	-	-	(5.811)	-	-	19	-
Compensation programs - monitoring equipment for Doce river water	-	-	7.326	(2.809)	-	-	-	4.517
TOTAL CURRENT	223.563	2.022.812	7.326	(1.946.564)	52.604	2.689	13.553	375.983
Remediation programs - Barra Longa	84.094	-	-	-	(24.248)	-	3.453	63.299
Compensation programs - actions related to development of basic sewage plans	215.116	-	-	-	(28.356)	-	8.592	195.352
Income from previous years to be applied to programs	-	-	34.743	-	-	-	-	34.743
TOTAL NON-CURRENT	299.210	-	34.743	-	(52.604)	-	12.045	293.394
TOTAL OVERALL	522.773	2.022.812	42.069	(1.946.564)	-	2.689	25.598	669.377

In the Remediation Programs, Renova recorded expenditures in the period of R\$ 166,526 higher than the contributions made by the sponsors, mainly due to the constitution of provisions (Note 13). Socio-environmental and socio-economic obligations have been presented net of this entitlement.

a) Compensation Program - Water Monitoring Equipment of the Rio Doce, refers to a transfer of ownership of equipment used to monitor water from the Rio Doce from Samarco to Renova. The write-off occurs when the depreciation of the period is recognized. The Foundation is obliged to carry out the monitoring of the Rio Doce, as well as the maintenance of the equipment, until 2026.

15. Contingencies

The Renova Foundation is a party to lawsuits arising from the normal course of its operations, involving civil and labor issues, as well as collective actions that discuss terms and compliance with TTAC clauses. The actions highlighted with the probable possibility of loss refer to: (i) labor claims of own and outsourced employees, whose decisions rendered in the second instance are unfavorable to the Foundation; and (ii) civil actions that claim plaintiffs' inclusion in the financial emergency aid programs or mediated compensation. The Public Civil Action, for which the likelihood of loss considered as probable, relates to the conclusion of an agreement with the Public Prosecutor's Office and the Municipality of Mariana to review the health and social protection program in that city, in compliance with the CIF determination and as approved by the Board of Trustees. Management, based on the information and evaluations of its internal and external legal advisors, recorded provisions for contingencies considered as probable losses in the amount of R\$ 162, as shown in the table below:

Description	Balance in 2017	Additions	On costs	Total provision	Judicial deposits	Balance in 2018
Provision contingencies civil suits	-	20	1	21	-	21
Provision contingencies labor claims	-	129	12	141	(28)	113
Subtotal contingencies	-	149	13	162	(28)	134
Judicial deposits without provision	-	-	-	-	41	41

The following are the objects of the lawsuits and the value of the cases filed by the Plaintiffs, in the actions considered as probable loss, for which no provision was constituted, with accrual to December 31:

Notes to the financial statements at 31 December 2018

(In thousands of Reais R\$ unless otherwise stated)

Civil class suits brought against Fundação Renova:

Description	Status	2018	2017
<p><i>Case No. 0034197-49.2016.8.13.0400 - Public Civil Action filed by the Public Prosecutor of Minas Gerais (MPMG) against Samarco Mineração, Vale SA, BHP Brasil and Fundação Renova, in which it granted anticipatory relief on September 12, 2016, determining the suspension of legal transactions that had the object of buying and selling animals of those affected, obliging the defendants to refrain from conducting new business of the same nature with those affected, until a new judicial decision was issued.</i></p>	<p>On November 7, the judge suspended it for 120 days, from 10/27/2016, as requested by MPMG.</p> <p>On May 21, 2018, the MPMG stated that it required the meeting minutes to be brought to the case for an out-of-court settlement, stating that negotiations between the parties persisted regardless of the progress of the action. On 25 October 2018, the files were archived.</p> <p>The ACPs filed an obligation of specific performance by the Renova Foundation. Due to compliance with defined actions, there is no need to consider risk as of December 31, 2018</p>	660	581
<p><i>Case No. 5007288-91.2016.8.13.0105 - Public Civil Action filed by the Public Prosecutor's Office in Minas Gerais (MPMG) against the Renova Foundation requesting (i) a declaration of nullity of certain passages and clauses of the terms of release used in the Mediated Indemnity Program (PIM); (ii) guarantee that the PIM will pay – in Reais - R\$ 1,000 per affected person and R\$ 1,100 per vulnerable person, and (iii) imposition of a punitive fine for each agreement signed in disregard or violation of the above requests, in addition to R\$ 300 million in the event of interruption of indemnities at the minimum amounts requested.</i></p>	<p>On November 21, 2016, the injunction was granted to suspend certain parts of the terms of release. On December 7, 2016, a decision was handed down maintaining the preliminary decision and allowing the inclusion of the DPMG in the amicus curiae, The case is progressing and the probative phase should begin in the coming months. There is no set date for a final decision. The ACPs filed determine an obligation of specific performance by the Renova Foundation. Due to compliance with the defined actions, there is no need to consider risk as of December 31, 2018.</p>	392.381	346.366

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Description	Status	2018	2017
<p><i>Case No. 0038496-04.2016.8.08.0014 - Public Civil Action filed by the Public Prosecution Service of the State of Espírito Santo (MPES), with a proposal to: (i) declare nullity of certain passages and clauses of the period of release used in the Indemnity Program Mediated (PIM); (ii) guarantee that the PIM will pay at least in Reais R\$ 1,000 per affected person and R\$ 1,100 per vulnerable person, and (iii) imposition of a punitive fine for each agreement signed in non-compliance or repeated noncompliance with the requests above, in addition to R\$ 300 million in the event of interruption of indemnities at the minimum amounts requested.</i></p>	<p>On December 1, 2016, the injunction requested by MPES was denied. The case progresses and the probative phase should begin shortly. On 20 February 2017, the Foundation's objection was added. There is no set date for a final decision. The ACPs filed determine an obligation of specific performance by the Renova Foundation. Due to compliance with the defined actions, there is no need to consider risk as of 31 December 2018.</p>	390.301	343.335
<p><i>Case No. 0002564-83.2017.8.13.0400 - Public Civil Action filed by the Public Prosecution Office of the State of Minas Gerais against Samarco, Vale, BHP Brasil, Fundação Renova and Minas Gerais State (Detran-MG), requesting that Detran- MG refrain from charging the IPVA, License Fee and DPVAT in relation to the owners of the vehicles lost due to the accident or, alternatively, that these values be charged to Samarco. In relation to the other defendants, the MPMG requires that they prepare a report of the destroyed vehicles, adopt with the Detran-MG the necessary measures to write them off and assume the payment of any levies, taxes and incidental charges.</i></p>	<p>On June 19, 2017, a decision granting partial anticipatory relief was provided, determining that the State of Minas Gerais would refrain from charging any taxes or fees related to destroyed cars, retroactive to the day of the event. On July 28, 2017, a judgment was issued ratifying the agreement entered into between the parties in which: (i) the owners of the vehicles will sign a statement allowing Renova to dispose of the cars property and (ii) the State will cancel the registration of the vehicle. Requesting the suspension of the case.</p>	129	113

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(In thousands of Reais R\$ unless otherwise stated)

Description	Status	2018	2017
Case No. 1007135-34.2017.4.01.3800 (former No. 0011821-36.2017.4.02.5004) - Public Civil Action filed by Espírito Santo and the Federal Public Defender against Samarco Mineração SA, Renova Foundation and the Federal Government requesting a declaration of nullity of certain passages and clauses of the release term used in the Mediated Indemnity Program (PIM).	On September 19, 2017, the records were sent to the 12th Federal Court of Belo Horizonte, in view of the decision recognizing its jurisdiction over the case. On November 18, 2017 and November 27, 2017, the Federal Government and Samarco objections were attached to the archives. The ACPs filed determine an obligation of specific performance by the Renova Foundation. Due to compliance with the defined actions, there is no need to consider risks at 31 December 2018.	23.839	20.833
Case no. 0010423-03.2018.8.08.0030- It is a Public Civil Action proposed by PUBLIC DEFENSE OFFICE OF THE STATE OF ESPÍRITO SANTO and PUBLIC PROSECUTION OFFICE OF THE STATE OF ESPÍRITO SANTO against RENOVA FOUNDATION, Linhares / ES Municipality and Salvino Carneiro Dantas and in process before the Public Treasury Court of Linhares - ES with request of: (i) the defendant Salvino Carneiro Dantas and other relocated residents prevented from returning to their residence during the period from September 22 to September 30, 18; (ii) Municipality of Linhares send an ambulance and medical staff to the place, as well as social workers to support the defendant; (iii) it is determined that the Linhares Military Battalion will assist the enforcement of the preliminary injunction; (iv) the Renova Foundation is compelled to adopt all necessary measures jointly with the Municipality of Linhares.	On 18 October 2018, petition filed by defendant, Foundation Renova, requesting the acceptance of the preliminary claim of the defendant's inability to sue, lack of interest to act and loss of the object, as well as of flaw of the complaint brief. On November 6, 2018, the Renova Foundation filed an objection.	10	-
Case no. 1006500-53.2017.4.01.3800 - This is a Public Civil Action proposed by the PUBLIC DEFENSE OFFICE OF THE UNION and PUBLIC DEFENSE OFFICE OF THE STATE OF MINAS GERAIS against RENOVA FOUNDATION and in progress before the 12th Federal Court, with request of: (i) declaration of the broad, general and unrestricted discharge clause provided for in the Renova Foundation Mediated Indemnity Program (PIM); (ii) the obligation to consistently adopt a specific discharge clause in agreements signed under the PIM; (iii) declaration of nullity of all agreements entered into and (iv) compensation for collective or social moral damages and for individual damages.	On 13 July 2018, an order was published giving the Federal Public Prosecutor's Office access for knowledge and action, including possible connection with Public Civil Actions Nos. 23863-07.2016.4.01.3800, as well as their return by connection and suspension of the facts. On November 20, 2018, a decision was issued ordering the suspension of the proceeding until further judicial deliberation.	3.884	-

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(In thousands of Reais R\$ unless otherwise stated)

Description	Status	2018	2017
<i>Case no. 5001906-62.2018.8.13.0521 - This is a Public Civil Action brought by the Municipality of Barra Longa against RENOVA FOUNDATION and in process before the 2nd Civil Court of Ponte Nova, with the objective of receiving payment of extraordinary expenses.</i>	Order delivered setting a conciliatory hearing for 13 February 2019.	2.641	-
<i>These are 10 Public Civil Actions filed by the Municipalities of Governador Valadares, Mariana, Ponte Nova, Periquito, Raul Soares, Rio Doce, Santa Cruz do Escalvado, São Domingos do Prata, Tumiritinga, Aimorés with request for urgent relief with the objective of receiving payment of the amount due as extraordinary expenses.</i>	The following municipalities were paid by 4/4/2018: Aimorés, Rio Doce, Santa Cruz do Escalvado, São Domingos do Prata. In these cases, the claims are expected to be written off and filed. There has been no merit decision so far in the other cases.	21.448	-
<i>Public Civil Action No. 0000558-28.2018.8.08.0006 filed by the Community Association of Barra do Riacho against Samarco Mineração SA, Foundation, Synergia and Municipality of Aracruz, seeking and in process of obtaining from the Public Treasury Court of Aracruz / ES, in summary, the Conviction of the Respondents to (i) disclose information on prohibition of activities involving the use of the beach in the region, (ii) payment of indemnification for material damages to fishermen and boat owners due to the damages resulting from Accident, (iii) supply of a staple food basket to each impacted person, (iv) presentation of a recovery action plan for the community and (v) monitoring of water quality in the region.</i>	There has been no judgment of the merit so far.	1.362.817	-
		2.200.195	711.228

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(In thousands of Reais R\$ unless otherwise stated)



Individual civil actions filed against Fundação Renova:

Description	Status	2018	2017
<i>These are actions with similar objectives filed against the Renova Foundation, Samarco Mineração SA, BHP Brasil and Vale SA, in which the plaintiffs request indemnification for material damages and moral damages due to (i) interruption of the water supply to affected cities; (ii) non-payment of Emergency Financial Assistance; (iii) compensation for loss of goods or equipment; (iv) loss of profits; (v) non-receipt of the indemnity portion under the PIM - Mediated Indemnity Program.; (vi) indemnification for physical displacement or damages caused by the flooding of Lagoa Juparanã in Linhares.</i>	None of the cases had decisions up to December 31, 2018.	48.089	85
<i>Case no. 5007744-41.2016.8.13.0105 - Indemnification Action filed by SAAE - GV (Autonomous Water and Sewage Service) against Samarco, Vale, BHP Billiton Brasil Ltda. and Renova Foundation, requesting the refund of the amounts spent with water treatment, of the mud removed, in addition to the desilting and losses with the low collection, with request for anticipatory relief</i>	On February 16, 2017, the injunction was denied. It awaits the decision of the competent court to analyze the claim	41.067	36.251
<i>These are eight civil lawsuits filed by Attorneys Paulo Roberto Noleto and Rodrigo Samuel Moreira Henriques, charging attorneys' fees to the Renova Foundation because their clients have adhered to the PIM (argument of lost opportunity)</i>	Favorable judgments rendered to the Renova Foundation in First Instance. There was no appeal.	253	-
		89.408	36.336

Labor claims filed against Fundação Renova with a prognosis of possible loss:

Description	Status	2018	2017
There are 29 lawsuits with different objectives and claims, but always filed against a contracted service provider and against the Renova Foundation and / or Samarco Mineração SA, with joint or secondary liability. Only three cases refer to the Foundation's own employees. There are still three other administrative proceedings in progress and two public civil actions brought by the Labor Public Prosecution Office MPT.	None of the cases had been judged by 31 December 2018.	3.418	1.114

16. Net Equity

The Public Deed of Institution of the Renova Foundation describes that the allocation of assets, referred to in Article 62 of the Civil Code, necessary to meet the purpose of the Renova Foundation (Note 1) will correspond to the sum of the installments of the cash allocation up to 2018, as well as portions subsequently indicated by the Board of Trustees as necessary for the execution of the projects from 2019.

The sponsor contribution installments are initially recognized in Net Equity and transferred to the socio-environmental and socio-economic liabilities account, as any allocation received from the sponsors under the TTAC is earmarked for socio-economic and socio-environmental programs expenses. As the Renova Foundation uses the resources provided by the sponsors to cover these costs, they will be realized as revenue to offset program expenditures.

As defined in the TTAC, Samarco and its shareholders, Vale and BHP Billiton Brasil Ltda., provided funds to the Foundation through contributions, as shown below:

Contributions to Equity

Description	Balance 2016	Contribution	Balance 2017	Contribution	Balance 2018
Samarco Mineração S. A.	216.461	12.950	229.411	-	229.411
Vale S.A.	238.744	615.906	854.650	1.011.406 ¹	1.866.056
BHP Billiton Brasil Ltda.	238.744	615.906	854.650	1.011.406	1.866.056
Equity	693.949	1.244.762	1.938.711	2.022.812	3.961.523

¹ The Vale contribution includes expenses of R\$ 31,000 from August 2016 to March 2018 for assistance to the indigenous community, related to the program of protection and recovery of the quality of life of Indigenous Peoples, in compliance with clause 43 of the TTAC. For this period, although it is already carrying out the activities of the programs, the Renova Foundation has not been able to put into effect processes to assist the indigenous people. This amount of R\$ 31,000 was included as Vale's contribution to the Renova Foundation in December / 2018.

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(In thousands of Reais R\$ unless otherwise stated)

Contributions to income

Contribution for administrative expenses	4.928	48.188	53.116	68.200	121.316
Subtotal contributions	4.928	48.188	53.116	68.200	121.316
Total contributions	698.877	1.292.950	1.991.827	2.091.012	4.082.839

- To comply with the collection and treatment program for waste and solid waste disposal (program 31 of the TTAC), compensatory in nature, a contribution of R\$ 250,000 was allocated to the Foundation Renova, according to items IV and V of clause 170, being R\$ 125,000 in the first half of 2018 and R\$ 125,000 in the second half of 2018. Aiming to more effectively manage its resources, the Renova Foundation, from the cash balance of this program (Note 3b), suggested CIF a postpone contributions. This was accepted and the contribution was postponed to 2019 through the "extraordinary_extraordinary_2" revision issued by the CIF on June 29, 2018.

For subsequent years, the sponsors will provide the resources according to the stipulations in the public deed, as follows:

- From 2019 to 2021, the annual contributions to the Renova Foundation will be sufficient to cover forecast execution of remediation and compensation projects for each fiscal year, according to the TTAC. The annual reference values for these contributions will be from R\$ 800,000 to R\$ 1,600,000. From 2022 onwards. The values to be contributed by the Foundation will be based on the planning of the programs approved by the Foundation on the same date. The TTAC did not specify a minimum or maximum value in this period for the remediation programs.
- From the date of signing of the TTAC, the Foundation will allocate an annual amount of R\$ 240,000, over a period of 15 years, for the execution of compensation projects. These annual amounts are already included in the amounts of contributions reported for the first six years (2016-2021). Additionally, a contribution of R\$ 500,000 will be allocated to a program for the collection and treatment of sewage and solid waste disposal in the municipalities along the Rio Doce, in the years 2016, 2017 and 2018, in the amounts of R\$ 50,000, R\$ 200,000 and \$ 250,000 respectively.

The TTAC contributions registered in the Foundation plus the contributions made directly by the sponsors, is as below:

Description	Balance 2016	Contribution	Balance 2017	Contribution	Balance 2018
Contributions to Fundação Renova	698.877	1.292.950	1.991.827	2.091.012	4.082.839
Samarco Programs - TTAC	1.112.195	581.881	1.694.076	19.700	1.713.776
Public Civil Action - ACP Mariana	283.537		283.537		267.806
Total input	2.094.609	1.874.831	3.969.440	2.110.712	6.064.421

17. Income

The Entity's resources consist of the contributions made by its sponsors, as well as by volunteer services offered by the sponsors and the members of the Board. The amounts for 2018 are shown below:

		2018	2017
Operating income – input	(a)	1.946.564	1.237.382
Contribution income	(b)	135.893	36.509
Income from volunteer services - Members of the Board	(c)	1.399	1.197
Income from volunteer services - Seconded	(d)	602	22.087
Income from volunteer services - Shared	(e)	301	9.648
		2.084.759	1.306.823

a) Contribution received from the sponsors for application in the programs managed by the Renova Foundation.

b) Contributions received from the sponsors to defray administrative expenses.

c) Time, voluntary and free of charge, donated by councilors of the Foundation's three councils, namely: Curator Council, Fiscal Council and Advisory Council. The values of these services were calculated considering the hours dedicated by the directors during the year 2018, multiplied by the hourly rate of each one. This calculation resulted in 9,304 hours of dedication throughout 2018 by the counselors. As the Board of Trustees provided 2,920 hours (2017 - 1,530 hours and 2016 - 1,194 hours), the Fiscal Council 1,520 hours (2017 - 576 hours) and the Advisory Board dedicated 4,864 hours (2017 - 1,746 hours).

d) Refers to employees assigned by the sponsors - Samarco, Vale and BHP Billiton Brasil Ltda., in view of the continuity of several programs and the dissemination of knowledge of the sponsor to add to the processes of the Renova Foundation. The amounts recorded represent the sum of the salaries, charges and benefits of these employees, by each employee.

e) The shared services were executed exclusively by the main sponsor, Samarco, from 2016, and reflect the demand of each administrative area throughout 2017. Considering that during this period the Renova Foundation was still going through the process of structuring the areas and its staff, it was necessary to use the shared services of Samarco. The transfer of activities occurred gradually, in view of the complexities and particularities of the processes. In 2018, only the Supply and IT Management areas continued to be shared, finalizing the entire process of transition of activities to Renova in May 2018.

The amounts were recorded considering the cost amounts of the performance of such services ascertained by the sponsor, who in turn controlled all the expenses incurred for execution.

18. Operating expenses with programs

The Foundation's operating expenses for the programs refer to expenses incurred in the period for socio-economic and socio-environmental remediation and compensation programs as set forth in the TTAC. The table below show the expenses by group of measures and per program, at 31 December:

		2018	2017
Socio-environmental programs - remediation	(a)	569.807	296.538
Socio-economic programs - remediation	(a)	1.305.954	662.671
Socio-environmental programs - compensation	(b)	41.117	20.948
Socio-economic programs - compensation	(b)	29.686	257.225
		1.946.564	1.237.382

a) Programs - Remediation

These are actions to remediate and mitigate socio-environmental and socio-economic impacts caused by the dam failure.

Notes to the financial statements at 31 December 2018

(In thousands of Reais R\$ unless otherwise stated)

SOCIO-ENVIRONMENTAL PROGRAMS	2018	2017
Tailings management	59.767	3.323
Tailings containment/treatment of rivers affected	190.745	5.808
Reclamation of environmental area 1	34.015	93.176
Conservation of aquatic biodiversity	42.030	3.162
Conservation of land flora and fauna	10.500	7
Water supply systems	41.238	10.034
Environmental risk management	-	120
Environmental risk management	16.370	49.039
Program management	362	-
Tailings management	174.780	131.869
	569.807	296.538

SOCIO-ECONOMIC PROGRAMS	2018	2017
Emergency mitigation measures	8.354	30.625
Development of database of persons affected	25.731	26.464
Compensation and indemnification of persons affected	293.092	135.677
Protection of indigenous people	78.993	24.094
Protection of traditional communities	15.278	10.687
Social protection	2.192	737
Communication and dialogue	41.907	36.924
Animal assistance	4.442	3.768
Reconstruction of Bento, Paracatu and Gesteira	25.776	8.487
Rehabilitation of reservoir HPP Risoleta Neves	216.338	102.687
Recovery of impacted infrastructure	53.197	34.106
Renovation of schools	5.009	3.974
Preservation of historic measures	3.965	10.810
Support to tourism, culture and sports	4.425	3.742
Mental and physical health of people affected	9.695	13.237
Resumption of fishing activities	480	349
Resumption of farming/ranching activities	21.774	13.544
Recovery of micro and small businesses	1.387	338
Financial assistance to population affected	427.084	187.326
Refund of extraordinary expenses	66.835	15.095
	1.305.954	662.671

b) Programs - Compensation

These comprise measures and actions for compensation of non-mitigatable or irreparable impacts from the dam failure, by improving the socio-environmental and socio-economic conditions of the areas affected, when remediation is not possible or feasible under the programs.

SOCIO-ENVIRONMENTAL PROGRAMS	2018	2017
Containment of tailings and treatment of rivers affected	1.650	1.787
Reclamation of APP and erosion control	4.669	2.314
Recovery of springs	10.174	7.473
Screening structure for reintroduction of fauna	183	-
Sewage collection for treatment program	2.046	-
Water supply systems	7.135	657
Environmental education system	1.960	928
Preparation for environmental emergency	4.117	5.479
Information for population	1.853	642
National and international communication	1.661	586
Water inspection and monitoring	5.444	488
Support to implementation of environmental and rural inventories	225	594
	41.117	20.948

SOCIO-ECONOMIC PROGRAMS	2018	2017
Rehabilitation HPP Risoleta Neves reservoir	5.818	234
Support to tourism, culture and sports	937	625
Remediation research and technologies	385	21
Diversification of regional economy	1.798	923
Stimulus to local hiring	2.745	1.050
Reimbursement of indemnity to impacted population	18.003	254.372
	29.686	257.225

19. Administrative / operating expenses

Expenses necessary to maintain the Foundation's operational activities not directly linked to the execution of the programs. Also included are volunteer service expenses received by the Entity and the resources for the CIF governance system.

Volunteer service is recognized at fair value of the service rendered irrespective if financial disbursement has not occurred, according to Accounting Standard ITG2002 of the Federal Accounting Council.

Governance system costs refer to the new governance system of the Renova Foundation, agreed in June 2018 and established through the Governance TAC, and comprise the travel expenses of the members of the (TCs), Interfederative Committee (CIF), meeting expenses of these groups and secretarial costs for the respective meetings.

The breakdown of administrative expenses is detailed below.

	Note	2018	2017
Payroll taxes	12	38.794	-
Own personnel		22.111	14.604
Contracted services		14.541	3.269
Legal consultancy		13.443	8.798
Other administrative expenses		10.056	-
Consultancy and studies		4.568	2.746
Travel		3.477	3.765
Other expenditures		2.315	3.388
Depreciation/amortization administrative assets	9	1.765	7
Resources for governance system		1.275	-
ITR and ISS remittances abroad	12	697	-
Insurance		162	-
		113.204	36.577
Volunteer services Members of the Board	17.c	1.399	1.197
Volunteer services seconded employees	17.d	602	22.087
Volunteer services shared	17.e	301	9.648
		2.302	32.932
		115.506	69.509

20. Financial results

The detailed financial results of the Foundation are shown below:

Financial income	Note	2018	2017
Earnings on investments		39.275	49.196
Financial accruals from socio-environmental and socio-economic obligations	(a)	(25.598)	(15.571)
		13.677	33.625

(a) The Foundation received resources to meet socio-environmental and socio-economic obligations (Note 14). However, these funds were not paid out within the same period of receipt and were therefore indexed to the IPCA, thus reducing the income earned in the respective financial investments.

Financial expenses	Note	2018	2017
Bank fees		155	21
Interest - financial accruals of taxes payable and others		4.036	25
COFINS levied on financial income	12(a)	3.833	-
IOF - tax on financial operations	12(a)	1.433	394
Other		33	7
		9.490	447

21. Funding by sponsors

The sponsors made the contributions - allocations and donations - in 2018. These contributions are for maintaining the continuity of the Renova Foundation and do not constitute liabilities of the Foundation vis-à-vis the sponsors, as regulated in the TTAC and (Note 16 - Equity).

	2018	2017
Samarco Mineração S.A.	-	12.950
Vale S.A.	1.045.506	640.000
BHP Billiton Brasil Ltda.	1.045.506	640.000
	2.091.012	1.292.950

22. Commitments

The Foundation has long-term contracts, among which are for audit services, civil works, supply and assembly of pipes, water monitoring and aquatic biodiversity, PIM, agricultural services, card supply, management and inspection, forest recovery.

	2018	2017
Less than one year	1.196.253	778.081
One to two years	221.572	222.201
Two to three years	54.503	70.235
Three to five years	4.288	10.362
More than five years	-	470
	1.476.616	1.081.349

23. Insurance coverage (not audited)

Given the scope of the Foundation's activities and the diversity of its operations, based on the guidelines of its management committees, the Foundation contracted General Civil Liability (third party assets) and D&O (Civil Liability for Directors) insurance and specific policies on Civil Liability and Engineering Risk for Axis 1 (Fundão Dam).

The General Civil Liability policy is valid for 18 months, started in November 2017, with an indemnity limit of R\$ 80,000.

The D O policy is valid for 12 months, starting in December 2017 with the maximum indemnity limit of R\$ 80,000. In December 2018, the policy was endorsed for an additional term of three months.

For the work of Axis 1 (dam reconstruction), the Civil Liability and Engineering Risks policy was contracted covering the entire construction period.

Also in force are personal accident insurance and life insurance policies for all employees of the Renova Foundation and insurance for the offices of Belo Horizonte, Governador Valadares and Linhares.

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