SAMARCO

FINANCIAL STATEMENTS

AT DECEMBER 31, 2017
AND INDEPENDENT AUDITOR'S REPORT

In connection with the release of the financial statements and accompanying explanatory notes of Samarco Mineração S.A. ("Samarco", the "Company", "we" and "our") for its fiscal year ending 31 December 2017, Samarco's management would like to provide some additional commentary.

After the breach of the Fundão tailings dam on November 5, 2015, our mining operations were suspended and Samarco has since been working to alleviate the impact on the communities affected and remediate the environmental damage to the Rio Doce river basin and surrounding areas.

Our remediation and compensation efforts have been channeled through Fundação Renova, an independent private foundation which started operating in August 2016, as part of the agreement signed in March 2016 among and between Samarco, its shareholders, Vale S.A. ("Vale") and BHP Billiton Brasil Ltda. ("BHP Billiton Brasil"), the Federal Government, the States of Minas Gerais and Espírito Santo, and several state and federal environmental agencies (the "Framework Agreement"). The Framework Agreement established 42 separate socio-economic and environmental remediation programs with Fundação Renova in charge of designing and implementing the programs under the supervision of regulatory agencies and authorities grouped in the Interfederative Committee. The terms of the Framework Agreement provide that Samarco is primarily responsible for providing the funding required under the Framework Agreement.

On June 25, 2018, Samarco, Vale and BHP Billiton Brasil, the public entities that signed the Framework Agreement, together with Federal and State Prosecutors, entered into a new agreement (the "Governance Agreement"). The Governance Agreement, among other things, (i) increases the participation of the people affected by the dam failure, (ii) settles the R$20 billion Public Civil Action, (iii) provides a formal declaration that the Framework Agreement remains valid for its signatory parties, (iv) establishes a process to renegotiate the programs outlined in the Framework Agreement, with the participation of the affected people, over two years to progress settlement of the R$155 billion Public Civil Action filed by Federal Prosecutors, and (v) suspends the R$ 155 billion Public Civil Action for the 24 month period of the programs' renegotiation (except the few claims already contemplated by the Governance Agreement, which should be extinguished).

As of June 30, 2018, over R$4 billion has been spent on the socio-economic and environmental remediation programs. Among other initiatives, monthly financial aid packages are being paid to support approximately 22,000 people, three villages will be rebuilt, over 40,000 hectares will be reforested and our remaining structures at the Germano Complex have been fortified.

As at December 31, 2017, Samarco has recognized provisions for future disbursements related to the obligations generated by the dam's failure in the aggregate amount of R$11.3 billion. The magnitude, full scope, timing and costs of the future remediation programs are subject to significant uncertainty as they depend on the conclusion of expert studies, the preparation of action plans, the renegotiation of programs with Federal Prosecutors and also the outcome of pending court cases. Please refer to Samarco's Financial Statement for further information.

From the suspension of operations in November 2015 until June 30, 2018, our Shareholders Vale and BHP Billiton Brasil have provided aggregated funding of R$5.3 billion, of which R$1.6 billion have supported Samarco's working capital needs and R$3.7 billion have supported remediation and compensation outlays under the Framework Agreement. Vale and BHP Billiton Brasil also announced on June 28, 2018 additional funding commitments in total of US$106 million (c. R$407 million) through to December 2018 to support Samarco's operations, subject to certain terms and conditions. Funding provided to Samarco by its Shareholders has been in the form of Shareholder loans.

We have also been actively working to obtain our environmental licenses to restart operations, which were revoked after the dam breach. In December 2017, we received from Sustainable Development Agency of Minas Gerais (Semad) the Preliminary and Installation Licenses (LP/LI) to use an existing mining pit (Alegria South) as a tailings disposal site. Preparing the Alegria South Pit as a site for future tailings disposal will require capital investment.

Since Samarco's short and medium term tailings storage capacity is limited, as part of the licensing application process, Samarco has proposed to the regulators to amend its tailing disposal process by introducing tailings filtration and slime thickening technologies. These processes are designed to reduce the volume of tailings that require storage by removing water from tailings, which can then be recycled into Samarco's mining operations. Implementing these technologies, if approved during the licensing process, will also require capital investment.

As of June 30, 2018, we estimated internally that using the above-noted filtration and thickening technologies, combined with our revised mining plan (which requires larger volumes of mine waste and tailings to be moved farther distances inside our Germano complex) may increase our operating cost per ton by an average of approximately 20% above 2015 levels which were approximately R$107 per ton in real terms, assuming full operating capacity. As of June 30, 2018, we also estimated internally that under our new mining plan capital expenditures might average approximately R$1.1 billion per year for the next 15 years to support the ramp up of our operations, preparation of the Alegria South pit, maintenance of our assets, implementation of filtration and slime thickening technologies, development of new tailings disposal sites and acquisition of the additional fleet to conduct our operations under the revised mining plan.

In addition to the license to use the Alegria South Pit as a tailings disposal site, to restart operations at our mining complex, Samarco will need a Corrective Operation License (LOC) to reinstate our environmental licenses. We filed the application for the LOC with Semad in September 2017. The granting of the LOC is subject to approvals from numerous individual municipalities and entities that form part of the environmental licensing process, including Gandarela Federal National park, UAIMII State park, Chico Mendes Institute for Biodiversity Conservation (ICMBio), State Institute of Historic and Artistic Heritage (IEPHA), Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) and Piranga and Piracicaba Watershed Committees.

In addition to the required authorizations, we believe that any restart must be safe, economically viable and have the support of the impacted communities. Further, resuming operations will require funding and an appropriate restructuring of our outstanding financial obligations.

As of June 30, 2018, we expected that when our operations restart, we will operate initially with only one concentrator (we have three concentrators in total) and would operate at approximately one third of what we expect to be our average production level when fully operational under our new mining plan of approximately 25 million tons of pellets per annum. We also expect that production might ramp up to approximately two thirds of our new lower production capacity after the filtration and slime thickening technologies are implemented and a second concentrator restarts, which we expected might occur approximately one year after restart of the first concentrator.

Resuming operations of our third concentrator will not only require approvals for new tailings disposal sites to be used after Alegria South Pit, but also capital investment, as this concentrator will have been idle for several years. As of June 30, 2018, we anticipated this might occur 3 to 4 years after the restart of our first concentrator, at which point we would expect to be fully operational under our new mining plan.

Based on current market forecasts for iron ore prices, macroeconomic assumptions, our forecasted production volumes and expenditures and other important factors, as of June 30, 2018, we expected to rebuild sufficient cash reserves from unlevered free cash flow in the same year that we restart our last concentrator.

We advise you that our expectations constitute forward looking statements that are only predictions and are not guarantees of future performance. Any such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the incident, operations and business environments of Samarco that may cause our actual results to be materially different from any future results, expressed or implied.

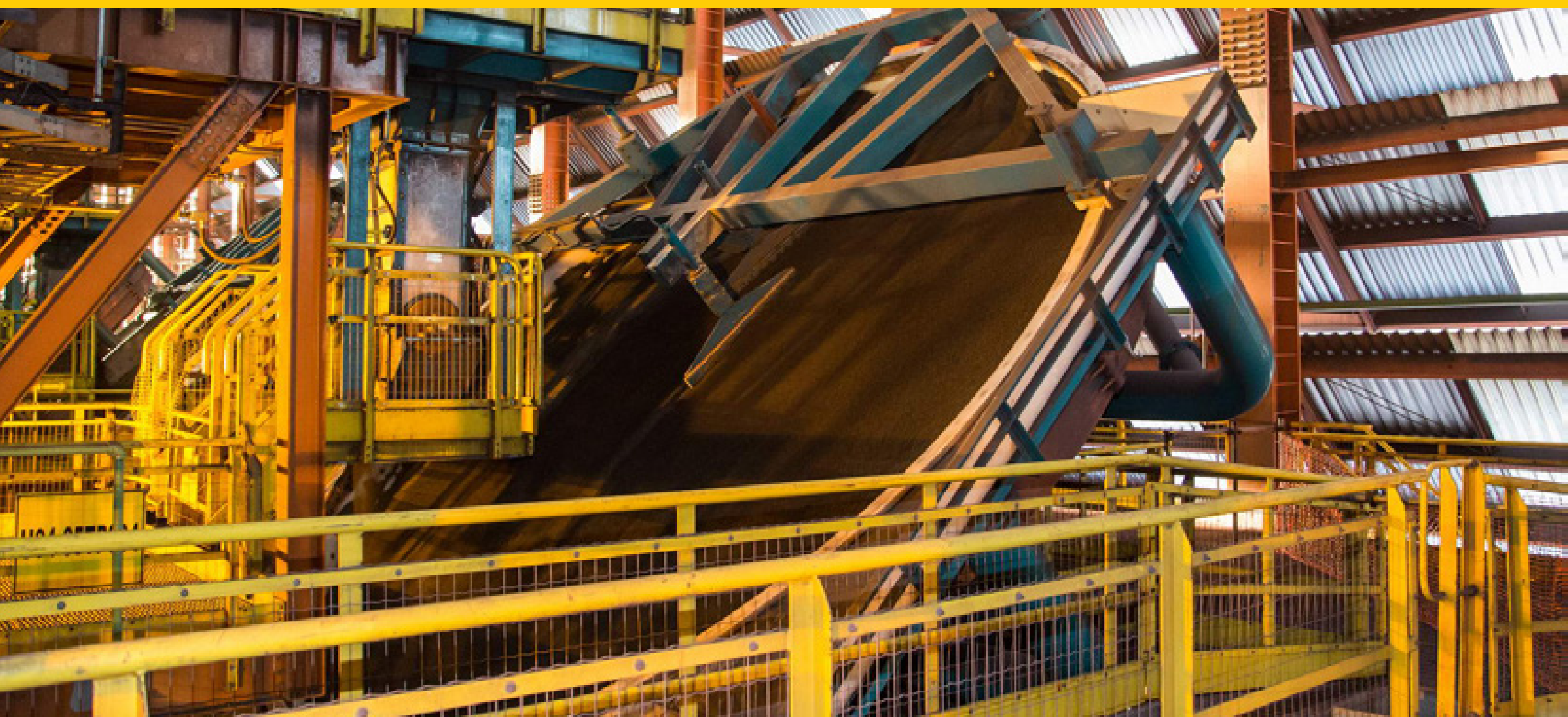
Please do not place undue reliance on the information in this message, which we have no intention to publicly or otherwise update or revise. We cannot assure you that the expectations herein may be realized or that the effects of legal developments will be either beneficial or adverse. Our statements herein based on a number of assumptions including that there is a restart of operations, however which remains subject to a number of factors such as potential administrative and/or judicial disputes related to the licensing process. As a result, or as a result of other factors not mentioned herein, the restart of operations may not take place. Furthermore, even if operations restart they will be subject to numerous risks and uncertainties.

On behalf of Samarco, we wish to thank all of our stakeholders for the support they have been providing to us during this difficult time. We remain focused on our ongoing remediation and compensation activities, as well as our efforts to pursue a safe and sustainable restart of operations.

Rodrigo Alvarenga Vilela
Chief Executive Officer (CEO)

Laurinho José da Silva
Administrative-Human Resources Director

INDEPENDENT AUDITOR'S REPORT



TO THE BOARD OF DIRECTORS AND STOCKHOLDERS

OPINION

We have audited the accompanying parent company financial statements of Samarco Mineração S.A. ("Company"), which comprise the balance sheet as at December 31, 2017 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Samarco Mineração S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of operations, comprehensive income (loss), 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 Samarco Mineração S.A. and of Samarco Mineração S.A. and its subsidiaries as at December 31, 2017, and the parent company financial performance and cash flows, as well as the consolidated 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 parent company and consolidated financial statements section of our report. We are independent in relation to the Company and its subsidiaries 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 to the financial statements, which describes that, due to the failure of the Fundão tailings dam, on November 5, 2015, the Company's operations were suspended and have not been resumed up to the date of the auditor's report. This suspension affected the Company's capacity to generate cash flows from its operations. The Notes to the financial statements also disclose:

(i) At December 31, 2017, the Company presents a net capital deficiency (negative stockholders' equity) of R$ 14,602,995 thousand and in 2017 it recorded negative cash flows from consolidated operating activities of R$ 1,534,472 thousand. At the balance sheet date, consolidated current liabilities exceeded consolidated current assets by R$ 17,967,735 thousand, mainly due to the classification of loans and financing of R$ 15,176,001 thousand in current liabilities at December 31, 2017, to conform with contractual conditions (financial covenants). The Company is currently negotiating its loans to extend tenures and restructure payment conditions.

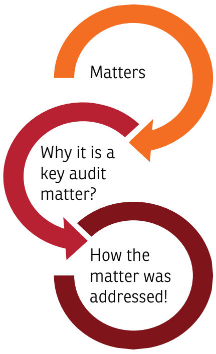
(ii) The Company is discussing various legal and administrative proceedings involving civil, labor and environmental issues to which it is a party. The Company executed a Framework Agreement ("Termo de Transação e Ajustamento de Conduta - TTAC") and ancillary arrangements which, potentially, subject it to injunctions which may invoke mandatory court deposits, freezing of accounts and other sanctions. In view of the uncertainties inherent in the early stages of the various proceedings, certain provisions were recorded based on an estimated range of probable losses, and other amounts are subject to significant uncertainty due to the possibility of changes in final assumptions and other variables that are not solely under the control of the Company. Therefore, the amounts recorded and the disclosures of possible losses may not accurately reflect actual losses and may differ materially from those recorded and disclosed in the financial statements.

(iii) As the Company has not yet been granted operating licenses, the Company is still not able to present a reliable estimate as to when its operations will resume. Installation and operational permits will be required before it can again initiate its operations.

The aforementioned matters cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements, taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Our audit for the year ended December 31, 2017 was planned and performed taking into consideration that the Company and its subsidiaries' operations did not present significant changes in comparison with the prior year. In this respect, the Key Audit Matters, as well as our audit approach, have remained substantially in line with those in the prior year.

Why it is a key audit matter	How the matter was addressed in the audit
Expenditures incurred and provisions made to remediate damages caused by the failure of the Fundão tailings dam (Notes 1(a) and 3)	
The failure of the Fundão tailings dam significantly affected the Company's operations and financial position. The Company incurred expenditures related to measures to further prevent, remediate, and contain material, environmental and social damages from the breaching of the dam, as well as having disinvested certain related assets. In addition to these disbursements, the Company also recorded provisions, classified by nature of program, and has made disclosures of estimated future disbursements. The assumptions and bases used by management to establish these provisions were determined with the support of specialized external consultants contracted for this purpose. Since the amounts that will be ultimately paid are subject to significant uncertainty due to the likelihood of changes in assumptions and numerous other factors that are not under the Company's control, the provisions at December 31, 2017 required a significant degree of judgment by management. There are also administrative and judicial proceedings (including public-interest civil actions) filed against the Company to date, as well as investigations into the impacts of the breaching of the Fundão dam that have been conducted by competent authorities in Brazil and by external consultants hired by the Company and its stockholders. Given these uncertainties, the definition of the estimated range of probable losses and the disclosure of possible losses involve significant judgment and may not accurately reflect actual losses. The subjectivity inherent in estimating future expenditures required significant judgment by Company's management that was an area of focus during our audit process.	As an audit response, we performed the following procedures, among others: We obtained the composition, by nature of program, at December 31, 2017, of the provision for social, environmental and economic remediation expenditures. With the support of specialists, we compared these amounts with the parameters in the Framework Agreement (TTAC), to determine that each program was appropriately contemplated. For changes in each program provision, we obtained, on a sample basis, documentation supporting disbursements and assumptions used in the review to estimate future costs. Our financial modeling specialists were engaged to review the methodology for estimating the present value of the obligations. We obtained reports prepared by management on administrative and judicial proceedings and public-interest civil actions, and compared the details of material proceedings with confirmations obtained from the Company's legal counsel. Our tax and legal specialists also reviewed information on the judicial and administrative proceedings and significant public-interest civil actions provided by management to obtain an understanding as to whether the proceedings against the Company contemplated items covered by the terms signed by Samarco. Finally, we read the information disclosed in the explanatory Notes. We believe that the disclosures in the financial statements are consistent with the information we obtained as a result of applying the procedures detailed above.

Why it is a key audit matter	How the matter was addressed in the audit
Impairment of property, plant and equipment (Note 12.1)	
Following the interruption of the Company's operations in Mariana, as a result of the failure of the Fundão dam, indicators of impairment of certain items of property, plant and equipment were identified which triggered an impairment test during year. Management's projections of future results include assumptions related to the return of the Company's activities, which still involve uncertainties, as well as other assumptions that support cash flow projections in order to determine the value in use of the cash-generating unit, involving significant judgments that are not always objective. The use of a different set of assumptions could result in projections materially different from those determined by the Company in its cash flow projections. Considering the materiality of property, plant and equipment and the potentially significant impact the subjectivity of judgments could have in determining the recoverable value, we considered this a key matter in our audit process.	As an audit response, we performed the following key procedures: We involved our corporate valuation specialists to review projections and evaluate the models and main assumptions used in projecting future cash flows. In order to evaluate management's assumptions supporting its projections, we considered, in particular, the estimates of when the Company may return to operations. Other variables affecting the projections prepared by Company's management, which were evaluated, included: projections of foreign exchange rates, future iron ore pellet prices, estimates of volume of mine reserves, the useful lives of assets and changes in costs. We also read the information disclosed in the Notes to the financial statements and believe that the disclosures in the financial statements are consistent with the information obtained from applying our auditing procedures.

Why it is a key audit matter	How the matter was addressed in the audit
Realization of deferred income tax (Note 28)	
The Company presents a consolidated deferred income tax asset arising from tax losses and temporarily non-deductible provisions. To the extent management believes that the Company may not generate sufficient future taxable income to offset the asset within a reasonable period, it records an impairment charge against the deferred assets. During the year, an impairment charge of R$ 3,281,919 thousand was recorded, resulting in a net deferred tax liability of R$ 1,597,205 thousand at December 31, 2017. We considered this a key audit matter, since these are material amounts and the recoverability of the asset depends on significant and subjective judgments to determine the period over which future taxable income will be generated by the Company's activities.	As an audit response, we performed the following key procedures: We engaged our tax specialists to assist us in recalculating tax losses, social contribution and temporary differences, as well as corporate valuation specialists, to assist us in evaluating projections and underlying assumptions in forecasting future results. We tested the projections presented by management, by performing the auditing procedures described in the Key Audit Matter "Impairment of property, plant and equipment" above. We also read the information disclosed in the Notes to the financial statements and believe that the disclosures in the financial statements are consistent with the information obtained from applying our auditing procedures.

OTHER MATTERS

Statements of value added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2017, prepared under the responsibility of the Company's management and presented as supplementary information, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the Brazilian Technical Pronouncements Committee CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

OTHER INFORMATION ACCOMPANYING THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT

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

Our opinion on the parent company and consolidated 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 parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the parent company and consolidated financial statements or 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.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these parent company and consolidated 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 parent company and consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated 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 parent company and consolidated 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 could 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 internal control of the Company and its subsidiaries.

- 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 ability of the Company 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 parent company and consolidated 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 Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, October 9, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

FINANCIAL STATEMENTS
AT DECEMBER 31, 2017

BALANCE SHEET

At December, 31 (In thousands of Reais – R$)

ASSETS CURRENT	NOTE	PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Cash and cash equivalents	4	55,568	47,712	57,473	57,652
Restricted short-term investments	5	1,130	235	1,130	256
Accounts receivable	6	17,143	16,482	15,813	9,289
Inventory	7	8,688	328,257	8,688	328,257
Recoverable taxes	8	85,874	112,359	85,874	112,364
Prepaid expenses		11,517	2,009	11,636	2,168
Other assets	9	39,115	26,615	39,116	26,881
Total current assets		**219,035**	**533,669**	**219,730**	**536,867**
NONCURRENT					
Court deposits	19	1,772,305	1,654,766	1,772,305	1,654,766
Recoverable taxes	8	76,688	76,902	76,689	76,902
Inventory	7	348,124	39,488	348,124	39,488
Other assets	9	62,441	68,036	62,623	68,036
		2,259,558	**1,839,192**	**2,259,741**	**1,839,192**
Investments	10	14,942	15,569	-	-
Property, plant and equipment	12	17,576,106	17,553,440	17,576,266	17,553,812
Intangible assets	13	80,822	90,342	80,822	90,342
Total noncurrent assets		**19,931,428**	**19,498,543**	**19,916,829**	**19,483,346**
Total assets		**20,150,463**	**20,032,212**	**20,136,559**	**20,020,213**

to be continued...

The accompanying Notes are an integral part of theses financial statements.

At December, 31 (In thousands of Reais – R$)

...continuation

LIABILITIES CURRENT	NOTE	PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Trade payables	14	42,805	284,997	42,825	285,036
Loans and financing	15	15,176,001	13,378,919	15,176,001	13,378,919
Financial charges payable	15	1,005,279	359,680	1,005,279	359,680
Payroll, provisions and social contributions	17	21,410	30,898	21,473	30,958
Taxes payable	18	169,966	86,167	170,071	86,211
Provision for income tax	28	-	-	104	84
Other provisions	20	1,738,352	1,636,058	1,738,352	1,636,058
Other liabilities	21	47,451	46,704	33,360	34,591
Total current liabilities		**18,201,264**	**15,823,423**	**18,187,465**	**15,811,537**
NONCURRENT					
Loans and financing	15	-	7,572	-	7,572
Financial charges payable	15	-	1,246	-	1,246
Taxes payable	18	193,657	178,967	193,657	178,967
Dividends	22	2,805,548	2,805,548	2,805,548	2,805,548
Provisions for contingencies	19	123,455	246,729	123,455	246,729
Deferred income tax	28	1,597,310	1,306,582	1,597,205	1,306,471
Other provisions	20	9,979,503	6,008,675	9,979,503	6,008,675
Other liabilities – Related parties	11	1,757,488	477,488	1,757,488	477,488
Other liabilities	21	95,233	97,986	95,233	97,986
Total noncurrent liabilities		**16,552,194**	**11,130,793**	**16,552,089**	**11,130,682**
Equity	22				
Capital		297,025	297,025	297,025	297,025
Capital reserves		2,476	2,476	2,476	2,476
Carrying value adjustments		1,659,245	1,682,404	1,659,245	1,682,404
Accumulated losses		(16,561,741)	(8,903,911)	(16,561,741)	(8,903,911)
Total stockholders' equity		**(14,602,995)**	**(6,922,006)**	**(14,602,995)**	**(6,922,006)**
Total liabilities and stockholders' equity		**20,150,463**	**20,032,212**	**20,136,559**	**20,020,213**

The accompanying Notes are an integral part of theses financial statements.

STATEMENT OF OPERATIONS

Year ended December 31 (In thousands of Reais – R$)

	NOTE	PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Revenue	23	78,905	208,839	78,905	207,056
Cost of goods sold and services rendered	24	(815,291)	(1,055,002)	(815,260)	(1,055,029)
Gross profit (loss)		**(736,386)**	**(846,163)**	**(736,355)**	**(847,973)**
Operating expenses					
Selling	25	(70,919)	(54,108)	(70,303)	(55,973)
General and administrative	25	(56,025)	(67,404)	(56,025)	(67,404)
Other operating (income) expenses, net	26	(4,991,434)	928,246	(4,991,539)	928,239
Equity in results of investees	10	539	(9,246)	-	-
(Loss) before finance result		**(5,854,225)**	**(48,675)**	**(5,854,222)**	**(43,111)**
Finance result					
Finance income	27	139,395	207,912	139,399	208,014
Finance expenses	27	(1,665,846)	(1,454,102)	(1,665,779)	(1,454,037)
Net foreign exchange gains/losses	27	13,627	619,408	13,631	619,331
(Loss) before taxation		**(7,637,049)**	**(675,457)**	**(7,366,971)**	**(669,803)**
Income tax	28	(290,781)	(2,686,485)	(290,859)	(2,692,139)
(Loss) for the year		**(7,657,830)**	**(3,361,942)**	**(7,657,830)**	**(3,361,942)**

The accompanying Notes are an integral part of theses financial statements.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Year ended December 31 (In thousands of Reais – R$)

	PARENT COMPANY AND CONSOLIDATED	
	2017	2016
Net Loss for the year	**(7,657,830)**	**(3,361,942)**
Cumulative translation adjustment, net	(22,577)	(1,906,163)
Retirement benefit obligations	(582)	(636)
Other comprehensive (loss) income for the year	**(23,159)**	**(1,906,799)**
Total comprehensive (loss)	**(7,680,989)**	**(5,268,741)**

The accompanying Notes are an integral part of theses financial statements.

(In thousands of Reais – R$)

	NOTE	Capital	CAPITAL RESERVES			Comprehensive income adjustments	Accumulated deficit	Total
			Special monetary restatement of PPE	Premium on share subscription	Tax incentive reserves			
Balance at december 31, 2015		**297,025**	**785**	**1,681**	**10**	**3,589,203**	**(5,541,969)**	**(1,653,265)**
Loss for the year		-	-	-	-	-	(3,361,942)	(3,361,942)
Other comprehensive (loss) income								
Cumulative translation adjustment, net	22	-	-	-	-	(1,906,163)	-	(1,906,163)
Retirement benefit obligations	22	-	-	-	-	(636)	-	(636)
Total comprehensive income		**-**	**-**	**-**	**-**	**(1,906,799)**	**-**	**(1,906,796)**
Balance as of December 31, 2016		**297,025**	**785**	**1,681**	**10**	**1,682,404**	**(8,903,911)**	**(6,922,006)**
Loss for the year		-	-	-	-	-	(7,657,830)	(7,657,830)
Other comprehensive (loss) income								
Cumulative translation adjustment, net	22	-	-	-	-	(22,577)	-	(22,577)
Retirement benefit obligations	22	-	-	-	-	(582)	-	(582)
Total comprehensive (loss) income		**-**	**-**	**-**	**-**	**(23,159)**	**-**	**(23,159)**
Balance as of December 31, 2017		**297,025**	**785**	**1,681**	**10**	**1,659,245**	**(16,561,741)**	**(14,602,995)**

The accompanying Notes are an integral part of theses financial statements

Year ended December 31 (In thousands of Reais – R$)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Loss before tax		(7,637,049)	(675,457)	(7,366,971)	(669,803)
Adjustments to reconcile loss before tax to cash from operations:					
Depreciation and amortization	12 e 13	189,968	185,976	190,125	186,103
Allowance for doubtful accounts	25	(5,378)	(4,939)	(5,378)	(3,632)
Provision for price revisions		-	(124,666)	-	(124,666)
Provision for inventory obsolescence	7	(4,767)	3,541	(4,767)	3,541
Provision for realization of recoverable taxes	26	(7,046)	(5,481)	(7,046)	(5,481)
Provision for realization of other assets		324	(374)	324	(374)
Provision for contingencies	19	123,274	107,164	123,274	107,164
Constitution of provision for other liabilities	20	4,660,590	(2,882,311)	4,660,590	(2,882,311)
Provision for impairment of property, plant and equipment (Fundão dam)	3 (e)	(215,672)	(1,145)	(215,672)	(1,145)
Losses on disposal of property, plant and equipment	25	142,053	(20)	142,084	(19)
Equity in the results of investees	10	(539)	9,246	-	-
Interest on loans and financing		1,102,452	501,362	1,102,452	501,362
Unrealized foreign exchange gains and losses		97,605	(681,935)	97,203	(681,802)
		(1,284,185)	**(3,569,039)**	**(1,283,782)**	**(3,571,063)**
(Increase) decrease in operating assets:					
Restricted short-term investments		(895)	82,550	(874)	82,555
Trade accounts receivable		4,716	475,507	(1,146)	309,666
Inventory		21,075	61,539	21,075	133,420
Recoverable taxes		33,744	101,590	33,749	101,668
Court deposits		(117,539)	(252,588)	(117,539)	(252,588)
Prepaid expenses		(9,508)	9,593	(9,468)	10,114
Distribution of dividends - Subsidiaries		1,197	31,111	-	-
Other assets		(7,275)	87,660	(7,145)	74,004
Increase (decrease) in operating liabilities:					
Trade payables		(242,192)	166,291	(242,210)	168,838
Taxes payable		98,435	198,387	98,502	198,312

to be continued...

The accompanying Notes are an integral part of theses financial statements.

Year ended December 31 (In thousands of Reais – R$)

...continuation

	NOTE	PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Increase (decrease) in operating liabilities :					
Payroll, provisions and social contributions		(9,489)	(6,203)	(9,485)	(6,378)
Income tax paid	28	-	-	(47)	(5,656)
Interest payment		(653)	(249,564)	(653)	(249,564)
Other liabilities – Related parties		1,280,000	477,488	1,280,000	477,488
Other liabilities		(1,293,469)	(195,666)	(1,295,449)	(65,644)
Net cash provided by (used in) operating activities		**(1,526,038)**	**(2,581,344)**	**(1,534,472)**	**(2,594,828)**
Cash flows from investing activities					
Write-down of property, plant and equipment and intangible assets	12 e 13	24,281	57,449	24,680	57,210
Proceeds on sale of property, plant and equipment and intangible assets		-	476	-	476
Net cash provided by (used in) investing activities		**24,281**	**57,925**	**24,680**	**57,686**
Cash flows from financing activities					
Financing obtained from third parties and stockholders		1,506,051	913,010	1,506,051	913,010
Financing repayments		3,494	(142,213)	3,494	(142,213)
Net cash provided by (used in) financing activities		**1,509,545**	**770,797**	**1,509,545**	**770,797**
Effects of exchange rate changes on cash and cash equivalents		68	1,196	68	1,196
Net increase (decrease) in balance of cash and cash equivalents		**7,856**	**(1,751,426)**	**(179)**	**(1,765,149)**
Cash and cash equivalents at the beginning of year		47,712	1,799,138	57,652	1,822,801
Cash and cash equivalents at the end of the year		55,568	47,712	57,473	57,652
		7,856	**(1,751,426)**	**(179)**	**(1,765,149)**

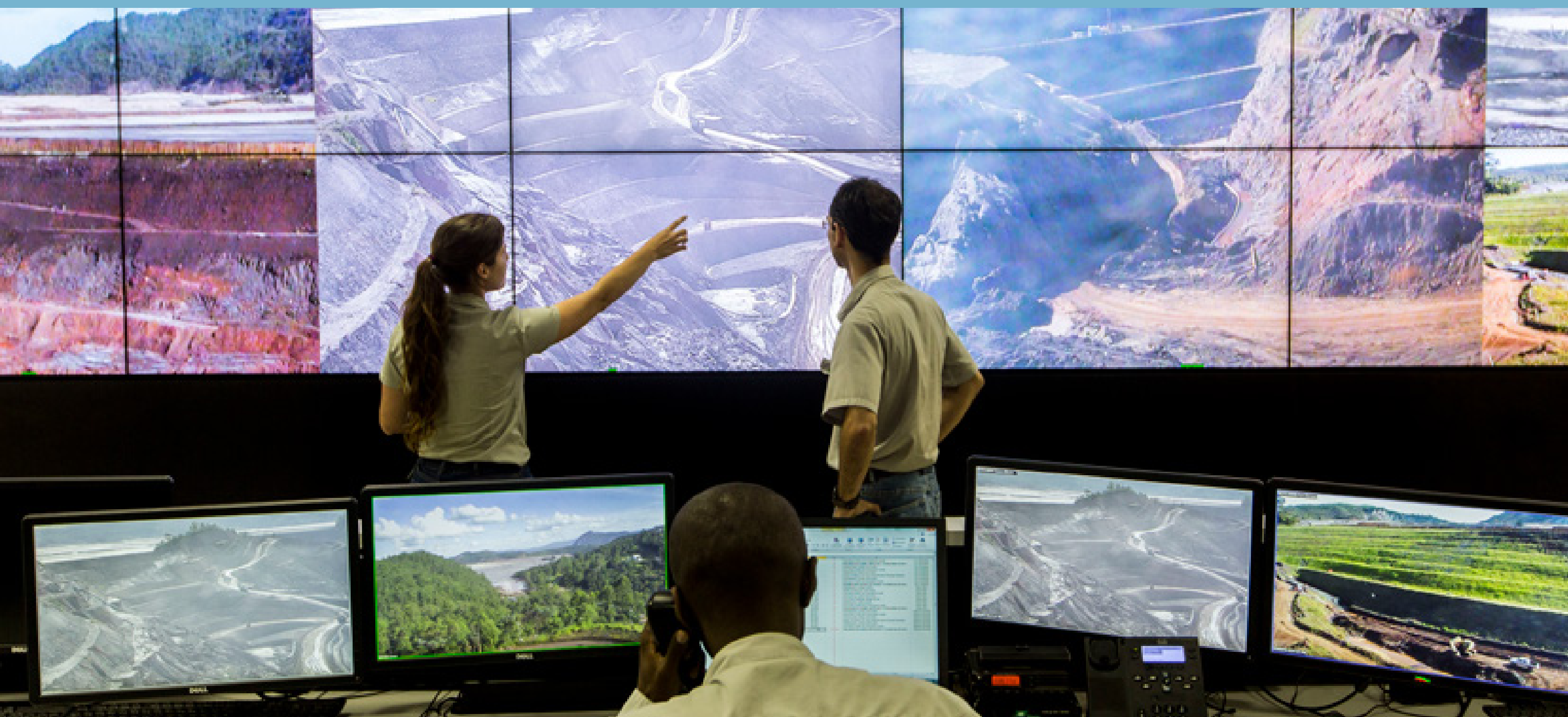
The accompanying Notes are an integral part of theses financial statements.

At December 31 (In thousands of Reais – R$)

REVENUE	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Sales of goods, products and services	85,177	212,674	85,177	210,891
Other revenue	9,676	14,229	9,693	14,229
Revenue relating to construction of company assets	57,210	57,211	142,267	57,211
Allowance for doubtful accounts	5,378	4,939	5,378	3,632
	157,441	**289,053**	**242,515**	**285,963**
Consumables acquired from third parties				
Cost of goods sold and services rendered	(573,135)	(727,941)	(649,079)	(714,295)
Material, electricity, outsourced services and other	(5,049,040)	1,061,581	(5,048,246)	1,061,299
Recovery/(loss) of asset values	142,025	(3,167)	142,025	(3,167)
	(5,480,150)	**330,473**	**(5,555,300)**	**343,837**
Gross	**(5,332,709)**	**619,526**	**(5,312,785)**	**629,800**
Depreciation and amortization	(189,968)	(185,976)	(190,125)	(186,103)
Net value added produced by the Company	**(5,512,677)**	**433,550**	**(5,502,910)**	**443,697**
Transferred value added				
Equity in results of investees	539	(9,246)	-	-
Finance income	101,706	1,505,264	101,730	1,505,259
	102,245	**1,496,018**	**101,730**	**1,505,259**
Total value added to be distributed	**(5,410,532)**	**1,929,568**	**(5,401,180)**	**1,948,956**
Distribution of value added	**(5,410,432)**	**1,929,568**	**(5,401,180)**	**1,948,956**
PERSONNEL				
Direct compensation	124,141	254,551	131,982	264,408
Benefits	127,518	134,785	128,756	138,669
Government Severance Indemnity Fund for Employees (FGTS)	9,858	14,318	9,858	14,318
Taxes				
Federal	361,377	2,746,605	361,601	2,752,424
State	514	5,998	514	5,920
Municipal	9,460	3,208	9,460	3,208
Interest expenses				
Interest on loans, financing and other debt items	1,614,530	2,132,045	1,614,479	2,131,951
Interest on stockholders' equity				
Loss for the period	(7,657,830)	(3,361,942)	(7,657,830)	(3,361,942)

The accompanying Notes are an integral part of theses financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2017



1. OPERATIONAL CONTEXT

Samarco Mineração S.A. ("Samarco", "Company" or "Parent Company"), a privately held corporation, is a joint venture owned by Vale S.A. ("Vale") and BHP Billiton Brasil Ltda. ("BHP Billiton Brasil") with each having a 50 per cent shareholder. Samarco's registered office is located in Belo Horizonte - Minas Gerais ("MG"). Samarco's main product is iron ore pellets, produced through a fully integrated operation consisting of the mining, beneficiation and concentration of low-grade iron ore in Germano/Alegria, municipality of Mariana, MG, and the transportation of ore in the form of slurry through pipelines to its other operational unit in Ponta Ubu, municipality of Anchieta, Espírito Santo ("ES"), where the iron ore concentrate is transformed into pellets in its pelletizing plants. The Company has its own seaport facility in Ubu, ES, from where it ships its products to markets globally.

Samarco's ore reserves, prior to the failure of the Fundão tailings dam in November 2015, were based upon mineral resource located in the municipalities of Mariana and Ouro Preto, MG, compromising mineral resources estimated at 7.4 billion metric tons (not audited). In October 2015, the recoverable or mineable reserves, based on the technical and economic conditions and mineral characteristics, were estimated at 2.9 billion metric tons (not audited).

Following the failure of the Fundão tailings dam in November 2015 and suspension of the Company's operations in Germano/Alegria, the Company is reviewing its operational reserves. Consequently, Samarco is currently not in a position to inform or confirm its reserves as of December 31, 2017. However, it is expected that ore reserves will be declared after the restart of Samarco's operations.

(a) Failure of the Fundão dam

As detailed in Note 3, in November 2015, as a consequence of the failure of the Fundão tailings dam, the operations in Germano/Alegria ("Mariana complex") were temporarily suspended by order of government agencies - SEMAD (State Secretariat for Sustainable Development and Environment) and DNPM (National Mineral Production Department). The Company has been working to meet legal requirements laid down by the respective authorities relating to the remediation of the social and environmental impacts caused by the dam failure.

On March 2, 2016, Samarco and its stockholders, Vale and BHP Billiton Brasil signed the "*Termo de Transação e Ajustamento de Conduta*", ("Framework Agreement" or "TTAC"), as contained in the case records of the Public Civil Action brought by the Federal Government and others, No. 0069758-61.2015.4.01.3400, ongoing before the 12th Federal District Court in Belo Horizonte/ MG, to determine the measures and actions to remedy and compensate for environmental and socio-economic damages caused by the failure of the Fundão dam.

In compliance with the Framework Agreement, on August 2, 2016, Samarco, Vale and BHP Billiton Brasil created Fundação Renova ("Foundation") that will develop and implement environmental and socio-economic programs to remediate and provide compensation for damages caused by the failure of the Fundão dam. Samarco is responsible for funding the Foundation, subject to the schedule and other conditions stipulated in the Framework Agreement. To the extent that Samarco does not meet its financial obligations under the Framework Agreement, both Vale and BHP Billiton Brasil have funding obligations under the Framework Agreement in proportion to their 50 per cent shareholdings in Samarco.

On January 18, 2017, the Federal Public Prosecution Service, Samarco and its stockholders signed a Preliminary Agreement, subsequently amended on November 16, 2017 (Note 3(h)).

The Preliminary Agreement provides for the appointment of specialists to assess the programs related to environmental and social remediation as well as evaluation and monitoring of the programs established under the TTAC.

On June 25, 2018, the parties to the Framework Agreement, the Public Defender's Office of Minas Gerais, Espírito Santo and the Union, and the signatories to the TTAC entered into a new agreement (TAC Governance) (Note 3(g)), which:

i) Increases the participation of those affected by the dam failure in all phases related to the reparation process;
ii) Provides for the participation of the Public Prosecution Office and Public Defender´s Office of Minas Gerais, Espírito Santo and the Union, together with the signatories to the TTAC in the governance of the TTAC;
iii) Provides for the settlement of the Public Civil Action of R$ 20,000,000 (Note 3(g)) and suspension of the Public Civil Action of R$ 155,000,000 (Note 3(g)) for a period of two years from the date of ratification;
iv) Makes a formal reaffirmation that the Framework Agreement remains valid for the signing parties;
v) Establishes a process to renegotiate the programs outlined in the TTAC with the participation of those affected over two years, to progress settlement of the Public Civil Action of R$ 155,000,000;
vi) Maintains the interim security provided under the Preliminary Agreement, for a period of 30 months, after which Samarco, Vale and BHP Billiton Brasil will be required to provide security of an amount equal to the Foundation's annual budget up to a limit of R$ 2,200,000; and
vii) Address the guarantees offered by the companies for the funding of the measures necessary for the full compensation of the damages resulting from the dam failure.

Samarco's mining and ore processing activities remain suspended. On June 23, 2016, Samarco submitted the Environmental Impact Study and the respective Environmental Impact Report ("EIA" / "RIMA") to "SEMAD", related to the licensing process for the use of the SDR Alegria Sul Pit for tailings disposal. In December of 2016, public hearings were held, coordinated by SEMAD, in the municipalities of Mariana and Ouro Preto. Subsequently the corresponding Preliminary and Installation Licenses (LP + LI) nº.02 were issued on December 13, 2017. On September 28, 2018, the Company entered into an agreement with the Minas Gerais Public Prosecutors to contract an independent technical audit for monitoring the construction of the SDR Cava de Alegria Sul.

The remaining structures of the Germano Complex are awaiting the issue of a Corrective Operational License ("LOC"). The Environmental Impact Assessment and Environmental Impact Report (EIA/RIMA) related to this process were filed with SEMAD on September 1, 2017 and are currently under review. As part of the procedure required for the analysis of an application for a license, public hearings were held in December 2017 in the municipalities of Ouro Preto, Mariana and Matipó.

On July 9, 2018, the complementary information of the LOC studies was submitted to the State Secretariat for Environment and Sustainable Development (SEMAD).

Based on the progress of the current licensing process, there is still a level of uncertainty as to a specific date for the resumption of operations the timing and nature of a potential restart of. The Company's insufficient cash resources to meet its obligations, along with the uncertainties as to the timing and nature of a potential restart of its operations, have created a significant constraints on Samarco's short-term cash liquidity. Vale and BHP Billiton Brasil have provided Samarco R$ 398,968 to cover estimated expenses in the second half of FY 2018.

In the year ended December 31, 2017, Vale and BHP Billiton Brasil provided R$ 2,786,051, split between contributions to support the Foundation and short-term loans , in the event Samarco does not meet its funding obligations under the Framework Agreement and a short-term facility to Samarco. The contributions to the Foundation are to support the continuity of the remediation and compensation programs within the scope of the Framework Agreement. The short-term facility allows Samarco to carry out remediation and stabilization work and support Samarco's operations, Funds are released to the Foundation and Samarco only as required and subject to the fulfillment of milestones with amounts undrawan expiring at [31 December 2018].

As a result of the dam failure, the Company is a party to several judicial, administrative, civil, environmental and labor proceedings, for which it cannot provide a reliable estimate of the outcomes and consequences (Note 3 (h)).

(b) Going Concern

The Company's principal operations consist of an integrated process involving mining, beneficiation and concentration of low-quality iron ore in the municipality of Mariana, Minas Gerais, as well as the transport of concentrated ore, via a slurry pipeline, from the three operational units located in the state of Minas Gerais to the four pellet plants located in the state of Espírito Santo.

Following the failure of the Fundão dam (Note 1(a) "Failure of the Fundão dam" and Note 3 "Significant Event - Failure of the Fundão dam"), the operations of extraction and beneficiation have been suspended. This has significantly affected the Company's capacity to generate cash flows and fulfill its financial obligations.

At December 31, 2017, the Company presents a net capital deficiency (negative stockholders' equity) of R$ 14,602,995 in the parent company and the consolidated financial statements and, in the parent company's financial statements, current liabilities exceeded current assets by R$ 17,982,229 and by R$ 17,967,735 in the consolidated financial statements. In the year ended December 31, 2017, the Company presented negative cash flows from operations of R$ 1,526,038 in the parent company and R$ 1,534,472 in the consolidated financial statements.

As informed in Note 15, certain contractual loan conditions under debt obligations have not been fulfilled. Consequently, the Company reclassified these loans and financing from noncurrent to current liabilities, reflecting an increase in the amounts of provision for interest and application of delinquent interest. The Company has total loans and financing (including financial charges payable) in the amount of R$ 16,181,280 (December 31, 2016 at R$ 13,747,417), of which R$ 16,181,280 (December 31, 2016 at R$ 13,738,599) is classified as current at December 31, 2017 (Note 15 "Loans and Financing").

The Company has hired advisors, who have been maintaining contacts with the lenders' advisors with the objective of discussing a restructuring of its existing loan and financing agreements conditions.

Samarco is also a party to several legal and administrative proceedings involving civil, labor and environmental claims (Note 3 (h) "Significant Event - Failure of Fundão dam"). Samarco negotiated the Framework Agreement/ TTAC and other agreements creating new financial obligations. For several of these proceedings the Company is subject to injunctions, such as mandatory court deposits and freezing of accounts, which may further restrict its cash liquidity. Should the Company be unsuccessful in its defense, these claims may have a significant detrimental effect on the Company's financial position.

Vale and BHP Billiton Brasil have been called upon to fulfill Samarco's obligations under the Framework Agreement/TTAC. In the year ended December 31, 2017, fundings were made by the shareholders totaled R$ 1,280,000 to the Foundation and R$ 1,506,051 (US$473,300) to Samarco, the latter amount being divided into R$913,585 (US$286,300) to support the Company's activities and R$ 592,466 (US$ 187,000) to defray the expenses of the TTAC programs, which are under Samarco's responsibility. In the first semester of 2018, additional contributions of R$ 825,000 (US$ 218,622) - unaudited - were made for direct funding to the Foundation to support the continuity of remediation and compensation programs, and R$ 266,865 (US$ 76,100) - unaudited - provided as short term loans to Samarco. Of this latter amount, R$ 231,155 (US$ 71,348) - unaudited - was earmarked to support operational needs and R$ 35,709 (US$ 4,752) - unaudited - to provide support to the TTAC programs under Samarco's responsibility. The two stockholders are expected to contribute R$ 1,115,000 (US$ 295,705) - unaudited - in the second semester of 2018 to fund the Foundation to provide continuity in the execution of the remediation and compensation programs. The shareholders also announced that financial support of R$ 398,968 (US$ 106,000) - unaudited - will be provided to Samarco to cover operational expenditure and costs associated with the TTAC programs are under its responsibility. These short-term loans will allow Samarco to continue executing works related to remediation, stabilization and support of its operations. The loans provided by BHP Billiton Brasil and Vale to Samarco will be deposited into the Company's account as required, subject to the approval of the budget proposal for the period in which the funds are to be used. Samarco has not obtained any other formal funding commitment from Vale or BHP Billiton Brasil, and currently has no other sources of funds.

Samarco is striving to obtain from the competent agencies, the environmental licenses required to resume its operations. The Company has developed a project to provide a temporary short term solution involving the disposal of mine tailings in the SDR Alegria Sul Pit, which can hold of some 16 Mm³. The project also includes the Alegria Sul overburden pile, which will be used for the temporary disposal of ore and definitive disposal of sterile.

In December 2017, the Company obtained a joint Preliminary and Installation License (LP+LI), allowing to prepare the pit, and has subsequently applied for an Operation License (LO) together with a Corrective Operations License (LOC).

Following the suspension of the environmental licenses and other permits for operating the Germano Complex, Samarco was requested to provide a Corrective License for all the Germano Complex production activities and the emergency works and actions taken after the failure of the Fundão dam. The Environmental Impact Assessment (EIA) and respective Environmental Impact Assessment Report (RIMA) for the Corrective Operation License were submitted on September 10, 2017 and the public hearings required for the licensing process were held in December 2017.

Samarco considers that the resumption of its operations is essential to allow its business to continue. However, resumption will depends on the resolution of certain factors, some of which are beyond its control, such as:

- Obtaining the licenses necessary to permit the restart of its operations;
- Satisfactory restructuring of its debt obligations and terms of payment with its creditors; and
- Adequate financing to support the operations before and during the restart.

In the event the conditions required for the operation restart are not present, the Company may be unable to maintain its operations and will not, therefore, be able realize its assets and fulfill its obligations in the normal course of business. The financial statements include no adjustments to reflect the scenario which would ensue if the Company were unable to continue operating.

c) Company equity interests

Samarco participates in the following companies (together the "Group").

- Samarco Iron Ore Europe B.V. ("Samarco Europe") - direct interest of 100% - headquartered in the Netherlands; this company was incorporated on October 13, 2000 to provide marketing and selling services for iron ore produced by Samarco. It also provides support to clients through technical seminars and market studies.

- Samarco Asia Ltd. ("Samarco Asia") - direct interest of 100% - headquartered in Hong Kong; this company was acquired on July 10, 2001 by Samarco Europe to provide marketing and selling services through commercial representation in the Asia-Pacific region.

- Samarco Finance Ltd. ("Samarco Finance") - direct interest of 100% - headquartered in the Cayman Islands, this company was incorporated on February 21, 2000 to optimize Samarco's foreign-trade business, by supporting exports (resale) of iron ore acquired from the Company to designated clients and to borrow funds on the international market and subsequently pass them through to the Company.

The Executive Board approved the issuance of these financial statements on October 8, 2018.

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies were applied on a basis consistent with the previous year, unless stipulated otherwise.

2.1 Basis of preparation

(a) Parent company and consolidated financial statements

The parent company and consolidated financial statements have been prepared based on the historic cost convention.

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. The Company reviews the estimates and assumptions at least once a year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

The parent company and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee ("CPC") and ratified by the Federal Accounting Council ("CFC"), and reflect all material information related to the financial statements, which corresponds to that used by management.

The statement of value added was prepared in accordance with accounting pronouncement
CPC 09 - Statement of Value added, and, as it is only required for listed companies, is being presented as supplementally to the financial statements.

(b) Changes in accounting policies and disclosures

There were no amendments or new pronouncements in force for the financial year commencing January 1, 2017 that had material impacts on the Company.

2.2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

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

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates are based on the best knowledge existing in each financial year. Changes in facts and circumstances could lead to a revision of estimates; actual future results could diverge from the estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provision for social, environmental and socio-economic recovery

The provision for social, environmental and socio-economic recovery is made for areas impacted or requiring recovery following civil damages claims that generate an obligation on the Company. This process involves complex estimates for determining the future disbursement expected by management and by its independent consultants (Note 3).

(ii) Income Tax

Current and deferred tax is calculated in accordance with the interpretations deriving from the existing legislation. This process normally involves complex estimates to determine the taxable income, deductible or taxable items and temporary differences. The measurement of the recoverability of deferred tax on temporary differences takes into account the estimated taxable income based on future cash flows.

(iii) Impairment

The Company evaluates its defined useful life assets annually for indicators of impairment. If such indicators do exist, the recoverability of its tangible and intangible assets, combined by cash generating unit, is tested. The discounted cash flow criterion is normally used, which depends on several estimates, subject to market conditions at the time the impairment test is conducted.

(iv) Mineral reserves and useful life of mines

The estimated proven and probable reserves are periodically evaluated and updated. These reserves are determined by using generally accepted geological estimation techniques. The estimated volume of the mineral reserves is the basis for determining the depletion of the respective mines and the estimated useful life is a prime factor for quantifying the provision for environmental recovery of the mines. Any change in the estimated volume of reserves of the mine and the useful life of the underlying assets could have a significant impact on the depreciation, depletion and amortization charges recognized in the financial statements. Changes in the estimated useful life of the mine could affect the estimated provision for environmental expenses, the recovery thereof and impairment analyses.

Following the failure of the Fundão tailings dam in November 2015 and the temporary suspension of operations in the Germano/Alegria areas, the Company is reviewing the operation's resources and reserves.

(v) Asset retirement obligations

The Company recognizes an obligation for demobilization of assets in the period in which the disturbance occurs. This provision is determined based on the present value of the cash flows necessary to demobilize the assets. The

Company considers the accounting estimates related to the recovery of degraded areas and the cost of closing a mine as a critical accounting practice as it involves large provisions and estimates involving a range of assumptions, such as interest rates, inflation, useful life of the asset under analysis and the current stage of depletion as well as the projected depletion dates of each mine. These estimates are revised annually.

(vi) Provision for contingencies

Management in conjunction with its legal advisers analyzes contingencies. The Company's analyses include factors such as hierarchy of laws, case law available, recent decisions delivered by courts and their relevance in the legal framework. These evaluations involve management judgments.

Provisions are recorded when the value of a probable loss can be reasonably estimated.

2.3 Consolidation

The Company's consolidated financial statements, which include the financial statements of its subsidiaries, have been prepared in accordance with applicable consolidation practices and legal provisions. Balances of unrealized revenues, expenses and profits between companies are eliminated from the consolidated financial statements. Unrealized gains deriving from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Group's interest in the investee.

(a) Subsidiaries

Subsidiaries are all entities over which the Group exercises control. The Group controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can influence its returns due to the power it exercises over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Joint operations

A jointly controlled operation is an arrangement that involves the use of joint assets and other resources with each owner using its own resources in the joint operation. Joint operations are recorded in the financial statements to represent the entity's contractual rights and obligations. The assets, liabilities, revenue and expenses related to interests in joint operations are therefore recorded individually in the financial statements. The Company has an interest of 49% in the Guilman-Amorim hydroelectric power plant; the remaining 51% of the joint-operation belongs to the partner Arcelor Mittal Brasil S.A.

2.4 Foreign currency translation

(a) Functional currency

The financial statements were measured by using the currency of the main economic environment in which the Company operates and generates and consumes cash ("functional currency"), which is the US dollar ("USD" or "US$").

(b) Presentation currency

In accordance with Brazilian legislation, these financial statements are being presented in Brazilian Reais. Financial statements prepared in the Company's functional currency are translated to reais by using the following criteria:

- Assets and liabilities are converted at the closing rate at the respective reporting date.
- Accounts in the statements of operations, comprehensive income (loss), cash flows and value added are converted at the rates on the transaction dates.
- Stockholders' equity at historical rate.

The exchange gain/loss resulting in the cumulative translation adjustment is recognized in other comprehensive income in stockholders' equity.

(c) Transactions and balances

Transactions in currencies other than the Company's functional currency are translated into the functional currency at the exchange rates prevailing on the transaction dates or valuation dates, if the items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations under finance income.

The parent company and consolidated financial statements measured in the functional currency (USD) are as follows:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

BALANCE SHEET – US$	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Current assets				
Cash and cash equivalents	16,784	14,625	17,359	17,675
Restricted short-term investments	342	72	342	79
Accounts receivable	5,177	5,052	4,777	2,846
Inventory	2,627	100,739	2,627	100,739
Recoverable taxes	25,964	34,482	25,964	34,483
Prepaid expenses	3,482	617	3,518	665
Other assets	11,821	8,160	11,821	8,291
Total current assets	**66,197**	**163,747**	**66,408**	**164,778**
Noncurrent assets				
Court deposits	535,861	507,754	535,861	507,754
Recoverable taxes	23,187	23,600	23,187	23,600
Inventory	105,256	12,118	105,256	12,118
Other assets	18,878	20,880	18,931	20,880
	683,182	**564,352**	**683,235**	**564,352**
Investments	4,518	4,778	-	-
Property, plant and equipment	5,314,176	5,388,469	5,314,224	5,388,583
Intangible assets	24,437	26,226	24,437	26,226
Total noncurrent assets	**6,026,313**	**5,983,825**	**6,021,896**	**5,979,161**
Total assets	**6,092,510**	**6,147,572**	**6,088,304**	**6,143,939**

to be continued...

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

...continuation

BALANCE SHEET – US$	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Current liabilities				
Trade payables	12,945	87,450	12,953	87,459
Loans and financing	4,588,499	4,105,852	4,588,499	4,105,852
Financial charges payable	303,948	110,382	303,948	110,382
Payroll, provisions and social contributions	6,488	9,497	6,507	9,515
Taxes payable	51,390	26,444	51,423	26,459
Provision for income tax	-	-	31	26
Other provisions	525,595	502,089	525,595	502,089
Other liabilities	14,349	14,305	10,084	10,639
Total current liabilities	**5,503,214**	**4,856,019**	**5,499,040**	**4,852,421**
Noncurrent liabilities				
Loans and financing	-	2,324	-	2,324
Financial charges payable	-	383	-	383
Taxes payable	58,553	54,923	58,553	54,923
Dividends	848,264	860,994	848,264	860,994
Provisions for contingencies	37,333	75,724	37,333	75,724
Deferred income tax	482,951	400,977	482,919	400,942
Other provisions	3,017,326	1,844,007	3,017,326	1,844,007
Other liabilities – Related parties	531,380	146,536	531,380	146,536
Other liabilities	28,794	30,069	28,794	30,069
Total noncurrent liabilities	**5,004,601**	**3,415,937**	**5,004,569**	**3,415,902**
Equity				
Capital	409,774	409,774	409,774	409,774
Capital reserves	1,619	1,619	1,619	1,619
Comprehensive income adjustments	(1,291)	(1,115)	(1,291)	(1,115)
Accumulated deficit	(4,825,407)	(2,534,662)	(4,825,407)	(2,534,662)
Total stockholders' equity	**(4,415,305)**	**(2,124,384)**	**(4,415,305)**	**(2,124,384)**
Total liabilities and stockholders' equity	**6,092,510**	**6,147,572**	**6,088,304**	**6,143,939**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF OPERATIONS – US$	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Revenue	24,612	54,992	24,612	53,827
Cost of goods sold and services rendered	(254,904)	(305,237)	(254,904)	(305,237)
Gross (loss) profit	**(230,292)**	**(250,245)**	**(230,292)**	**(251,410)**
Operating expenses				
Selling	(22,914)	(18,604)	(22,767)	(18,972)
General and administrative	(17,697)	(19,687)	(17,697)	(19,687)
Other operating expenses, net	(1,479,999)	(275,896)	(1,480,042)	(275,899)
Equity in results of investees	105	(3,247)	-	-
(Loss) before finance result	**(1,750,797)**	**(567,679)**	**(1,750,798)**	**(565,968)**
Finance result				
Finance income	43,684	60,975	43,685	61,003
Finance expenses	(502,366)	(444,206)	(502,344)	(444,185)
Net foreign exchange variance	4,214	175,734	4,216	175,722
(Loss) before taxation	**(2,205,265)**	**(775,176)**	**(2,205,241)**	**(773,428)**
Income tax	(85,480)	(925,458)	(85,504)	(927,206)
(Loss) for the year	**(2,290,745)**	**(1,700,634)**	**(2,290,745)**	**(1,700,634)**

STATEMENT OF COMPREHENSIVE INCOME – US$	PARENT COMPANY AND CONSOLIDATED	
	2017	2016
Loss for the year	(2,290,745)	(1,700,634)
Retirement benefit obligations	(176)	(195)
Other comprehensive (loss) income for the year	**(176)**	**(195)**
Total comprehensive (loss) income	**(2,290,921)**	**(1,700,829)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF CHANGES IN STOCKHOLDERS´ EQUITY – US$	Capital	CAPITAL RESERVES		Comprehensive income adjustments	Accumulated deficit	Total
		Premium on share subscription	Tax incentive reserves			
Balance at December 31, 2015	409,774	1,616	3	(920)	(834,028)	(423,555)
Loss for the year	-	-	-	-	(1,700,634)	(1,700,634)
Other comprehensive (loss) income						
Retirement benefit obligations	-	-	-	(195)	-	(195)
Total comprehensive (loss) income	**-**	**-**	**-**	**(195)**	**-**	**(195)**
Balance as of December 31, 2016	409,774	1,616	3	(1,115)	(2,534,662)	(2,124,384)
Loss for the year	-	-	-	-	(2,290,745)	(2,290,745)
Other comprehensive (loss) income						
Retirement benefit obligations	-	-	-	(176)	-	(176)
Total comprehensive (loss) income	-	-	-	(176)	-	(176)
Balance as of December 31, 2017	409,774	1,616	3	(1,291)	(4,825,407)	(4,415,305)

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF CASH FLOWS – US$	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Cash flows from operating activities				
Loss before tax	(2,205,265)	(775,176)	(2,205,241)	(773,428)
Adjustments to reconcile loss before taxation to cash from operations:				
Depreciation and amortization	88,765	88,700	88,816	88,751
Allowance for doubtful accounts	(1,754)	165	(2,161)	567
Provision for price revision	-	(31,931)	-	(31,931)
Provision for inventory obsolescence	(1,489)	1,461	(1,489)	1,461
Provision for realization of recoverable taxes	(8,934)	74,699	(8,934)	74,699
Provision for realization of other assets	94	(49)	94	(49)
Provision for contingencies	(38,391)	39,972	(38,391)	39,972
Provision for other liabilities	1,101,878	(350,242)	1,101,878	(350,242)
Provision for impairment of property, plant and equipment (Fundão dam)	(95,364)	(312)	(95,364)	(312)
Losses on property, plant and equipment	74,461	36	74,546	36
Equity in the results of investees	(105)	3,247	-	-
Interest on loans	344,569	152,511	344,569	152,511
Exchange variance gains and losses	(14,091)	(148,954)	(14,092)	(148,957)
	(755,626)	**(945,873)**	**(755,769)**	**(946,922)**
(Increase) decrease in operating assets:				
Restricted short-term investments	(270)	21,132	(263)	21,132
Trade accounts receivable	1,540	119,996	143	77,817
Inventory	6,463	19,598	85,377	38,005
Recoverable taxes	17,185	29,007	17,186	29,002
Court deposits	(28,107)	(148,640)	(28,107)	(148,640)
Distribution of Dividends - Subsidiaries	365	9,791	-	-
Prepaid expenses	(2,962)	2,908	(2,949)	3,033
Other assets	(7,563)	66,454	(86,398)	66,391
Increase (decrease) in operating liabilities:				
Trade payables	(74,437)	55,610	(74,438)	56,259
Taxes payable	79,993	64,271	79,990	64,254

to be continued...

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

...continuation

STATEMENT OF CASH FLOWS – US$	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Increase (decrease) in operating liabilities:				
Payroll, provisions and social contributions	(2,862)	(1,715)	(2,861)	(1,757)
Income tax paid	-	-	6	(1,723)
Interest payment	(204)	(69,837)	(204)	(69,837)
Other liabilities – Related parties	384,844	146,536	384,844	146,536
Other liabilities	(98,323)	(54,789)	(98,925)	(22,042)
Net cash provided by operations	**(479,964)**	**(685,551)**	**(482,368)**	**(688,492)**
Cash flows from investing activities				
Write-down of property plant and equipment and intangible assets	8,220	(2,250)	8,150	(2,320)
Proceeds on sale of property, plant and equipment and intangible assets	-	146	-	146
Net cash used in investing activities	**8,220**	**(2,104)**	**8,150**	**(2,174)**
Cash flows from financing activities				
Financing obtained from third parties and Stockholders	473,300	280,038	473,300	280,038
Financing repayments	582	(38,839)	581	(38,839)
Net cash provided by (used in) financing activities	**473,882**	**241,199**	**473,881**	**241,199**
Effects of exchange rate changes on cash and cash equivalents	21	278	21	277
Net increase (decrease) in balance of cash and cash Equivalents	**2,159**	**(446,178)**	**(316)**	**(449,190)**
Cash and cash equivalents at the beginning of year	14,625	460,803	17,675	466,865
Cash and cash equivalents at the end of the year	16,784	14,625	17,359	17,675
	2,159	**(446,178)**	**(316)**	**(449,190)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF VALUE ADDED – US$	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Revenue				
Sales of goods, products and services	26,573	56,138	26,573	54,973
Other revenue	2,987	4,275	2,992	4,275
Revenue relating to construction of company assets	41,788	2,320	41,788	2,320
Allowance for doubtful accounts	1,754	(165)	1,754	(567)
	73,102	**62,568**	**73,107**	**61,001**
Consumables acquired from third parties				
Cost of goods sold and services rendered	(202,885)	(196,447)	(202,025)	(195,301)
Material, electricity, outsourced services and other	(1,505,539)	(124,973)	(1,505,343)	(124,846)
Recovery/(loss) of asset values	73,387	(2,125)	73,387	(2,125)
	(1,635,037)	**(323,545)**	**(1,633,981)**	**(322,272)**
Gross	**(1,561,935)**	**(260,977)**	**(1,560,874)**	**(261,271)**
Depreciation and amortization	(88,765)	(88,700)	(88,816)	(88,751)
Net value added produced by the Company	**(1,650,700)**	**(349,677)**	**(1,649,690)**	**(350,022)**
Transferred value added				
Equity in results of investees	105	(3,247)	-	-
Finance income	31,925	429,675	31,934	429,681
	32,030	**426,428**	**31,934**	**429,681**
Total value added to be distributed	**(1,618,670)**	**76,751**	**(1,617,756)**	**79,659**
Distribution of value added	**(1,618,670)**	**76,751**	**(1,617,756)**	**79,659**
Personnel				
Direct compensation	38,881	75,000	39,624	75,854
Benefits	39,927	39,307	40,044	39,622
Government Severance Indemnity Fund for Employees (FGTS)	3,084	4,149	3,084	4,149
Taxes				
Federal	107,443	942,882	107,513	944,678
State	(6,579)	77,950	(6,579)	77,926
Municipal	2,927	925	2,927	925
Interest expenses				
Interest on loans, financing and other debt items	486,392	637,172	486,376	637,139
Interest on stockholders' equity				
Loss for the period	(2,290,745)	(1,700,634)	(2,290,745)	(1,700,634)

2.5 Cash and cash equivalents

These include the balances of cash, bank deposits and investments in marketable securities with immediate liquidity with original maturities equal to or less than 90 days and involve insignificant risks of change in fair value. This category does not include cash restricted by court order.

2.6 Financial instruments

Financial instruments include cash and cash equivalents, restricted short-term investments, trade accounts receivable, other assets, trade payables, loans and financings and other liabilities.

(a) Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of operations. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

As of December 31, 2017 and 2016, the Company did not have any financial instruments classified as available-for-sale and held-to-maturity.

(b) Offsetting of financial instruments

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

(c) Provision for financial asset impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets has impairment losses only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and that event(s) had an impact on the estimated future cash flows of that financial asset that can be estimated reliably.

An impairment loss is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations.

2.7 Accounts receivable

Trade receivables consist of amounts owed by customers for goods or services acquired, and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less an allowance for doubtful accounts.

Allowance for doubtful accounts: when applicable, this provision is made in an amount considered sufficient by management to cover any losses on amounts receivable, based on individual appraisals of them and on the financial situation of each customer, including the past history of their relationship with the Company.

The provision for sales price reduction reflects the volatility of the global iron ore sector. Based on the trend of falling iron ore prices, management conducts an individual evaluation of each client's contract and makes a provision in an amount sufficient to cover any losses.

2.8 Inventories

Inventories are valued at average acquisition or production cost not in excess of the market or realization value.

Samarco uses the absorption costing system. Direct costs are appropriated objectively and indirect costs are appropriated based on normal production capacity and include expenses incurred on the acquisition of inventory, production and transformation costs and other costs incurred to bring the inventories to their current condition and location.

2.9 Investments

In the parent company financial statements subsidiaries are recorded by the equity method based on the investees' financial statements. The financial statements for overseas investments were prepared in accordance with accounting practices compatible with those adopted by the Company. The subsidiaries have the same functional currency as the parent company, i.e. the US Dollar.

2.10 Property, plant and equipment

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

Elements that comprise the cost of an item of property, plant and equipment are:

- Acquisition price, plus import taxes and unrecoverable purchase taxes, after deducting any commercial discounts and rebates.
- Any direct costs attributable to bringing the asset to its location and condition necessary to allow it to be operated as intended by management.
- The initial estimate of the cost of disassembling and removing the item and recovering the area where it is located. These costs comprise the obligation incurred by the Company upon acquiring the item or as a result of having used the item for a certain period.

Depreciation and amortization commence from the date the assets are installed and ready for use. For the items directly related to the respective productive areas, the depreciation is calculated by the units produced method. For the remainder the depreciation is calculated based on the straight-line depreciation and amortization method taking into account the periods (Note 12).

The gains and losses deriving from the sale of property, plant and equipment are determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment, and are recorded in "Other operating expenses, net" in profit or loss.

The residual values and useful lives are reviewed and adjusted if necessary, at the end of each reporting period.

2.11 Intangible assets

Intangible assets acquired separately consisting of easements, mining rights and software are measured upon initial recognition at their acquisition cost and, subsequently, less the accumulated amortization and impairment losses, when applicable.

Intangible assets with a defined useful life are amortized according to their estimated economic lives, as per Note 13, and when indications of impairment are identified, they are submitted to impairment testing.

Removal of overburden to access the ore deposits.

The cost of overburden (costs associated with stripping overburden and other waste products) incurred during the development of the mine, before production, is capitalized as part of the depreciable cost of the asset under development. These costs are amortized over the mine's useful life, based on the proven and probable reserves.

The cost of overburden removal incurred during production is added to the value of the inventory, except when a specific extraction campaign is conducted to access deposits located deeper in the reserve. In this case, the costs are capitalized and recorded in noncurrent assets as ore extraction takes place, and will be amortized over the reserve's useful life.

2.12 Impairment of nonfinancial assets

The book values of the Company's nonfinancial assets with a defined useful life are reviewed at each reporting date for signs of impairment. If any such indication exists, then the asset's recoverable amount is determined. Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. In the case of intangible assets in development not yet available for use, the recoverable value is estimated annually.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. When appraising the value in-use, the estimated future cash flows are discounted to their present values at a before-tax discount rate that reflects the current market terms regarding the capital recoverability period and the asset's specific risks.

For impairment testing purposes, assets that cannot be tested individually are grouped in the smallest group of assets that generate cash from continuous use and which are mainly independent from the cash flows from other assets or groups of assets.

Impairment losses are recognized when the book value of an asset or its cash generating unit exceeds its estimated recoverable value. Impairment losses are recognized in profit or loss. For the years ended December 31, 2017 and 2016, following the suspension of activities at Germano in November 2015 and the expected increase in social and environmental recovery costs, management conducted an impairment test of non-financial assets (Note 12).

2.13 Trade payables

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

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

2.14 Loans and financing

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total settlement value is recognized in the statement of operations over the period of the borrowings using the effective interest method.

The loans are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the balance sheet.

The costs of loans and financing attributed directly to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to be concluded for the purpose of use or sale are capitalized as part of the corresponding asset's cost when it is probable that future economic benefits will be generated in favor of the Company and the cost or value can be reliably measured. Other loans and financing costs are recorded as an expense in the period they are incurred.

2.15 Provision for contingencies

A provision is made for legal obligations when losses and resulting outflows are assessed as probable and the amounts can be measured reliably.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.16 Provision for asset retirement and environmental and socio-economic remediation

(a) Asset retirement obligations

An asset retirement obligation is recognized when there is an approved detailed asset retirement plan. The expenses for mine closure resulting from the termination of activities are recorded as asset retirement obligations. The obligations primarily consist of closure costs. The asset retirement cost related to the obligation is capitalized as part of the property, plant and equipment, and is depreciated over the asset's useful life.

(b) Environmental and socio-economic remediation

The provision for environmental and socio-economic remediation is made in accordance with the determinations of the respective authorities and under the settlement reached on March 2, 2016 (Notes 1 and 3). The provision for environmental remediation is recorded when an area of degradation is identified thus generating an obligation for the Company. A liability for compensating social damages is recognized when the obligation for future payments has been identified arising from past events subject to civil damages.

2.17 Adjustment of assets and liabilities to present value

Monetary assets and liabilities are adjusted to their present value when the transaction is originally recorded, taking into account the contractual cash flows, the explicit and in certain cases implicit interest rate of the respective assets and liabilities and the prevailing rates in the market for similar transactions. This interest is subsequently reallocated to financial expenses and revenue in the statement of operations by the effective interest rate method for contractual cash flows.

2.18 Income tax

The Company calculates taxes based on existing legislation, considering legal tax benefits and deductions. Deferred tax credits are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is measured at the rates expected to apply to the temporary differences when they are reversed, based on the laws that have been enacted or substantially decreed by the reporting date. Deferred tax assets and liabilities are offset and presented net in the balance sheet if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

The Company has a tax benefit for exports that provides for a reduction of income tax based on its operating income from mineral exploration.

The Company has a final court decision (res judicata) in its favor, which ruled that the, social contribution on net income" ("CSLL") is unconstitutional. It is not therefore paying this tax/contribution (Note 19).

2.19 Employee benefits

(a) Retirement obligation

The Company's defined-contribution plan is a retirement benefits plan under which it pays fixed contributions to a separate entity (ValiaPrev) and incurs no legal or constructive obligations to pay additional amounts. Contributions are recognized as an employee benefit expense when due.

For the defined-benefit portion of the plan (ValiaPrev), a constructive obligation, the Company obtains the actuarial calculation. When the benefits of a plan are increased, the portion of the increase in the benefit related to past service of employees is recognized immediately in profit or loss.

The defined-benefit obligation is the present value of the gross defined-benefit obligation less the fair value of the plan's assets at the reporting date. Independent actuaries using the projected unit of credit method calculate it annually. The present value of the defined benefit obligation is determined by discounting future estimated cash disbursements using interest rates in line with market yields, which are denominated in the currency in which benefits are paid and have maturity terms close to those of the respective pension plan obligation. However, no asset is recognized, as there is no such provision in the bylaws for reimbursing the Company or reducing future contributions.

The actuarial gains or losses arising from the adjustment for experience and changes in actuarial assumptions are recorded directly in stockholders' equity as other comprehensive income, when incurred.

(b) Share-based payments

Samarco operates a compensation plan based on phantom stock, settled in cash. The fair value payable to employees relating to the long-term incentive plan is recognized as an expense with a corresponding increase in the liabilities. The amount is remeasured at least once a year, at the end of each fiscal year and on the settlement date. Any changes in the liability's fair value are recognized as personnel expenses in the statement of operations.

(c) Medical assistance
The Company provides life insurance and healthcare insurance benefits for its employees and their dependents, which are recorded on the accrual basis and are discontinued in the event the employee leaves the Company.

(d) Profit sharing
Based on its variable compensation policy, the Company provides a profit-sharing plan ("PLR") to its employees, subject to the performance of targets, the evaluation of results and the achievement of specific goals, which are established and agreed at the beginning of each year. A provision is recognized when the Company has a contractual obligation or a past event that has created a constructive obligation.

2.20 Capital
Each common share entitles the holder thereof to one vote on General Meeting resolutions.

2.21 Payment of dividends
Minimum mandatory dividends paid to the Company's stockholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to its bylaws. Supplemental amounts referring to the portion exceeding the minimum obligation required by law or the bylaws is held in a specific account in the stockholders' equity, and is only transferred to liabilities when declared by the stockholders' General Meeting.

2.22 Results of operations
Income and expenses are recognized on the accrual basis, and include costs, expenses and revenue, in addition to the earnings, charges and indexation or exchange variance at official indices or rates applied to current and noncurrent assets and liabilities. The attributable income-tax amounts are charged/credited to the statement of operations.

(a) Recognition of revenue from product sales
Revenue from ore sales is recognized when the significant risks and rewards of ownership are transferred to the buyer. As most of the sales are made on a FOB (Free-on-Board) basis, the revenue is recognized when the product is delivered to the transporter.

Revenue is recognized at the dispatch date based on an estimated fair value of the payment receivable. When the realization of an amount already recorded under revenue is uncertain, a provision for the uncollectible amount or amount unlikely to be realized is recognized as a price adjustment or loss directly classified as an expense.

(b) Recognition of revenue from services
The Company provides logistics services at its own port terminal. Service revenue is recognized when the economic rewards associated with the transaction will probably materialize. When the realization of an amount already recorded under revenue is uncertain, the uncollectible amount or amount unlikely to be realized is recognized as an expense.

(c) Finance income and costs
Finance income comprises interest income on funds invested and changes in the fair value of financial assets measured at fair value through profit and loss.

Finance costs comprise interest expenses on loans and financing, and changes in the fair value of financial assets measured through profit and loss.

Interest income and expenses are recognized as they accrue in profit or loss, using the effective interest method. Foreign currency gains and losses are reported on a net basis

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

2.24 New standards that are not yet effective
The following new standards have been issued by the International Accounting Standards Board ("IASB") but were not in force for 2017. Whilst encouraged by the IASB, the early adoption of standards in Brazil is not permitted by the Brazilian Accounting Pronouncements Committee ("CPC").

CPC - 48 (IFRS 9) - "Financial Instruments" – CPC 48 goes into effect on January 1, 2018 and replaces the existing instructions in the former CPC 48 – Financial Instruments, recognition and measurement.

The main changes brought by the CPC 48 are:
(i) New criteria for classification of financial assets, (ii) new model of impairment for financial assets, a hybrid of expected and incurred losses, replacing the current model of incurred losses, and (iii) more flexible rules for the adoption of hedge accounting.

The effects of CPC 48 on the parent company and consolidated financial statements depend on the economic condition in 2018 and the existing financial instruments; therefore, there is a degree of uncertainty in the measurements of the impacts of the adoption thereof.
Management has made a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its position at December 31, 2017 and concluded that the impacts will not be significant.

CPC 47 (IFRS 15) - "Revenue from Contracts with Customers" replaces the current standards for recognition of income, including the CPC 30 Revenue, CPC 17 Construction contracts and respective interpretations, and introduces a model that determines how and when income is recognized and for how long it is to be measured. This rule will go into effect on or after January 1, 2018.

This norm is based on the principle that revenue is recognized when the control of an asset or service is transferred to a client. Its model is based on five phases, which are: identification of the contract with the client, identification of the performance obligations, determination of the price of the transaction, allocation of the price of the transaction, and recognition of revenue.

Company's management has analyzed its operations based on the five-phase model defined in this new rule and concluded that there will be no significant impacts for the parent company and consolidated financial statements.

The revenue from the sale of ore (Note 23) will continue being recognized at the time of transfer or handover to the buyer of the significant risks and benefits related to the product. In other words, the revenue is recognized when the product is delivered to the shipper.

The revenue from services (Note 23) will continue to be recognized when it is ascertained that there is a probability of the existence of economic benefits associated with the transaction and based on the services actually performed up to the date of the balance sheet.

CPC 06 R2 (IFRS 16) - "Leases" –introduces a single model of accounting of leases in the balance sheet for lessees.

Under this new standard, lessees must now recognize the liabilities for future payments and the right to use the leased asset for practically all lease agreements, including operating leases. Certain short-term or minor contracts can be excluded from the scope of this new standard.

The criteria for the recognition and measurement of leases in lessor financial statements remain substantially unchanged.

IFRS 16 is effective for financial years commencing January 1, 2019 and replaces IAS 17 / CPC 06 "Leases" and corresponding interpretations.

The standard will affect the reporting of lease operations that the Company has in effect. The Company made a study of its commitments with leases at December 31, 2017, and estimates that the total of these contracts is R$ 1,711 and that they are of a low value - some 34% referring to short term leases, which will be recognized in a single line as an expenses.

However, management has not yet evaluated which adjustments, if any, will be necessary, such as those required by a change in the definition of the term of the lease and the treatment of payments of variable leases and options for renewal and termination.

As such, the Company has not yet determined the amount of right of use assets and the lease liabilities, which will need to be recognized, nor the impacts on the results of operations and the classification of future cash flows.

3. SIGNIFICANT EVENT - FAILURE OF THE FUNDÃO DAM

As a result of the failure of the Fundão tailings dam on November 5, 2015, material accounting adjustments were recorded particularly related to measures to prevent, remediate, contain and offset property, environmental and social damages, in addition to asset write offs.

Samarco incurred expenses and made provisions for future disbursements that have been recorded and reported in accordance with CPC 25 - "Provisions, contingent liabilities and contingent assets".

The material accounting effects from this significant event on the Company's Statement of Financial Position, Statement of Operations and Statement of Cash Flows in the financial year ended December 31, 2017 and 2016 are described below:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

BALANCE SHEET

Assets Current	NOTE	2017	2016
Restricted short-term investments	(a)	224	235
Other assets (Advance to suppliers)	(b)	897	3,075
Total current assets		**1,121**	**3,310**
Noncurrent			
Court Deposits	(c)	332,750	314,854
Deferred income tax	(d)	14,220	75,804
Property, plant and equipment	(e)	-	(215,672)
Total noncurrent assets		**346,970**	**174,986**
Liabilities Current			
Trade payables	(f)	(22,236)	(243,854)
Other provisions	(g)	(1,737,222)	(1,634,522)
Other liabilities(SEMAD)	(i)	(27,069)	(24,886)
Total current liabilities		**(1,786,527)**	**(1,903,262)**
Noncurrent			
Provisions for contingencies	(h)	(56,879)	(87,542)
Other provisions	(g)	(9,516,701)	(5,576,590)
Other liabilities (SEMAD / Contract related parties)	(i)	(1,852,226)	(574,959)
Total noncurrent liabilities		**(11,425,806)**	**(6,239,091)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF OPERATIONS

	NOTE	2017	2016
Cost of goods sold and services rendered	(j)	(91,410)	(110,765)
Gross Loss		**(91,410)**	**(110,765)**
Operating expenses			
Provision for social, environmental and socio-economic recuperation		(4,500,728)	3,437,267
Expenses on social, environmental and socio-economic recuperation	(k)	(566,529)	(2,068,663)
Provision for losses in property plant and equipment		-	1,145
Personnel Expenses - Fundação Renova		(7,000)	(221,390)
Administration Expenses - Fundação Renova		(45,106)	(33,679)
Penalty for social, environmental and socio-economic recuperation		(5,950)	-
Operational profit/(loss) before financial result		**(5,216,723)**	**1,003,915**
Penalty for socio-economic and socio-environmental recovery		(797,428)	(746,914)
SEMAD interest		(10,476)	(16,047)
Financial result	**(l)**	**(807,904)**	**(762,961)**
Profit/loss before income tax		**(6,024,627)**	**240,954**
Income tax	(d)	-	(60,238)
Net Profit/(loss) for the year		**(6,024,627)**	**180,716**

STATEMENT OF CASH FLOWS

Cash flows from operating activities	NOTE	2017	2016
Profit / Loss before tax		(6,024,627)	240,954
Adjustments to reconcile the loss to the cash provided by operations:			
Provision for other liabilities	(g)	4,042,811	(2,793,690)
Provisions for contingencies		(30,663)	-
Provision for asset impairment	(e)	(215,672)	(1,145)
(Increase) decrease in operating assets:			
Restricted short-term investments	(a)	11	82,550
Court deposits	(c)	(17,896)	(11,996)
Other assets	(b)	2,178	4,773
Increase (decrease) in operating liabilities:			
Trade payables	(f)	(221,618)	192,462
Other Liabilities	(i)	1,279,450	599,845
Net cash used in operating activities		**(1,186,026)**	**(1,686,247)**
Net cash used in investing activities		-	-
Net cash used in financing activities		-	-
Total net decrease in cash and cash equivalents		**(1,186,026)**	**(1,686,247)**

Preliminary Commitment (TCP) - Creation of Emergency Security

On November 16, 2015 Samarco signed a Preliminary Commitment ("TCP") with the Prosecutor's Department of the state of Minas Gerais and the Federal Public Prosecutors' Office whereby Samarco created a "social and environmental guarantee fund" in the total amount of R$ 1,000,000, to be used exclusively to pay for measures to prevent, remediate, contain and offset environmental or social /economic damages caused by the Fundão dam failure.

Pursuant to this TCP, Samarco created a fund allocated to a specific remunerated account totaling R$ 500,000 and submitted guarantees amounting to R$ 500,000.

The fund's resources will remain under Samarco's management, be overseen by the Prosecutor's Office and audited by an external auditor. However, the R$ 500,000 deposited with this fund was required to be transferred to a judicial deposit account to satisfy a tax contingency related to the CFEM calculation base (Note 19(b)) which bears no relation to the failure of the Fundão dam. This transfer arose from a court decision on December 11, 2015 recorded in the tax enforcement case in the 26th Federal Court of Minas Gerais. In March 2017, the National Treasury Prosecutor´s Office (PGFN) ruled the tax collection (25th Federal Court) charging Samarco for a back payment of corporate tax (IRPJ) for 2000 to 2003 and 2007 to 2008. It secured an interest through a petition in the case records over the amount deposited of R$ 500,000, claiming a pledge of this amount, in its favor, based on the opinion of the AGU which has established the preference of tax collections over other claimants, other than labor related obligations. On 28 July 2017, the judge responsible for the tax collection of the IRPJ accepted the claim, determining that the amount be provided as a security for the IRPJ debt. On February 2, 2018, a ruling required this amount to be transferred to a judicial account under the disposition of the judge of the 25th Federal Court (IRPJ).

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

Meanwhile, the independent audit engaged for the TCP certified that, as of November 2016, Samarco had made expenditures in excess of R$ 1 billion, thus fulfilling the purpose for which the fund was created according to the TCP. In September 2017, the Public Prosecution Service of Minas Gerais issued a motion to file this investigation.

The tax claim related to the CFEM and the IRPJ is detailed in Note 19(b).

(a) Restricted short-term investments
The amounts referred to herein are those which were not available for immediate use, such as the funds blocked by court order in proceedings directly related to the failure of the Fundão dam.

(b) Other assets
The amount of R$ 3,075, reported in 2016, refers to advances made to suppliers related to the programs for recovery of infrastructure of the Risoleta Neves Hydropower Dam (Candongas reservoir) and also the program for containment of tailings and treatment of the rivers impacted by the failure of the Fundão dam.

The amount of R$ 897 reported in 2017 refers to advances made to suppliers for water monitoring programs, recovery of the Risoleta Neves dam and the hiring of consultancy and specialist services.

(c) Court deposits
By court order, Samarco had bank accounts blocked totaling R$ 322,750 at December 31, 2017 (R$ 314,854 at December 31, 2016) which was subsequently transferred to a court escrow deposit account related to the proceeding brought by the Prosecutor's Department of State of Minas Gerais in connection with the failure of Fundão dam, as shown below:

	PARENT COMPANY AND CONSOLIDATED (MARIANA ACTION)					
	31/12/2016	Additions	Reversals	Uses	Charges	31/12/2017
Court Deposit Civil Actions	314,854	-	(18,603)	-	36,499	332,750

(d) Deferred income tax
The accounting impacts deriving from the dam's failure have been treated as temporary differences for tax purposes. The Company therefore reported a deferred income tax asset from these amounts, as shown below.

In line with the expectation of resumption of the operational activities of the Company (Note 1b), an analysis was made of the realization of the deferred income tax constituted in 2017. With the understanding that the future fiscal profits subject to taxation at the rate of 25% would not be sufficient to support the use of the deferred income tax arising from the provision of socioeconomic and socioenvironmental remediation and the tax loss, the Company chose to not carry out the accounting recognition of the deferred income tax under these accounts.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	2017		2016	
	Calculation base	Income tax	Calculation base	Income tax
Provision for write-off of property, plant and equipment	-	-	215,672	53,918
Provision for contingencies	56,879	14,220	87,542	21,886
		14,220		**75,804**

(e) Property, plant and equipment

Write-off of property, plant and equipment

Samarco recorded a provision for loss at December 31, 2016 totaling R$ 215,672, equal to the residual value of the property, plant and equipment of the Fundão dam. In 2017, the provision was reversed, considering that the amount written off, as follows:

	2017			2016		
	Cost	Depreciation	Net value	Cost	Depreciation	Net value
Industrial facilities (buildings, machinery and equipment) - Fundão dam	-	-	-	166,260	(28,678)	137,582
Assets under construction - design and preparation for raising the Fundão dam	-	-	-	78,090	-	78,090
	-	**-**	**-**	**244,350**	**(28,678)**	**215,672**

Impairment

Indicators were present suggesting that assets were being carried in the books at amounts above their recoverable value and therefore an impairment test (Note 12) was conducted.

(f) Trade payables

This refers to amounts payable of R$ 22,236 (R$ 243,854 at December 31, 2016) related to expenses arising from the failure of the Fundão dam.

(g) Other provisions

On March 2, 2016, Samarco and its stockholders Vale and BHP Billiton Brasil, signed the TTAC (Note 1(a)) as outlined in the case records of the public civil action brought by the Government Federal and others (No. 0069758-61.2015.4.01.3400), with the 12th Federal Court in Belo Horizonte, State of Minas Gerais, to establish the programs which determine the measures and actions to remedy and compensate for socio-environmental and socio-economic damages caused by the failure of the Fundão dam.

In addition to Samarco and its stockholders, the following are also parties to the Framework Agreement: (i) the Federal Government, the Brazilian Environmental and Renewable Natural Resources Institute ("IBAMA"), Instituto Chico Mendes de Conservação da Biodiversidade ("ICMBio"), National Water Agency ("ANA"), the National Department of Mineral Production ("DNPM"), Fundação Nacional do Índio ("FUNAI"); (ii) in Minas Gerais: the State of Minas Gerais, the State Institute for Forestry ("IEF"), the State Institute for Water Management ("IGAM"), the State Foundation for the Environment ("FEAM"); and (iii) in Espírito Santo: the State of Espírito Santo, the State Institute for the Environment and Water Resources ("IEMA"), the State Institute for Agribusiness and Forestry Protection ("IDAF") and the State Water Resource Agency ("AGERH").

The scope of the Framework Agreement at December 31, 2017 comprises of a total of 42 programs, of which: (i) 23 are of a social/economic nature; and (ii) 19 are socio-environmental. These programs include both remediation and compensatory measures. The TTAC further provides for the possibility of creating new programs, to the extent required to implement the actions stipulated in the agreement.

The Framework Agreement has been structured such that government authorities will be able to comment, assess and approve the projects developed under the programs, and oversee the execution of all of the programs through an Interfederative Committee ("CIF"). Experts and advisory panels have also been appointed to settle technical disputes in a scientific, substantiated and expeditious manner.

The Framework Agreement established the creation of a private Foundation that will develop and implement the programs, the management of which will be independently audited. The term of the Framework Agreement is 15 years, renewable every year thereafter until all of the obligations outlined in the Framework Agreement are fulfilled.

Under the Framework Agreement, Samarco is responsible for funding the Foundation for the duration of the Framework Agreement. To the extent that Samarco does not meet its funding obligations under the Framework

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

Agreement, each of Vale and BHP Billiton Brasil has funding obligations under the Framework Agreement in proportion to their 50 per cent shareholding in Samarco.

For the year ended December 31, 2017, funding has been provided to the Foundation as follows:

- R$ 2,089,682 in 2016, of which R$ 1,112,195 were applied directly in the Samarco programs of the Framework Agreement, R$ 283,537 were withheld as a result of the Public Civil Action (ACP) in the city of Mariana, and R$ 693,950 were deposited to the Foundation. Of the total input to Foundation in 2016 (R$ 693,950), Vale and BHP Billiton Brasil directly paid in to the Foundation, in Samarco's name, a total of R$ 477,488, in the proportion of 50% each;

- R$ 1,874,831 in 2017, of which R$ 581,881 were applied directly in the Samarco programs of the Framework Agreement, R$ 1,280,000 directly provided by Vale and BHP Billiton Brasil, in the proportion of 50 % each, were deposited with the Foundation on Samarco's behalf; and R$ 12,950 by Samarco (R$5,950 relative to the compensation actions for the appeal of the fine of the Candonga Hydropower plant, deliberation Nº. 80 of the CIF and R$ 7,000 relative to the release of part of the appeal of the Public Civil Action of Mariana).

In 2018, the total input to be provided to the Foundation is R$ 1,965,000. From 2019 through 2021, annual contributions to the Foundation must be sufficient to cover the costs of the remediation and compensation programs for each year, with the annual reference amounts for these contributions being between R$ 800,000 to R$ 1,600,000. Starting from the date of the signing of the Framework Agreement, the Foundation will allocate every year an amount of R$ 240,000 over a period of 15 years for the execution of the compensation programs. These annual amounts are already included in the amount for the first six years (2016 - 2021). Additionally, an R$ 500,000 contribution will be allocated to sewage treatment and disposal of solid waste in certain areas. From 2022 onwards, the amounts to be contributed will be based on the project schedule approved by the Foundation at the time. The Framework Agreement does not specify a minimum or maximum limit on contributions for this period.

The agreement establishes, among other matters, Foundation governance enhancements to ensure a greater participation of the peoples affected and a process to deal with a possible renegotiation of the programs designated to repair the Fundão dam failure, to be assessed following the conclusion of the work of specialists hired (Experts) by Samarco to advise the Federal Prosecutor's Office.

On June 25, 2018, the TAC Governance was executed to provide for the settlement of a Public Civil Action of R$ 20,000,000, suspension of the Public Civil Action of R$ 155,000,000, partial ratification of the Framework Agreement and a formal declaration that the Framework Agreement remains valid for the signing parties. On 8, therefore until August 2018 the 12th Federal Court of Minas Gerais ratified the TAC Governance.

Based on the information above, Samarco management, following the advice of external consultants and experts, has been preparing action plans and studies for the future remediation of the environmental and socio-economic damage caused by the dam failure, in addition to the implementation of compensatory programs established in the Framework Agreement. At December 31, 2017, Samarco had recognized provisions at current prices for future disbursements related to the present obligation generated by the dam's failure. The magnitude, full scope, timing and costs of the future remediation programs are subject to significant uncertainty as they depend on the conclusion of expert studies, the preparation of action plans and the outcome of pending court cases.

The provision made was discounted to present value at (i) the risk-free rate of 8.3340% per annum based on the 12-year Brazil bond in the international market maturing on January 5, 2024 obtained from Bloomberg (EJ137186) and (ii) considering cash outflow through December 31, 2030.

(a) Break down

Provision for :		2017	2016
Remediation programs	(g.1)	7,616,117	3,952,511
Compensation programs	(g.2)	2,910,668	2,760,202
Other actions not included in the settlement	(g.3)	727,138	498,399
		11,253,923	**7,211,112**
Current liabilities		**1,737,222**	**1,634,522**
Noncurrent liabilities		**9,516,701**	**5,576,590**

Based on the results of the studies, the engineering design work, the definition of activities and scope of the various programs, the estimates are becoming more precise, and consequently the provision for social, environmental and socio-economic recuperation was updated. Some of the main factors, which contributed to the increase in the provisions compared to the previous estimate are:

- Inclusion of fishing community beneficiaries for the financial aid and compensation programs;
- Inclusion, following the new revision policy, of additional professional fishermen by 2020, whose status had not previously been regulated;
- Maintenance of the virtual cards in the budget for 2019 and 2020, in addition to the inclusion of new cards in the financial aid program;
- Adjustment to the costs of the Rio Doce Panel and inclusion of biodiversity cost monitoring;
- Indemnification to Impacted Population through the Mediated Indemnity Program (PIM) under terms of compensation for fatalities and impacted peoples in general, among others;

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

- Replanning activities and costs for public facilities, construction of housing and infrastructure for resettlement; and
- New packages for resettlement: Mariana landfill, bridge construction, land management legal services, social housing subdivision, containment services, assisted purchase support team, construction support team, infrastructure for small landowners, due diligence and business intelligence.

(b) Changes

Provision for social, environmental and socio-economic recuperation	2017	2016
Balance on December 31	**7,211,112**	**10,004,802**
Realized provision	(566,529)	(2,068,663)
Financial update	797,428	746,914
Increase (decrease) of provision	3,811,912	(1,471,941)
Balance on December 31	**11,253,923**	**7,211,112**
Current liabilities	**1,737,222**	**1,634,522**
Noncurrent liabilities	**9,516,701**	**5,576,590**

As the assessment and remediation of damage progresses, changes to key assumptions could result in material change to the amount of the provision in future reporting periods, including:

- Removal method of the remaining tailings in rivers: the timely removal of the remaining tailings in river channels, flood plains and riverbanks from Santarém to the upstream Risoleta Neves Hydropower Plant (Candonga dam). If required through mechanical solutions using earthmoving equipment. This method considers removal cost is by cubic meter hauled and tailings /loading and hauling equipment hours.

- Removal method of the tailings remaining in the Candonga reservoir: to be carried out by dredging, but also involving containment activities, as described below:
  - Removal and accumulation of about 1.5 million m^3 deposited in the Candonga reservoir, permitting the power plant to resume operations (about 1 million m^3 have already been dredged, with another 500 thousand m^3 remaining), and
  - Construction of three metal sediment containment barriers.

- Compensation for peoples affected - the Mediated Compensation Program effectively got under way in October 2016, with the established objective of developing and executing a compensation and indemnity program, through coordinated negotiation with peoples affected. The implementation takes into account the peoples identified and registered, a review of each case and a form of indemnification, including:
  - Urban and private property
  - Working conditions and individual income/livelihood
  - Deceased and missing
  - Fishermen, sand extractors, small business owners
  - One-person businesses, micro businesses
  - Disrupted water supply

In 2017, R$ 524,588 was paid as compensation for damages caused by the failure of the Fundão Dam, of which R$ 187,338 under the Emergency Financial Aid program and R$ 337,249 in indemnities. For 2018, the amounts considered in the budget and already approved by the Board of Trustees of the Foundation are R$ 443,906 in Indemnities and R$ 254,945 in Emergency Financial Assistance.

- Risoleta Neves HPP compensation costs for reduction in useful life / costs to resume operation.

(g.1) Remediation programs: these comprise measures and actions to remedy and/or repair the socio-environmental and socio-economic damages resulting from the dam failure, as set out in the Framework Agreement, whose main programs are: survey and registration of those impacted; protecting and enhancing the living standards of indigenous peoples; preservation of historical, cultural and artistic heritage; social communication, engagement and participation; reconstruction of Bento Rodrigues, Paracatu de Baixo and Gesteira; rehabilitation of other affected communities and infrastructure between Fundão and Candonga; assisting animals; emergency financial aid; reforestation and environmental recovery; conservation of aquatic biodiversity; management of resulting tailings, including in situ stabilization, excavation, dredging, haulage, treatment and disposal; improvement of water supply systems.

(g.2) Compensation programs: measures and initiatives to compensate for damages arising from the dam failure which are not applicable for mitigation or remediation, by improving environmental and economic conditions in affected areas, in accordance with the program set out in the Framework Agreement, whose main aspects are: supporting the research for the development and use of social and economic technologies applied to impact remediation; regional economic recuperation and diversification with incentives for industry; encouraging local contracting; rehabilitation of permanent protected areas (APP); recovery of springs; strengthening of screening structures and reintroduction of wildlife; collection and treatment of sewage and solid waste; environmental education and preparation for environmental emergencies. The total to be dispersed under the programs and initiatives of this nature is R$ 4,100,000, consisting of R$ 240,000 per annum, in real terms, over a period of 15 years starting in 2016. An amount of R$ 500,000 will be provided to the program for the collection and treatment of sewage and solid waste.

(g.3) Other actions not covered by the Framework Agreement: other expenditures required to meet the cost of actions arising from the Fundão dam failure but not covered by the TTAC programs.

(h) Contingencies

The Company is a party in legal and administrative proceedings involving civil, labor and environmental matters arising from the Fundão dam failure. These proceedings filed by individuals, private companies, NGOs and public and government entities seek remediation and compensation for environmental and socio-economic impacts, material/property and emotional distress damages and compensation for deaths, in addition to a wide range of indemnification actions brought by affected municipalities.

These lawsuits include public civil actions brought by State Public Prosecutors in Minas Gerais and Espírito Santo, State Public Defenders in Minas Gerais and Espírito Santo, Federal Prosecutors and defenders. In view of the preliminary status of all these proceedings, the duplicative nature of the damages sought in these proceeding and the R$ 20,000,000 and R$ 155,000,000 claims, which are detailed in the following paragraphs, it is not possible at this time to provide an overview of the possible outcomes or a reliable estimate of future exposure.

In addition, government investigations on the failure of the Fundão dam are in progress, being carried out by several agencies of the Brazilian government.

As defined in the Framework Agreement, the claims of several proceedings filed against Samarco are encompassed in this agreement. Any claims involving any matter established in the Framework Agreement should seek dismissal by resolution of substance or grouping together filed claims. As mentioned in item (g) above, the estimated losses for claims covered by the Framework Agreement have been included as part of the various provisions for the remediation and compensation of damages caused by the dam failure.

The Company received an assessment notice from environmental agencies, including IBAMA (Brazilian Environmental and Renewable Natural Resources Institute) due to the environmental damage caused by the discharge of solid and liquid waste (mining tailings) into the waters of the Doce river, and SEMAD (State Secretariat for Environment and Development) due to the environmental pollution and degradation resulting in damage to water resources. Samarco has submitted its defense against these charges and is waiting for a response from these entities. The assessment notices amount to R$ 887,966 (R$ 819,866 as of December 31, 2016). Losses and resulting outflows are rated as possible.

In relation to the Public Civil Action No. 0043356-50.2015.8.13.0400 filed by the Public Prosecutor of Minas Gerais, seeking full compensation for the affected people of Mariana. The Public Prosecutor of Minas Gerais sought an order to freeze R$ 300,000 in Samarco's bank account earmarked for compensation and remediation measures required under this Public Civil Action. Samarco appealed the order, however, on December 4, 2017, the Minas Gerais Court of Appeals denied the appeal and maintained the decision that froze such amount. The amount frozen has been partially released to pay for investments in emergency actions and hiring of experts for the communities impacted, as determined by Court. On October 2, 2018, Samarco, Vale, BHP Billiton Brasil and the Public Prosecutor of Minas Gerais signed an agreement to address the payment of damages in Mariana through the use of resources blocked in a precautionary Public Action injunction. Although the action was filed, the amounts originally blocked in this action will be used to pay part of the damages.

On May 3, 2016, the Federal Public Prosecutor filed a public civil action against Samarco and its stockholders seeking full compensation, indemnification and emotional distress in view of the environmental damages caused by the dam failure, demanding: (i) adoption of measures for mitigating the social, economic and environmental impacts caused by the failure of the Fundão dam and other emergency measures, (ii) payment of compensation to the community and (iii) payment of collective moral damage. The value of the initial action brought by the Federal Public Prosecution Service is R$ 155,000,000.

On November 30, 2015, the Federal Government of Brazil, the states of Espírito Santo and Minas Gerais and other public authorities collectively filed a public civil action with the 12th Federal Court of Belo Horizonte against Samarco and its stockholders, Vale and BHP Billiton Brasil, seeking the creation of a fund of up to R$20,000,000 in aggregate for clean-up costs and damages.

On January 18, 2017, the Federal Public Prosecution Service, Samarco and its stockholders signed a preliminary agreement ("TAP" or "Preliminary Agreement") with the Federal Prosecutors' Office in Brazil, which outlines the process and timeline for further negotiations towards a settlement of the R$ 20,000,000 and R$ 155,000,000 claims. The Preliminary Agreement provided for the appointment of experts to advise the Federal Prosecutors in relation to social and environmental remediation and the assessment and monitoring of programs under the Framework Agreement programs.

The expert advisors' conclusions are not binding on Samarco, Vale or BHP Billiton Brasil but will be taken into account in the negotiation of a final settlement arrangement with the Federal Prosecutors.

Under the Preliminary Agreement, Samarco and its stockholders also agreed to provide an interim security ("Interim Security") totaling R$ 2,200,000, for the hiring of the experts to advise the Federal Prosecutors, and the holding of public hearings. Samarco expects to incur R$ 34,000 for the funding of these measures in the period between March 2017 and March 2018. For the cost of the activities of experts at the service of the Public Prosecution Office, namely Ramboll, Lactec and Fundo Brasil de Direitos Humanos in the aforementioned period, the total of R$ 40,285 was incurred. For the second year of work of the experts, by virtue of the agreement, it is estimated that the amount to be incurred will be higher, considering the effective work of the Fundo Brasil and Fundação Getúlio Vargas (FGV), who will be leading the development of the diagnosis of socioeconomic damages resulting from the rupture of the Fundão Dam. Samarco is not yet able to estimate the amount needed to fund the experts' work for the second year, as it has not yet received FGV´s commercial/technical proposal.

On January 24, 2017, Samarco, Vale and BHP Billiton Brasil provided the Interim Security to the Court, which will remain in effect for up to 24 months after the ratification of the TAC Governance. Following a series of extensions, on June 25, 2018, the parties reached an agreement in the form of the TAC Governance.

The Preliminary Agreement established in the Public Civil Action of Ponte Nova provides for the allocation of R$ 200,000 for remedial actions in that district. This amount was allocated to existing Foundation programs, and did not represent an increase in the allocation of resources forecast for 2018.

On June 25, 2018, Samarco, Vale and BHP Billiton Brasil, the other parties to the Framework Agreement, the Public Prosecutors Office and the Public Defense Office executed an arrangement which settles the Public Civil Action of R$ 20,000,000, enhances community participation in decisions related to programs under the Framework Agreement and establishes a process to renegotiate the programs over two years to progress settlement of the Public Civil Action of R$ 155,000,000 (TAC Governance).

Renegotiation of the programs will be based on certain agreed principles such as full reparation pursuant to Brazilian law, the requirement for a technical basis for any proposed changes, consideration of findings from experts appointed by Samarco, Vale and BHP Billiton Brasil, consideration of findings from experts appointed by Prosecutors and consideration of feedback from impacted communities. During the renegotiation period and up until revisions to the programs are agreed, the Foundation will continue to implement the Programs in accordance with the terms of the Framework Agreement and the TAC Governance.

The TAC Governance was ratified by the 12th Federal Court of Minas Gerais on August 8, 2018, settling the Public Civil Action of R$ 20,000,000 and suspending the Public Civil Action of R$ 155,000,000 for a period of two years from the date of ratification.

Under the TAC Governance, the Interim Security provided under the Preliminary Agreement is maintained for a period of 30 months under the TAC Governance, after which Samarco, Vale and BHP Billiton Brasil will be required to provide security of an amount equal to the Foundation's annual budget up to a limit of R$ 2,200,000.

Management has also considered other claims classified as possible and/or probable which are at the initial stage and which pose significant uncertainties due to duplicative nature of the damages sought in those claims and the R$ 20,000,000 and R$ 155,000,000 claims, the definition of the amounts involved, compensation time-lapse, new claims, and other judicial and extrajudicial settlements.
Additional government proceedings and investigations related to the failure of the Fundão dam may be brought against the Company and its stockholders. Until further facts are available and the uncertainties mentioned above resolved, it is not possible to provide a range of potential outcomes or a reliable estimate of Samarco's obligations arising from such matters. As such, a provision has not been recognized or a contingent liability quantified for these potential claims. Only with time and natural development of disputes and maturity of the proceedings, with new settlements reached and/or legal decisions, will it be possible to understand the magnitude of the impacts and the Company's exposure. These items may result in significant impacts on the provisions and result in new adjustments to existing provisions and/or the recognition of new provisions for disbursements which cannot be projected and/or measured.

(i) Other liabilities

Samarco received an environmental violation notice from SEMAD demanding payment of R$ 127,500. Samarco applied for the division of the payment of this amount over 60 months. The first payment, corresponding to 5% of the total, was paid in December 2016. At December 31, 2017 (Note 21), R$ 27,069 (R$ 24,886 at December 31, 2016) refers to 12 short-term installments, and R$ 94,738 (R$ 97,471 at December 31, 2016) to 42 long-term installments, all indexed for the time value of money per the Selic rate.
On December 30, 2016, contracts were signed among Samarco, Vale and BHP Billiton Brasil, recognizing Samarco's obligation to pay its stockholders the amounts they allocated to Foundation. These resources have the purpose of allowing the fulfillment of the obligations outlined in the Framework Agreement signed with the state and federal entities. On December 31, 2017, the incoming resources amounted to R$ 1,757,488, of which R$ 1,280,000 were provided in 2017 (R$ 477,488 at December 31, 2016).
The information relating to the Framework Agreement is detailed in Note 3 (g)

(j) Cost of goods sold and services rendered

The Company incurred costs to maintain and repair facilities affected by the failure of the tailings dam (related to outsourced services, construction materials and fuel, amongst other items). An amount of R$ 66,755 (R$ 214,101 at December 31, 2016) was recorded as idle capacity (Note 24).

(k) Other operating expenses

Expenses for socio-economic and socio-environmental recovery

The breakdown of expenses related to the measures to prevent, remediate, contain and offset material, environmental and social damages caused by the dam failure, incurred and provisioned in 2017 and 2016, is shown below:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	2017		2016	
	Incurred	Provisioned for	Incurred	Provisioned for
Remediation programs	415,836	7,616,117	1,618,491	3,952,511
Compensation programs	8,084	2,910,668	11,915	2,760,202
Actions not included in the settlement	142,609	727,138	438,257	498,399
	566,529	**11,253,923**	**2,068,663**	**7,211,112**

The descriptions of the nature of each of the expenses included in the table above are detailed in Note 3(g).

(l) Financial Results

The financial result (income) consists of: (i) financial expense R$ 797,428 (R$ 746,914 at December 31, 2016) for updating the provision of socio-environmental and socio-economic recovery, calculated at current value (rate de Note 3(g)); (ii) R$ 10,476 (R$ 16,047 in 2016) the interest incurred on the environmental penalty applied by SEMAD (Note 3 (i)).

(m) Investigations

Immediately after the failure of the Fundão dam, the Company, together with its stockholders, contracted an external investigation team to identify the causes of the failure. The results of the investigation were made public at the end of August 2016.

The Company and its stockholders are analyzing the full results of the investigation, which were also shared with the Federal Police and the Public Prosecution Service, among other entities involved in the investigation process. The results also provided input for the police investigations in progress as well as all judicial measures. The information will help the Company and the mining industry as a whole in their quest to establish higher standards of operational safety to prevent the occurrence of other events of a similar nature.

On October 22, 2016, the Federal Public Prosecution Service indicted the Company, its stockholders and 22 individuals, for the failure of the Fundão dam, under proceeding no. 0002725-15.2016.4.01.3822. The Company was charged with environmental crimes as outlined in articles 29, caput, §1, items I and II, § 4, items I, III, V and VI, art. 33, art. 38, art. 38-A, art. 40, caput, §2, art. 49, art. 50, art. 53, items I and II, sub items "c", "d" and "e", art. 54, § 2, items I, III, IV and V c/c art. 58, item I, art. 62, item I, all contained in Law n. 9,605/98, concomitantly with the crimes specified in articles 68, 69, and, twice, in art. 69-A, §2. of Law no. 9,605/98. The indictment was received on November 17, 2016. After a detailed analysis of documents and legal issues, related to the indictment, the Company presented a response within the legally established timeframe. The proceedings are still ongoing.

(n) Insurance

Following the failure of the Fundão dam on November 5, 2015 the Company has been negotiating with its contracted insurers to receive indemnification under its operational risk, general liability, and engineering risks policies. Any payment of claims will depend on the conclusion of the review carried out by the claim adjusters in evaluating the independent report on causality, definition of coverage and assessment of the total amount of the loss. No insurance receivable has been recognized for any monetary recoveries supported by these policies as of December 31, 2017.

(o) Commitments

Following the failure of the Fundão dam on November 5, 2015, the Company invoked a force majeure clause in long-term contracts with suppliers and service providers to suspend contractual obligations, except for the electricity contract.

4. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is comprised as follows:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

		PARENT COMPANY		CONSOLIDATED	
Cash and bank deposits		2017	2016	2017	2016
Domestic		1,439	1,270	1,439	1,270
Foreign	(a)	40,890	-	41,290	7,403
Call deposits					
Overseas (Time Deposit / MMDA / MMF / SWEEP)	(b)	13,239	46,437	14,744	48,974
Domestic		-	5	-	5
		55,568	**47,712**	**57,473**	**57,652**

(a) Current accounts are denominated in US dollars at financial institutions overseas.
(b) Short-term investments denominated in US dollars at overseas financial institutions, yields pegged to pre-fixed rates.

5. RESTRICTED SHORT-TERM INVESTMENTS

The Company's restricted short-term investments are as follows:

	PARENT COMPANY		CONSOLIDATED	
Call deposits	2017	2016	2017	2016
Restricted cash	1,130	235	1,130	256
TOTAL	**1,130**	**235**	**1,130**	**256**

From the total amount of R$ 1,130 (R$ 235 at December 31, 2016), a sum of R$ 224 is restricted by court order linked to the failure of the Fundão Dam (Note 3(a)). The remaining amount of R$ 906 refers to resources maintained in specific collection accounts blocked for certain bank loans and financing.

6. ACCOUNTS RECEIVABLE

The accounts receivables are comprised as follows:

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Domestic receivables	**(a)**	21,649	24,682	21,649	24,681
Foreign receivables	(b)	18,288	19,971	18,304	14,106
Allowance for doubtful accounts	(c)	(22,794)	(28,171)	(24,140)	(29,498)
TOTAL		**17,143**	**16,482**	**15,813**	**9,289**

(a) The accounts receivable from clients in Brazil is related to the sale of energy, lease of port area, and sale of supply inventory, since the ore production activities are stopped.

(b) The consolidated balance of R$ 18,304 in 2017 refers to the amounts receivable from ore buyers abroad (R$ 14,106 in 2016).

(c) The estimated allowance for doubtful accounts of R$ 22,794 in 2017, for the parent company and R$ 24,140 for the consolidated balances (R$ 28,171 and R$ 29,498 in 2016 respectively) is made based on an individual analysis of each customer for invoices more than 60 days overdue. The provision made by the parent company does not include amounts receivable from sales made to the subsidiary Samarco Finance.

The Company's accounts receivable classified by aging are as follows:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Not yet due	13,778	8,577	13,809	8,583
Up to 30 days overdue	375	651	375	651
31 to 60 days overdue	62	55	62	55
61 to 90 days overdue	-	123	-	123
Past due more than 90 days	25,722	35,247	25,707	29,375
	39,937	44,653	39,953	38,787

7. INVENTORY

Inventory and changes in the balance are as follows:

(a) Break down

	PARENT COMPANY AND CONSOLIDATED	
	2017	2016
Finished goods	1,263	197
Work in process	7,410	10,679
Consumables	87,123	98,545
Consumption and maintenance materials	267,191	269,244
Provision for loss on materials	(6,190)	(10,957)
Advances to suppliers	15	37
Total	**356,812**	**367,745**
Current assets	8,688	328,257
Noncurrent assets	348,124	39,488
	356,812	367,745

(b) Changes

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Change in finished goods				
Balance on December 31	197	13,689	197	85,570
Additions	-	303	-	303
Write-offs due to sale	-	(10,277)	-	(63,631)
Addition (write-off) of inventory adjustment	1,759	(2,575)	1,759	(2,575)
Advance to supplier	-	-	-	(7,068)
Translation adjustment	(693)	(943)	(693)	(12,402)
Balance on December 31	**1,263**	**197**	**1,263**	**197**

The Company appraised its inventory as of December 31, 2017, and concluded these did not exceed realization value.

Considering that there is no reliable estimate as to how and when Samarco will resume its operations, in 2016 the consumption materials that were used exclusively in the maintenance of concentration plant no. 1 and pellet plants nos. 1 and 2, were reclassified for long-term inventories. In 2017, in addition to the inventory of consumption materials, the consumables were also classified for long-term inventories. As such, the short term inventory holds only finished products, products in progress and advances to suppliers.

In 2017, Management reviewed the inventory obsolescence criteria and identified the need to increase in provision by R$ 4,767 (R$ 3,541 in 2016).

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

8. RECOVERABLE TAXES

The balance of recoverable taxes is comprised as follows:

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
ICMS – Minas Gerais	(a)	76,688	76,902	76,688	76,902
ICMS – Espírito Santo	(b)	1,492,353	1,499,399	1,492,353	1,499,399
Provision for ICMS losses - Espírito Santo	(b)	(1,492,353)	(1,499,399)	(1,492,353)	(1,499,399)
PIS and COFINS	(c)	20,397	21,324	20,397	21,324
Income tax recoverable	(d)	3,457	79,916	3,457	79,916
IRRF on short-term investment yields		9,274	9,274	9,274	9,274
Other		52,746	1,845	52,747	1,850
Total		**162,562**	**189,261**	**162,563**	**189,266**
Current assets		85,874	112,359	85,874	112,364
Noncurrent assets		76,688	76,902	76,689	76,902
Total		**162,562**	**189,261**	**162,563**	**189,266**

(a) Derives primarily from credits on the acquisition of property, plant and equipment.

(b) This relates to credits on the acquisition of property, plant and equipment, consumables, materials and other. In view of the history of non-realization of ICMS tax credits due from the state of Espírito Santo, the Company set up a provision to cover 100% of the credits.

(c) The PIS and COFINS credits are mostly related to the acquisition of material, consumables, energy, and property, plant and equipment, which are appropriated over 12 months at the rate of 1/12 per month. These credits are realized on a monthly basis by offsetting them against other Federal taxes payable. In 2017, only credits relative to the purchase of electric energy were realized, since operations are suspended.

(d) Recoverable income tax on overpaid monthly estimates.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

9. OTHER ASSETS

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Recoverable insurance		61	61	61	61
Amount receivable for electricity	(a)	28,761	11,648	28,761	11,797
Consortium UHE Guilman Amorim		3,188	4,485	3,188	4,485
Advances to employees		5,056	7,222	5,054	7,326
Advances to suppliers	(b.1)	1,929	3,081	1,929	3,081
Other		120	118	123	131
Current		**39,115**	**26,615**	**39,116**	**26,881**
COHESA	(c)	17,275	17,103	17,275	17,103
(-) Adjustment to Present Value COHESA	(c)	(1,238)	(914)	(1,238)	(914)
Insurance amounts recoverable		-	3,978	-	3,978
Advances to employees		951	2,415	951	2,415
Advance to suppliers	(b.2)	44,085	44,085	44,085	44,085
Other		1,368	1,369	1,550	1,369
Noncurrent		**62,441**	**68,036**	**62,623**	**68,036**

(a) Refers primarily to the receipt of an indemnification for the difference between the contractual monthly energy and the measured energy, and to the sale of surplus electricity acquired for production, but not used.

(b) Advance to suppliers:
- (b.1) Of this amount, R$ 897 (R$ 3,075 as of December 31, 2016) refers to Advance to supplier related to the water monitoring programs, recovery of the Candonga dam of UHE Risoleta Neves and other advances related to the failure of the Fundão dam (Note 3 (b)).
- (b.2) Prepayment of R$ 44,085 to Vale for partial leasing of mining rights of "Conta História Norte" and "Alegria" (mineral exploration areas). Vale is responsible for maintaining all of the rights until the lease has been registered by the respective authority.

(c) The Company transfers funds to COHESA (the Samarco Employees' Housing Cooperative) on the basis of an arrangement to implement a housing plan signed on March 1, 1994 to finance real estate properties for employees, with terms varying from eight to 25 years. The amounts lent will be received in full upon termination of the Samarco Housing Plan - PHS, i.e. upon full repayment of the financing by the employees. The COHESA balance receivable is adjusted to present value. The interest charged by COHESA is updated according to the collective pay rise awarded by the Company.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

10. INVESTMENTS

The Company reported earnings on equity interest of its subsidiaries of R$ 539 in 2017 (R$ 9,246 negative in 2016). The Company received dividends from subsidiaries totaling R$ 1,197 (R$ 31,111 in 2016), none of the investees have shares traded on stock exchanges.

	Interest	Number of shares or units	Current assets	Noncurrent assets	Total assets	Current liabilities	Equity	Total liabilities	Revenue	Costs and expenses	Net income for the year
2017											
Samarco Finance Ltd,	100%	50,000	1,504	-	1,504	1,347	157	1,504	-	35	35
Samarco Iron Ore Europe B,V	100%	180	14,440	3,844	18,284	3,499	14,785	18,284	4,700	(4,196)	504
		Total	**15,944**	**3,844**	**19,788**	**4,846**	**14,942**	**19,788**	**4,700**	**(4,161)**	**539**
2016											
Samarco Finance Ltd,	100%	50,000	8,518	-	8,518	7,226	1,292	8,518	127,648	(130,723)	(3,075)
Samarco Iron Ore Europe B,V	100%	180	13,072	3,736	16,808	2,531	14,277	16,808	7,097	(13,268)	(6,171)
		Total	**21,590**	**3,736**	**25,326**	**9,757**	**15,569**	**25,326**	**134,745**	**(143,991)**	**(9,246)**

11. RELATED PARTIES

The main balances from transactions with related parties are detailed below:

		Stockholders		Subsidiaries		Parent Company		Consolidated	
		BHP Billiton Brasil	Vale	Samarco Finance	Samarco Europe	2017	2016	2017	2016
Current assets									
Accounts receivable	(a)	-	88	1,362	-	**1,450**	**7,313**	**88**	**88**
Noncurrent assets									
Other assets (Note 9 (b.2))		-	44,085	-	-	**44,085**	**44,085**	**44,085**	**44,085**
Plant, Property and Equipment	(d)	-	39,780	-	-	**39,780**	**42,312**	**39,780**	**42,312**
Current liabilities									
Trade payables (Note 14)		-	107	-	-	**107**	**97,836**	**107**	**97,836**
Other liabilities (commissions/services payable) (Note 21)		-	-	-	13,351	**13,351**	**11,202**	**-**	**-**
Loans and Financing (Note 15)		1,256,470	1,256,470	-	-	**2,512,940**	**912,548**	**2,512,940**	**912,548**
Financial charges (Note 15)		20,222	20,222	-	-	**40,444**	**6,056**	**40,444**	**6,056**
Other liabilities (Note 21)		-	-	-	817	**817**	**975**	**-**	**-**
Noncurrent liabilities									
Dividends (Note 22)		1,402,774	1,402,774	-	-	**2,805,548**	**2,805,548**	**2,805,548**	**2,805,548**
Mineral rights (Note 20)	(b)	-	112,222	-	-	**112,222**	**112,222**	**112,222**	**112,222**
Other liabilities – Related parties	(c)	878,744	878,744	-	-	**1,757,488**	**477,488**	**1,757,488**	**477,488**
Statement of operations									
Revenue	(a)	-	-	-	-	**-**	**127,648**	**-**	**-**
Selling expenses		-	-	-	(4,700)	**(4,700)**	**(7,097)**	**-**	**-**
Finance expenses		(17,194)	(17,194)	-	(23)	**(34,411)**	**(130)**	**(34,388)**	**-**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

(a) The balance of accounts receivable and revenue of the subsidiary Samarco Finance are for the sale of iron ore acquired from the Parent Company and sold on the international market.

(b) In November 1989, the Company and Vale signed a mining rights transfer agreement for exploitation of iron ore deposits, whereby Vale assigned and transferred to Samarco prospecting rights for two of its ore reserves. The value of the contract considered the payment of the following amounts for mining rights: (i) Lump sum of R$ 19,972, and (ii) Variable payments equal to 4% of the gross value of the dividends paid by Samarco to its stockholders through depletion of the reserves. The price agreed to in the agreement is not fixed, and was established as a percentage of the gross dividends paid out. For the years ended December 31, 2016 and December 31, 2017 there were no payments.

(c) Funds provided by shareholders Vale and BHP Billiton Brasil to the Foundation, as described in Note 3(i).

(d) Refer to the assets assigned on loan to Vale.

Compensation of key management personnel

The compensation of key management personnel is as follows:

	2017	2016
Compensation (i)	9,205	12,300
Medical assistance plan	57	91
Private pension	715	1,097
Life insurance	84	122
	10,061	**13,610**

(i) Includes wages, salaries, profit sharing, bonuses and severance pay.

Key management personnel are considered to be directors (officers) and general managers.

12. PROPERTY, PLANT AND EQUIPMENT

In 2017, as in 2016, the investments made corresponded to the current needs of the Company.

The Company's property, plant and equipment is comprised as follows:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

		CONSOLIDATED									PARENT COMPANY
		Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated system	Decom-missioning of plant	Data processing equipment and furniture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Construction in progress	Total	Total
Cost											
Balance as of December 31, 2016		**198,785**	**14,018,681**	**7,673,074**	**282,272**	**183,402**	**457,284**	**233,906**	**276,234**	**23,323,638**	**23,321,925**
Additions	(a)	-	-	-	-	-	-	-	51,463	51,463	51,463
Provision for write-off (Fundão dam)	(b)	-	166,260	-	-	-	-	-	78,089	244,349	244,349
Transfers - in	(c)	1,632	186,960	98,764	(107,720)	32,960	13,274	31,617	-	257,487	257,487
Transfers - out		-	-	-	-	-	-	-	(257,487)	(257,487)	(257,487)
Sales		-	(156,477)	(16,046)	-	(447)	-	-	(78,089)	(251,059)	(250,659)
Effect of exchange rate changes	(d)	3,113	237,134	122,303	(79,905)	5,038	10,418	7,983	29,257	335,341	335,361
Balance as of December 31, 2017		**203,530**	**14,452,558**	**7,878,095**	**94,647**	**220,953**	**480,976**	**273,506**	**99,467**	**23,703,732**	**23,702,439**
Accumulated depreciation											
Balance as of December 31, 2016		**-**	**(3,872,846)**	**(1,508,718)**	**(23,010)**	**(124,751)**	**(181,522)**	**(58,980)**	**-**	**(5,769,827)**	**(5,768,485)**
Depreciation for the year		-	(121,793)	(5,685)	(4,590)	(13,606)	(24,969)	(7,693)	-	(178,336)	(178,179)
Provision for write-off (Fundão dam)	(b)	-	(28,678)	-	-	-	-	-	-	(28,678)	(28,678)
Sales		-	27,932	2,549	-	416	-	-	-	30,897	30,518
Effect of exchange rate changes	(d)	-	(133,315)	(22,975)	1,155	(8,232)	(12,831)	(5,324)	-	(181,522)	(181,509)
Balance as of December 31, 2017		**-**	**(4,128,700)**	**(1,534,829)**	**(26,445)**	**(146,173)**	**(219,322)**	**(71,997)**	**-**	**(6,127,466)**	**(6,126,333)**
Balance											
As of December 31, 2016		**198,785**	**10,145,835**	**6,164,356**	**259,262**	**58,651**	**275,762**	**174,926**	**276,234**	**17,553,812**	**17,553,440**
As of December 31, 2017		**203,530**	**10,323,858**	**6,343,266**	**68,202**	**74,780**	**261,654**	**201,509**	**99,467**	**17,576,266**	**17,576,106**

(a) During 2017, the consolidated additions totaled R$ 51,463 (R$ 45,492 for 2016). Among these the main projects were: capitalizable spare parts R$ 12,839, automation of stocking and shipment operations R$ 6,035, radar monitoring of structures R$ 5,759 and disposal of tailings in the "Alegria Sul" pit of R$ 5,299.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	Start	End	2017	2016
Spare parts Germano/ Ubu	2014	2017	12,839	6,566
Automating the Storage and Shipment operations	2014	2017	6,035	1
Radar Monitoring Structures	2017	2017	5,759	-
PCN Replacement of Tailings in the Pit - Stage I	2016	2017	5,299	9,419
SAA Inclinometers	2017	2017	2,696	-
Waterproofing Canal João Manoel Pile	2017	2017	2,090	-
Acquisition of Land - Candonga F1	2016	2017	1,916	6,478
Stabilization plan for industrial slopes	2016	2017	1,830	545
Capital expenditures UHE Guilman Amorim	2016	2017	1,812	2,481
Installation Dams Instruments	2017	2017	1,168	-
Instruments and Automation Instruments	2017	2017	1,100	-
Shortening of Pit02	2017	2017	1,011	-
Purchase of GMU tools	2016	2017	812	744
Electrocenter of instrumentation automation	2017	2017	676	-
Logical locking system implementation	2017	2017	472	-
Acquisition of hydrogeology equipment	2017	2017	399	-
Acquisition Accelerometer and Seismometers	2017	2017	374	-
Drainage structures for the mining areas and waste dumps	2016	2017	328	1,978
Refurbishment and expansion of the Germano restaurant	2013	2017	307	1,795
Optimization of access to customs area and integration of data	2016	2017	163	1,101
Control of implementation of critical risk management project	2016	2017	104	632
Precipitator 06FE003 of Plant 3 (revamp)	2016	2017	64	1,526
New area for unloading processing consumables	2014	2017	11	797
Land	2014	2016	-	3,319
Repowering of the overland conveyors and Crushing CIII	2016	2016	-	1,149
SCAP Balling - plant 4 (U4)	2016	2016	-	812
Instrumentation of waste dumps	2016	2016	-	707
Germano Basic Grid	2010	2016	-	474
Repair of indentation defects reports by Pig Pipeway M3	2016	2016	-	468
Replacement of Fleet of the current contract PBTH	2014	2016	-	24
Industrial effluents and water in Ubu 2793	2014	2016	-	5
Other			4,198	4,471
TOTAL			**51,463**	**45,492**

(b) Provisions for loss on property, plant and equipment due to the Fundão dam failure have been reversed as described in Note 3(e).

(c) The investments in property, plant and equipment and intangible assets are initially recorded in construction in progress. Once these investments are concluded and go into operation, the assets are transferred to the respective accounts of property, plant and equipment and intangible assets, depending on the accounting nature of each item.

(d) The effect of the exchange rate changes resulted from translating the financial statements from the functional currency (US dollars) to the reporting currency (Real).

12.1 Impairment analysis

Following the suspension of the Company's operations in Mariana, because of the failure of the Fundão dam, the indicators of impairment of certain items of property, plant and equipment were identified in an impairment test conducted in the year.

The assets' recoverable values were assessed based on projected cash flows, considering the integrated operations of the Company to be a single cash generating unit. Cash flow projections were made based on: (i) estimated useful life of the mines; (ii) assumptions and budgets approved by management for the period corresponding to the estimated useful life; (iii) discount rate derived from the methodology used to calculate the weighted average cost of capital – WACC; (iv) market projections for exchange rates (Real/US Dollar); (v) market projections for price quotes of iron ore pellets (BF and DR).

The main assumptions used in the cash flow projections to determine the value in use of the cash generating unit were: WACC of 11.3%; average rate of 3.8% in the long term; average exchange rate for 2018 of R$ 3.36, rising to R$ 3.93 in the long term; average price of BF and DR pellets, as per the Platts index and pellet premium projected by market analysts and international marine freight references.

When testing its noncurrent nonfinancial assets for impairment based on projected cash flows as of December 31, 2017, the Company did not identify the need to make a provision for asset impairment.

Currently, insufficient cash resources to meet obligations, as well as the uncertainties as to when the Company will resume its operations, raise significant doubts about the Company's ability to continue to operate as a going concern (Note 1).

12.2 Residual value

Useful lives of assets are optimized as far as possible by carrying out preventive and corrective maintenance. This policy enables the Company to maintain its assets in an appropriate state of repair and operate for lengthy periods of time until they become obsolete or are scrapped. Residual values of fully depreciated assets are insignificant.

12.3 Pledged assets

At December 31, 2017, the Company had assets pledged as collateral in judicial proceedings. These assets are recorded under Property, Plant and Equipment as machinery and equipment, real estate property, vessels and related systems, the net book value for which is R$ 3,139,517 (R$ 4,194,059 in 2016). For 2017, there was a decrease in the fixed assets provided as collateral as per the lawsuits associated with the failure of the Fundão tailings dam under ACP Bi20Bi and 155Bi in the amount of R$ 390,506 and tax contingencies related to IRPJ/IRRF in the amount of R$ 555,060.

12.4 Useful life

In accordance with technical pronouncement CPC 27 - Property, Plant and Equipment, in 2017 the Company concluded its review of the useful lives of its property, plant and equipment. There were no changes to the expected use of the asset, which is assessed based on physical production or capacity expected of it. There were therefore no changes to the standard uses of Samarco's property, plant and equipment in 2017, i.e. the useful lives are compatible with the expected benefit of the industrial complex.

Below is a summary description of the property, plant and equipment accounts and the useful life by accounting item used to calculate depreciation, based on the units produced method for the items directly related to the respective productive areas and based on the straight-line depreciation method for the rest:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

Item	Account description	2017		2016	
		Average weighted useful life in years	Years of depreciation	Average weighted useful life in years	Years of depreciation
Buildings	Buildings, warehouses, security cabins, road surfacing and civil works improvements.	30	10 to 50	33	10 to 50
Machinery and equipment	Furnace, pelletizing disks, ship loader, loaders, precipitators, ball mills, grate cars and other such items.	19	10 to 50	20	10 to 50
Ore pipeline and correlated system	Pipelines to transport iron ore and industrial fixtures, such as conveyor belts, cabling and others	17	20 to 43	18	20 to 43
Plant decommissioning	Environmental obligations to discontinue the slurry pipeline and industrial facilities of Germano and Ubu.	38	43	41	43
Data processing equipment	Personal computers, printers, monitors, notebooks, servers, optical interfaces, collectors, switches, hubs, patch panels, racks, etc.	4	5	4	5
Furniture and fixtures	Chairs, tables, cupboards and other such furniture	7	10	9	10
Vessels	Boats, ferries, speedboats and dredgers.	16	9 to 24	16	9 to 24
Vehicles	Automobiles, trucks, stackers, cranes, tractors, loaders.	9	4 to 25	9	4 to 25
Tools	Impact keys, multimeter, torque wrenches, microscopes, and other small devices.	8	10 to 25	12	10 to 25
Rotating assets	Parts of machinery and equipment and industrial facilities.	21	10 to 27	21	10 to 27
Mass assets	Circuit breakers, capacitors, hydraulic pumps and other small items.	17	5 to 24	19	5 to 24

13. INTANGIBLE ASSETS

The intangible assets are comprised as follows:

		CONSOLIDATED							PARENT COMPANY
		Right of way	Mining rights	Other rights	Tailings removal	Applications and software	Construction in progress	Total	Total
Cost									
Balance as of December 31, 2016		27,531	41,219	1,878	21,238	144,796	16,140	252,802	252,796
Additions	(a)	-	-	-	-	-	2,345	2,345	2,345
Transfers - in		-	-	-	4,573	14,916	-	19,489	19,489
Transfers - out		-	-	-	-	-	(19,489)	(19,489)	(19,489)
Effect of exchange rate variance	(b)	413	619	28	(277)	3,939	2,723	7,445	7,445
Balance as of December 31, 2017		27,944	41,838	1,906	25,534	163,651	1,719	262,592	262,586
Accumulated amortization									
Balance as of December 31, 2016		(7,983)	(28,130)	(1,878)	(6,449)	(118,020)	-	(162,460)	(162,454)
Amortization in the period	(c)	(1,175)	(162)	-	(1,769)	(8,683)	-	(11,789)	(11,789)
Effect of exchange rate changes	(b)	(735)	(625)	(28)	(814)	(5,319)	-	(7,521)	(7,521)
Balance as of December 31, 2017		(9,893)	(28,917)	(1,906)	(9,032)	(132,022)	-	(181,770)	(181,764)
Balance as of December 31, 2016		19,548	13,089	-	14,789	26,776	16,140	90,342	90,342
Balance as of December 31, 2017		18,051	12,921	-	16,502	31,629	1,719	80,822	80,822

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

(a) The investments and expenditures to be recorded in intangible assets are initially recorded as Construction in progress, in property, plant and equipment. Once these investments are concluded and go into operation, the assets are transferred to the respective accounts of intangible assets, depending on the accounting nature of each item.

(b) The effect of the exchange rate changes resulted from translating the financial statements from the functional currency (US dollars) to the reporting currency (Real).

(c) For the easements and mining rights, amortization of the intangible assets is calculated according to the expected useful life of the iron ore mines owned by the Company. The straight-line method is applied to the others.

13.1 Useful life

Below is a summary description of the intangible asset accounts and the useful life by accounting item:

Item	Account description	2017		2016	
		Average weighted useful life in years	Years of depreciation	Average weighted useful life in years	Years of depreciation
Easements	Rights acquired to use the easement on the ground to lay the slurry pipeline.	35	43	39	43
Mining rights	Mining rights for exploration of iron ore deposits.	36	43	43	43
Tailings removal	Cost of removing tailings, incurred in surface mine during production.	21	25	18	14
Applications and *software*	*Software and licenses.*	4	5	6	5

13.2 Research and development

The Company incurred research and development expenses of R$ 36,049 (R$ 21,507 in 2016), which were recognized as other net operating expenses in 2017 (Note 26).

14. TRADE PAYABLES

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Domestic customers	41,811	183,316	41,815	183,322
Overseas customers	887	3,845	903	3,878
Related-party transactions (Note 11)	107	97,836	107	97,836
TOTAL	**42,805**	**284,997**	**42,825**	**285,036**

15. LOANS AND FINANCING

Loans and financing are instruments used by the Company to finance its projects and various needs.

With the discontinuation of its operating activities, the Company was unable to comply with certain obligations contained in its loan and financing agreements. As a consequence of these non-compliances, all loans and financing were reclassified to short term, reflecting an increase in the amounts of interest provision as per the existing terms of the loan and financial agrements.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

		Current	Total 2017	Total 2016
Overseas loans and financing	Bonds	7,238,197	7,238,197	7,122,720
	EPPs (export pre payments)	5,278,610	5,278,610	5,200,566
Local loans and financing	BNDES FINAME	139,323	139,323	139,323
	Mutual Petrobras	6,931	6,931	11,334
	DEBENTURES (related parties)	2,512,940	2,512,940	912,548
Total		**15,176,001**	**15,176,001**	**13,386,491**
Current		15,176,001	15,176,001	13,378,918
Noncurrent		-	-	7,572

In 2017, the Company entered into loan agreements with its stockholders Vale and BHP Billiton Brasil, through issuance of private non-convertible debentures, with the 3rd and 5th issue being placed with BHP Billiton Brasil and the 4th and 6th issue with Vale. The 3rd and 4th, and the 5th and 6th instruments have identical conditions as to the amount and maturity of one year, with principal and interest payments equivalent to LIBOR plus 1.15% per annum. The total value issued by Samarco considering the 3rd and 4th placements totaled R$ 1,031,758 with maturity on January 3, 2018. The maturity dates were renegotiated and extended to January 3, 2019. The total value considering the 5th and 6th issues was R$ 474,293 with maturity on July 12, 2018, were also renegotiated and the tenure extended for a further year.

The 1st issue placed with BHP Billiton Brasil and the 2nd placed with Vale, both in 2016, with maturities on August 2, 2017, were renegotiated and had their tenures extended for another year, now maturing on August 2, 2018, for a total value of R$ 892,312.

As of December 31, 2017 the provision for interest on foreign currency loans and financing, which accounted for 82.5% of interest on total loans (92.1% in 2016), was as follows:

	PARENT COMPANY AND CONSOLIDATED			
	2017		2016	
Interest rate (per annum)	Principal value	Provision for interest	Principal value	Provision for interest
0% to 2 %	1,607,396	72,836	1,583,631	28,716
2% to 3%	3,671,214	182,911	3,616,935	60,265
3% to 4%	-	-	-	-
Above 4%	7,238,197	695,284	7,122,720	260,331
TOTAL	**12,516,807**	**951,031**	**12,323,286**	**349,312**

As of December 31, 2017 the provision for interest on local currency loans and financing, which accounted for 17.5% (7.9% in 2016) of interest on total loans and financing was as follows:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	PARENT COMPANY AND CONSOLIDATED			
	2017		2016	
Interest rate (per annum)	Principal value	Provision for interest	Principal value	Provision for interest
2% to 3%	2,376,981	40,138	912,548	6,056
3% to 4%	275,282	8,653	139,323	2,479
Above 4%	6,931	5,457	11,334	3,079
TOTAL	**2,659,194**	**54,248**	**1,063,205**	**11,614**

Certain loans in local currency (debentures) have their interest rates indexed to LIBOR.

The average cost of the total debt, including foreign currency loans and financing, is 3.6% p.a., (3.7% p.a. in 2016).

As of December 31, 2017, all loan and financing had the following maturity:

	PARENT COMPANY AND CONSOLIDATED	
	Total	2018
Loans and financing	15,176,001	15,176,001

The fair value of financial liabilities related to the loans and financing, the balances of which are measured at amortized cost, is calculated as follows:

(i) the fair value of the bonds is obtained from the security's price in the secondary market (the value used is the closing value provided by Bloomberg);

Below are the estimated fair values of the loans and financing:

	2017		2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Bonds	7,933,482	5,393,737	7,383,051	4,028,853
EPPs (export pre payments)	5,534,357	4,692,074	5,289,547	4,193,506
Others	2,713,441	2,664,991	1,074,819	955,179
TOTAL	**16,181,280**	**12,750,802**	**13,747,417**	**9,177,538**

Guarantees and obligations - loans and financing

As a result of the interruption of the Company's operations, since the Fundão dam failure, certain covenants in loan and financing agreements were not met, such as the debt ratio (Net Debt/EBITDA limited to 4:1). In addition, the Company ceased to pay principal and interest on loans due in the year.

For the calculation of Net Debt/EBITDA, the Company uses an adjusted EBITDA as a basis for calculation of financial covenants, in accordance with the definitions included in the various contracts with lenders. Extraordinary non-cash gains and losses, such as provisions, are excluded for this criterion, in order to reflect the expectation of cash generation based on EBITDA, thereby evaluating the Company's financial health and liquidity and its capacity to repay the entire debt in a given period.

The Company has hired J.P. Morgan to act as its financial advisor and is in discussions with its creditor banks and bondholders to address the existing conditions of its loan and financing agreements vis-à-vis its current financial condition.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

Class Action Complaint - Bondholders

On November 14, 2016, a putative class action complaint was filed in the U.S. District Court for the Southern District of New York on behalf of all purchasers of Samarco's 10-year bond Notes due 2022, 2023 and 2024 bought between October 31, 2012 and November 30, 2015, against Samarco and the former chief executive officer of Samarco. The complaint is presented under U.S. federal securities laws and indicates that the plaintiff will seek certification to proceed as a class action.

On March 6, 2017, the putative class action complaint was amended to include BHP Billiton Ltd, BHP Billiton Plc, BHP Billiton Brasil Ltda, and Vale S.A. as well as Samarco officers, including four members of the Samarco Board of Directors, which is formed by representatives of Vale and BHP Billiton Brasil. On April 5, 2017, the complaint against natural persons was withdrawn, keeping in effect only the actions related to corporate entities (Samarco, Vale and BHP Billiton Brasil)

On August 31, 2017, there was a motion to dismiss the amended complaint, developed jointly by Samarco, Vale and BHP Billiton Brasil. Currently this motion is awaiting a decision of the judge.

The amount of damages sought by the plaintiffs on behalf of the putative class is unspecified. Given the preliminary status of this action, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures to Samarco.

16. EMPLOYEE BENEFITS

16.1 Retirement benefits

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social (ValiaPrev), a multi-sponsor, multi-plan entity managing benefit plans with segregated assets and providing participants and their dependents with benefits supplementary, or similar, to Official Basic Social Security benefits, The plan is a defined-contribution plan and offers the following benefits:

- Normal retirement income.
- Early retirement income.
- Supplementary disability retirement.
- Supplementary pension for death.
- Pension income for death.
- Deferred benefit income for severance.
- Supplementary annual bonus.
- Annual income bonus.
- Redemption.

(a) Defined-contribution plan

The plan is supported by regular contributions precisely matching participant contributions and limited to 9% of the amount by which contribution salaries exceed ten reference plan units, as well as by contributions to support risk benefits (disability and death at work and annual bonus) and plan administration expenses.

During 2017 the Company made contributions to the defined contribution plan of R$ 6,030 (R$ 8,798 in 2016).

(b) Defined-benefit plan portion.

The cost and obligations related to the pension benefits offered to its employees when they retire, based on a specific actuarial appraisal report.

The actuarial appraisal report calculated the retirement benefits considering the definitions contained in the regulations that concern eligibilities, benefit formulas and means of readjustment.

The actuarial report appraised the defined-benefit portion in the plan, which denotes the constructive obligation referring to supplementary retirements, pension for death and annual bonus, denominated Risk Plan and retirement income.

1 – Change in present value of the obligations

	2017	2016
Present value of the actuarial liability at the beginning of the year	34,234	24,754
Current service cost	711	558
Interest on actuarial obligation	3,676	2,930
Actuarial (gains)/losses - experience	(484)	4,497
Actuarial (gains)/losses - demographic assumptions	-	-
Actuarial (gains)/losses - financial hypothesis	2,679	3,814
Benefits paid by the plan	(2,897)	(2,319)
Previous service cost - plan shortening	(470)	-
Present value of the actuarial liability at the end of the year	**37,449**	**34,234**

2 – Change in fair value of the assets

	2017	2016
Fair value of assets at start of year	73,136	55,361
Real return on investments	6,535	19,085
Contributions paid by the Company	751	1,009
Benefits paid by the plan	(2,897)	(2,319)
Fair value of assets at end of year	**77,525**	**73,136**

3 – Change in unrecoverable surplus

	2017	2016
Unrecoverable surplus at end of previous year	38,901	30,607
Interest on unrecoverable surplus	4,326	3,762
Change in unrecoverable surplus during period	(3,152)	4,532
Unrecoverable surplus at end of current year	**40,075**	**38,901**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

4 – Costs of defined benefit

4.1 – In results for the year	2017	2016
Current service cost of the Company	240	558
Net interest of net liabilities/(assets)	(72)	(185)
Cost of defined benefit in results	**168**	**373**

4.2 – Other comprehensive income (ORA)	2017	2016
Actuarial gains(losses) of change in liabilities	(484)	4,497
Actuarial gains(losses) of changes in hypothesis	2,679	3,814
Actuarial gains(losses) arising in the period	**2,195**	**8,311**
Yields on plan assets (greater)/smaller than discount rate	1,539	(12,207)
Change in unrecoverable surplus	(3,152)	4,532
Re-measurement of effects on Other comprehensive income	**582**	**636**

4.3 - Cost of defined benefit	2017	2016
Current service cost	240	558
Net interest on net value of liabilities/(asset)	(72)	(185)
Remuneration of effects recognized in ORA	582	636
Cost of defined benefit	**750**	**1,009**

5 – Change in net liability/asset

5.1 – Net liability/assets	2017	2016
Present value of obligation (VPO)	(37,449)	(34,234)
Fair value of the assets	77,524	73,135
Net total (liability)/assets to be recognized	**40,075**	**38,901**

5.2 – Reconciliation in net total (liability)/ assets	2017	2016
Net total (liability)/asset at beginning of year		-
Service Cost	(240)	(558)
Net interest on net value of liabilities/(asset)	72	185
Remuneration of effects recognized in ORA	(582)	(636)
Contributions paid by the Company	750	1,009
Net total (liability)/asset at end of year	**-**	**-**

6 – Estimated cost of defined benefit for 2018

Current service cost	584
Net interest of net liabilities (assets)	(36)
Cost to be recognized in profit or loss	548

7 – Expected cash flows for 2018

Company contributions	724
Benefits paid by the plan	2,611

8 – Actuarial assumptions

	2017	2016
Economic		
Discount rate	6.27% per annum	6.06% per annum
Salary growth rate	6.95% per annum	6.95% per annum
Inflation	4.85% per annum	4.85% per annum
Benefits growth	4.85% per annum	4.85% per annum
Return on noncurrent assets	11.12% per annum	11.12% per annum
Demographic		
Mortality table	AT-2000 (H)	AT-2000 (H)
Mortality table of disabled people	AT-2000 (H)	AT-2000 (H)
Disability rate table	RGPS 1992-2002 0.55	RGPS 1992-2002 0.55
Turnover rate	3% up to 55 years	3% up to 55 years
% of active participants married at retirement	95%	95%
Age difference between participant and spouse	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands

9 - Summary of participants´ data

	2017	2016
Active and self-sponsored employees		
Number	1,340	2,415
Average age	39,41	38,28
Average length of service (years)	10,92	9,88
Annual average payroll	84,394	74,835
Participants with assisted benefits		
Number	110	97
Annual average payroll	25,292	26,047

10 – The plan's assets are as follow:

Assets by category	2017	2016
Fixed income	579,405	486,630
Variable income	89,565	76,179
Loans	27,540	37,940
TOTAL	**696,510**	**600,749**

16.2 Other employee benefits

The Company offers employee benefits through a health care plan (self-managed and contributed to by employees for co-participation in expenses incurred), Assistência Médica Supletiva ("AMS"), which also covers dependents. The plan provides outpatient, inpatient and dental care as well as medication for beneficiaries and is covered by a Collective Labor Agreement. Plan management fees are fully borne by the Company. Expenses on other benefits were recognized in the statement of operations as follows:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Compensation and charges	(186,051)	(245,533)	(188,568)	(248,720)
Social security charges	(33,317)	(49,485)	(33,317)	(49,485)
Retirement plan benefits	(6,552)	(9,754)	(6,631)	(9,886)
Meal vouchers	(16,145)	(27,951)	(16,145)	(27,951)
Health insurance	(20,035)	(24,104)	(20,038)	(24,108)
Other	(22,140)	(20,197)	(22,433)	(21,257)
TOTAL	**(284,240)**	**(377,024)**	**(287,132)**	**(381,407)**

17. PAYROLL, PROVISIONS AND SOCIAL CONTRIBUTIONS

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

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Provision for vacations	17,492	23,906	17,553	23,957
Employees INSS	2,472	3,799	2,472	3,799
FGTS payable	791	1,794	791	1,794
Other	655	1,399	657	1,408
TOTAL	**21,410**	**30,898**	**21,473**	**30,958**

Since the failure of the Fundão dam, Samarco has strived to retain its employees, by providing paid vacation, collective vacation leave and three stays (called a "layoff" in Brazil and understood as a temporary suspension of the employment agreement while providing professional skills training). After concluding the studies for the resumption of its operations, the Company has determined that once it is authorized to restart its operations it will do so but at no more than 26% of its production capacity. Thus, it was necessary to eliminate 1,800 positions, which will lead to a proportionate reduction in Samarco's labor costs in the future. To achieve this reduction as sensitively as possible, Samarco complied with the request of the unions and offered a Voluntary Dismissal Program (PDV), being one in July 2016 and the other in December 2017.

The final terms of the PDV were signed with the approval of the unions. In addition to the mandatory payment of FGTS (Federal severance indemnity fund). The Company paid, to those who adhered to the PDV, (i) an additional amount corresponding to 0.5 monthly salary for each year worked, limited to four months, (ii) a fixed amount of three months' salary - limited to R$ 7,500, and (iii) a health care plan for six months from the date of dismissal. In the agreement signed in 2016, the Company also abdicated from charging a prepaid nominal salary in 2015 in regard to the portion of profit sharing due.

A total of 880 employees chose to adhere to the PDV program and left in 2016 and a further 277 in 2017, in return for the benefits described above. As stipulated in the agreement signed with the unions, once the deadline for signing up for the PDV had expired, Samarco dismissed a number of employees enabling it to downsize as per its plan, paying these employees benefits in excess of those required by law.

In 2016, despite the agreement signed with the unions, the Labor Public Prosecution Service (MPT) filed a public civil action (ACP) questioning the validity of the PDV and demanded further benefits and/or severance pay. However, as there were already actions being brought in the states of Minas Gerais and Espírito Santo by the unions, demanding the payment of profit sharing amounts for 2015, Samarco signed an agreement to end these actions. As a result, the Company agreed to pay a severance amount corresponding to two nominal monthly salaries, according to the rules of eligibility and proportionality of the profit sharing program relative to 2015. This amount was divided in two installments, which were paid on January 31, 2017 and on March 31, 2017.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

18. TAXES PAYABLE

The balance of taxes payable is shown below:

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
ICMS payable		9,097	9,218	9,097	9,218
REFIS - Tax recovery - financed taxes	(a)	208,440	195,361	208,440	195,361
IRRF on interest		114,631	41,796	114,631	41,796
ISS withheld		872	4,153	872	4,153
INSS retained from third parties payable		925	4,114	925	4,114
IRRF payable		2,791	3,747	2,896	3,794
INSS DIFAL payable		178	430	178	430
Installment plan ISS Anchieta	(b)	12,251	-	12,251	-
COFINS withheld		972	1,413	972	1,413
PIS/COFINS over financial income		3,826	-	3,826	-
Others		9,640	4,902	9,640	4,899
TOTAL		**363,623**	**265,134**	**363,728**	**265,178**
Current liabilities		169,966	86,167	170,071	86,211
Noncurrent liabilities		193,657	178,967	193,657	178,967
		363,623	**265,134**	**363,728**	**265,178**

a) On 20 December 2013, Samarco adhered to a Federal Tax Amnesty and Installment Program named Programa de Parcelamento REFIS IV, under Law nº 12.865/13. The first installment was paid at the time it opted to join. At December 31, 2017 the amount of R$ 193,657 (R$ 178,967 at December 31, 2016) refers to the long-term installments updated by the SELIC rate. The short term installments amount to R$ 14,783 (R$ 16,394 at December 31, 2016). The amounts owed to the Brazilian Internal Revenue Service were consolidated in September 2017 and those to the Attorney General´s Office of the National Treasury in February 2018. The Company is currently awaiting a review of the request for revision submitted to these two entities due to inconsistencies found in their consolidation framework.

b) Payment in installments, pursuant to the terms of the Municipal Law of Anchieta No. nº 1.234/2017, of the debts represented in the Assessment Notices Nos. 048/2007, 049/2007, 050/2007 – registered as Delinquent Debt to the government – and Assessment Notices Nos. 026/2008 e 001/2009 – not registered as Delinquent Debt, in 13 monthly installments with a down payment of 30% with final maturity in November 2018, restated according to the IPCA-E of installments due after December 31, 2017, plus interest of 1% per month.

With respect to the debts registered as Delinquent Debt to the government, allowance was made for a reduction of 50% of the delinquent interest due following the registration as Delinquent Debt and late charges of 30% imposed by the municipality, and a reduction of the full penalty involved in the assessment (AI nº 050/2007).

With respect to the debts not registered as Delinquent Debt, allowance was made for a reduction in the 50% of delinquent interest applicable after the taxable event.

19. PROVISIONS FOR CONTINGENCIES

The Company is a party in judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, basically involving tax, civil, labor and environmental issues. Based on the information and positions of its internal and external legal advisors, management has recorded a provision for contingencies in an amount considered sufficient to cover cases assessed as involving probable losses. Additional provisions and deposits were made for the failure of the Fundão dam (Note 3 (h) and 3(c) respectively).

In 2017, the provisions for probable-loss contingencies is shown net of the corresponding judicial deposits of R$ 81,473 (R$ 76,699 in 2016). The balance of judicial deposits for which no corresponding provisions were made is recorded in assets totaling R$ 1,772,305 (R$ 1,654,766 in 2016) and is broken down as below:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

		PARENT COMPANY AND CONSOLIDATED	
		2017	2016
Judicial tax deposits	(a.1)	1,439,342	1,325,715
Civil judicial deposits	(a.1)	325,760	324,889
Judicial Deposits - Labor Claims		7,052	4,138
Judicial environmental deposits		151	24
		1,772,305	**1,654,766**

(a.1) On December 11, 2015 Samarco made a compulsory court escrow deposit related to the CFEM tax proceeding, the amount of which was converted to a security for tax foreclosures related to IRPJ (2000 to 2003 and 2007 to 2008) by court order in 2017 (Note 3).

The changes in the provision for probable-loss contingencies (Note 26 and 27).

	PARENT COMPANY AND CONSOLIDATED				
	2016	Additions	Reversals	Charges	2017
Tax proceedings	91,424	-	-	(8,982)	82,442
(-) Judicial tax deposits	(67,900)	-	-	(2,793)	(70,693)
Civil claims	149,644	140	(97,594)	6,535	58,725
(-) Judicial Deposits - civil Claims	-	(114)	-	-	(114)
Labor claims	80,502	15,928	(38,822)	4,140	61,748
(-) Judicial Deposits - Labor Claims	(8,799)	(2,186)	361	(42)	(10,666)
Environmental proceedings	1,858	10	(73)	218	2,013
TOTAL	**246,729**	13,778	(136,128)	(924)	123,455

The provisions are detailed as follows:

		PARENT COMPANY AND CONSOLIDATED					
		2017			2016		
		Provision	Court deposits	Net	Provision	Court deposits	Net
ECE - ES	(a.1)	38,532	(38,532)	-	37,007	(37,007)	-
ECE - MG	(a.1)	32,161	(32,161)	-	30,893	(30,893)	-
ICMS – Penalty – Muniz Freire - ES	(a.2)	-	-	-	9,963	-	9,963
Attorney fees	(a.3)	9,449	-	9,449	10,536	-	10,536
Other		2,300	-	2,300	3,025	-	3,025
Tax Proceedings		**82,442**	**(70,693)**	**11,749**	**91,424**	**(67,900)**	**23,524**
Civil claims	(a.4)	**58,725**	**(114)**	**58,611**	**149,644**	**-**	**149,644**
Labor claims		**61,748**	**(10,666)**	**51,082**	**80,502**	**(8,799)**	**71,703**
Environmental proceedings		**2,013**	**-**	**2,013**	**1,858**	**-**	**1,858**
TOTAL		**204,928**	**(81,473)**	**123,455**	**323,428**	**(76,699)**	**246,729**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

(a) Provisions recognized by the Company for litigation proceedings:

NOTE	Description	Status	PARENT COMPANY AND CONSOLIDATED 2017	PARENT COMPANY AND CONSOLIDATED 2016
(a.1)	Court proceeding filed to declare the unconstitutionality and illegality of the requirement to pay charges and acquisition of emergency energy, due to technical defects when these requirements were introduced.	Both proceedings (ES and MG) are awaiting judgment at another appeals court (3rd judicial instance)	70,693	67,900
(a.2)	Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which Samarco owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.	Case ruled in favor of Samarco. Final decision - res judicata.	-	9,963
(a.3)	Provision is made for lawyers' fees referring to proceedings classified as having a remote chance of defeat.	-	9,449	10,536
Others	Proceedings related to the former Guilman-Amorim hydroelectric power plant, closed down as a result of a spin-off and subsequent merger, for the offsetting of tax losses, PIS and COFINS.	Proceedings at the judicial and administrative courts awaiting judgment.	2,300	3,025
(a.4)	Provision made to cover potential losses on civil proceedings related to third-party compensation and proceedings entailing the intermediation of transferred ICMS credits.	Proceedings at the judicial courts at several stages.	58,725	149,644
Labour	Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Proceedings at the judicial and administrative courts at several stages	61,748	80,502
Environmental	Assessment Notice 1284/10 issued by DNPM, for the alleged breach of article 54 (V) of the mining code's regulation.	Pending analysis of the administrative defense submitted.	2,013	1,858
			204,928	**323,428**

(b) Possible contingencies:

The Company is a party in other actions for which management, based on the information and position of its internal and external legal advisors, has not set up a provision for contingencies, since the chance of loss has been rated as possible. The main such cases are described below:

Description	Status	PARENT COMPANY AND CONSOLIDATED 2017	PARENT COMPANY AND CONSOLIDATED 2016
Assessment Notices for the alleged nonpayment of CSLL in 2007 to 2014 and judicial discussion involving 2013 forward.	The collection of CSLL for 2007-2008 and for 2011-2014 awaiting analysis of administrative appeal. The CSLL 2011 and 2012 are with the enforceability suspended awaiting analysis of leading cases at the Supreme Court. The proceeding related to the period 2009 and 2010 was judged in June 2017 at the administrative level, with partial success (deductibility of the royalties). The remaining discussion is awaiting analysis by the courts with enforceability suspended by a preliminary order. For the period 2013 forward Samarco has favorable court rule at the first and second instances considering legal the non-payment of CSLL.	5,348,384	4,293,666
Assessment notices for 2000 to 2003 and 2007 to 2014, for allegedly incorrectly calculating the IRPJ as a result of using the rate of 18% over profit deriving from mineral exports instead of the general rate of 15% plus the 10% surcharge.	Proceedings related to the period 2000 to 2003 and 2007 to 2008 are the object of collection at the court level. Samarco obtained a favorable first instance rule for the period 2009-2010 and the enforceability of the debt is suspended. Awaiting analysis of PGFN appeal. Regarding the period 2011-2014, the company is wating appreciation of the appeal at the administrative level.	4,415,534	3,694,286
Assessment Notice issued by the National Mining Production Department (DNPM) for alleged underpayment of the Financial Compensation for Exploration of Mineral Resources (CFEM).	Three judicial proceedings awaiting decision from lower court and one proceeding awaiting judgment of administrative appeal.	1,168,714	1,077,475
Tax enforcements regarding the timeliness and respective amounts of PIS payments on a semi-annual basis in the periods September 1989 to August 1994.	One proceeding awaiting judgment at lower court and one proceeding awaiting decision at upper court.	22,279	21,804

to be continued...

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

...continuation

Description	Status	PARENT COMPANY AND CONSOLIDATED 2017	PARENT COMPANY AND CONSOLIDATED 2016
Assessment Notice demanding social security contributions on payments made to insured employees as profit shares and "Field of Ideas" award, amongst other matters such as (i) social contributions allegedly due to the National Development Fund (FND) on said payments; (ii) fine for failure to pay social contributions; and (iii) fine for submitting incomplete information in declaration forms known as GFIPs.	Pending decision of the administrative appeal. The proceedings up to 2008 not covered by the statute of limitations have been included in the REFIS program.	25,084	25,312
Disallowance of the offset of IRPJ and CSLL losses of the former Guilman-Amorim hydroelectric power plant (subject to the legally established 30% limit).	Debt included in REFIS.	8,733	8,277
Disallowance of offset PIS and COFINS credits in the period April 2006 to December 2007 and 2008 to 2010 against monthly estimated IRPJ debits calculated in the same period, submitting the individual PER/DCOMPs by quarter and origin of credits (PIS and COFINS credits).	Proceedings pending decision of the administrative appeal.	227,465	156,940
Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which Samarco owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.	Two proceedings with final decision issued in favor of Samarco and one pending.	31,247	57,457
Tax enforcement and assessment notice issued by the municipal government of Anchieta in respect of the area where Samarco's industrial plant is located in Ubu, which is subject to the tax, also demanding tax for the area for which the ITR is paid.	Three proceedings (1999 to 2004, 2007 to 2011 and 2012 to 2015) awaiting judgment in court and one at the administrative level (2016).	138,718	107,961
Civil proceedings primarily related to third-party compensation. According to the opinion of the Company's legal advisers, the probability of losing these cases is possible.	Proceedings taken to court are in various procedural phases.	936,994	74,470
Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Proceedings taken to court are in various procedural phases.	199,529	59,085
Proceedings involving environmental risks in the states of Minas Gerais and Espírito Santo, consisting of assessments from the inspection authorities.	Proceedings taken to court are in various procedural phases.	1,001,884	16,250
Other		256,276	111,105
		13,780,841	**9,704,088**

The contingencies relating to the failure of Fundão dam are described in Note 3(h).

20. OTHER PROVISIONS

		PARENT COMPANY AND CONSOLIDATED 2017	PARENT COMPANY AND CONSOLIDATED 2016
Provision for electricity	(a)	1,130	1,536
Provision for social, environmental and socio-economic recuperation	(b)	1,737,222	1,634,522
Total current		**1,738,352**	**1,636,058**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

		PARENT COMPANY AND CONSOLIDATED	
		2017	2016
Provision for asset retirement obligation	(d)	350,580	319,863
Provision for mining rights	(c)	112,222	112,222
Provision for social, environmental and socio-economic recuperation	(b)	9,516,701	5,576,590
Total noncurrent		**9,979,503**	**6,008,675**

a) Acquisition of energy for use in production, not invoiced by the concession operators in the period.
b) Provision for the failure of the Fundão dam (Note 3(g)).
c) The Company pays its stockholder Vale for the assignment of mining rights to geological iron ore resources. These amounts are calculated at the rate of 4% of dividends paid (Note 11).

(a) The changes in the provision for asset retirement obligations were as follows:

	PARENT COMPANY AND CONSOLIDATED	
	2017	2016
Provision at beginning of year	**319,863**	**384,839**
Provision increase	30,717	40,214
Estimated revisions in cash flows	-	(105,190)
Provision at end of year	**350,580**	**319,863**

In 2014, the Company revised its conceptual plan to close down operating units in order to diagnose the environmental situation of the mining exploration areas, acquire data to support the assessment of the environmental impact and risks of closure, establish measures to mitigate risks posed by potential sources of contamination in order to stabilize environmental liabilities and estimate the closing costs according the plan. The Company's policy is to revise this plan every three years; however, due to the Fundão dam failure, management, with the support of external consultants, revised its plan for closure of the operating units in 2015 and 2016.

The provision for asset retirement was based on current information, including the technology available and current prices. The provision made was discounted to present value at the discount rate of 10.62% per annum, based on the parameters adopted by the Company for economic and financial valuations.

21. OTHER LIABILITIES

Other liabilities are shown below:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Current					
Advance of overseas receivables		61	897	61	897
Commission payable overseas to related parties (note 11)	(a)	13,351	11,202	-	-
Demurrage payable	(b)	903	2,992	903	2,992
Amounts payable (material/services)	(c)	719	230	719	230
Consórcio UHE Guilman Amorim (Note 9)		3,188	4,485	3,188	4,485
Payments on environmental fines - SEMAD (Note 3)	(d)	27,069	24,886	27,069	24,886
Other		2,160	2,012	1,420	1,101
Total current		**47,451**	**46,704**	**33,360**	**34,591**
Noncurrent					
Payments on environmental fines - SEMAD (Note 3)	(d)	94,738	97,471	94,738	97,471
Other		495	515	495	515
Total noncurrent		**95,233**	**97,986**	**95,233**	**97,986**

(a) Agency commission paid to the subsidiary Samarco Europe for intermediating iron ore sales.

(b) Amount owed by Samarco for the demurrage port fees (excess time unloading or loading the product).

(c) Amounts referring to materials and goods acquired which were not recorded, as the respective invoice had not been issued by the supplier. The goods and services have been recorded under inventory and cost.

(d) Environmental fines related to the damage caused by the dam failure (Note 3(i)).

22. STOCKHOLDERS' EQUITY

22.1 Capital

The fully subscribed and paid-up share capital amounts to R$ 297,025, consisting of shares divided as follows:

	Number of shares	% of total capital
BHP Billiton Brasil Ltda.	2,621,653	50
Vale S.A.	2,621,653	50
	5,243,306	**100**

22.2 Dividends

In a General Shareholders Meeting held on April 28, 2015, the motion was approved to distribute dividends related to the fiscal year of 2014 in the amount of R$ 2,805,548, of which (i) R$ 2,104,161refers to supplemental dividends and (ii) R$ 701,387 refers to mandatory dividends. On December 18, 2015, because of the failure of the Fundão dam (Note 3), a court decision was issued which, among other determinations, prevented Samarco from making a distribution of approved dividends as of November 5, 2015. Consequently, as decided in the Extraordinary Stockholders' Meeting held on December 31, 2015, the dividends declared in the Annual Stockholders' Meeting (AGO) and not yet paid out were reclassified to non-current.

According to the Company's By-Laws, the mandatory dividends are 25% of the net profit according to Law 6.404/76.

At December 31, 2017, the Company retains an accumulated loss of R$ 16,561,741 (R$ 8,903,911 at December 31, 2016).

22.3 Carrying value adjustments

		PARENT COMPANY AND CONSOLIDATED	
		2017	2016
Inventory		61,978	56,603
Property, plant and equipment		6,892,025	6,738,173
Intangible assets		27,395	27,471
Cost		859,547	768,956
Exchange variance		(6,312,323)	(6,038,172)
Others		134,754	132,922
Accumulated translation adjustments	(a)	**1,663,376**	**1,685,953**
Remeasurement of retirement benefit		(4,131)	(3,549)
Remeasurement of retirement benefit	(b)	**(4,131)**	**(3,549)**
		1,659,245	**1,682,404**

(a) These adjustments are made for exchange variance resulting from translating the balance sheet and statement of operations for the year from the functional currency (USD) to the reporting currency, the Real.

(b) Refers to the actuarial gains and losses, increase in liabilities, change in assumptions, earnings on the plan's asset and change in the irrecoverable surplus (Note 16).

23. REVENUE

The Company operates in the mining sector, deriving its revenue from the sale of two types of iron ore pellets:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

PDR - Pellets for direct reduction and PBF - Pellets for the blast furnace. The surplus production of iron ore concentrate is sold as fines (pellet feed).

In 2016, revenue was derived from sale of Company inventories of products and subproducts to the Americas, Asia, Africa and Europe, in addition to revenue from sale of electricity surplus and logistic services rendered at its port.

In 2017, the Company sold products to the domestic and foreign markets, such as pellet feed to the Americas and Asia. In addition to the revenue from products and sub products, the Company also obtained revenue from the sale of surplus electric energy and logistic services at its port, such as lease of tugs and real property.

Due to the failure of the Fundão dam and subsequent suspension of the exploration licenses, operations have been temporarily suspended, with no production having been generated since then.

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Pellets - Overseas	-	155,497	-	153,713
Fines – Domestic	29	-	29	-
Fines – Overseas	26,908	11,793	26,908	11,793
Electricity	41,404	33,802	41,404	33,802
Port Cradle availability	12,556	-	12,556	-
Other products and services	4,280	11,582	4,280	11,583
Total gross revenue	**85,177**	**212,674**	**85,177**	**210,891**
Sales taxes	(6,272)	(4,332)	(6,272)	(4,332)
Freight on sales	-	497	-	497
Net revenue	**78,905**	**208,839**	**78,905**	**207,056**

24. COST OF GOODS SOLD

The cost of goods sold is broken down below:

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Currency translation		(90,591)	(137,814)	(90,591)	(137,814)
Electricity sales		(7,296)	(18,366)	(7,296)	(18,366)
Port Cradle availability		(3,394)	-	(3,394)	-
CFEM		(383)	(223)	(383)	(223)
Idle capacity	(a)	(682,740)	(919,129)	(682,740)	(919,129)
Provision for reinforcing dam facilities	(b)	(24,655)	103,336	(24,655)	103,336
Other		(6,232)	(82,806)	(6,201)	(82,833)
Cost of goods sold		**(815,291)**	**(1,055,002)**	**(815,260)**	**(1,055,029)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

(a) Operations in Mariana were suspended following the Fundão dam failure (Note 1). Operations of the Ubu plant in ES were also affected as a result. The fixed costs of both Samarco sites incurred up to December 31, 2017 were therefore allocated directly to costs of Idle capacity:

	2017	2016
Consumables	(994)	(708)
Materials	(40,096)	(35,915)
Services	(165,461)	(152,892)
Labor	(186,661)	(274,840)
Electricity	(34,120)	(45,303)
Depreciation	(181,341)	(178,929)
Structural reinforcement of dams	(66,755)	(214,101)
Other	(7,312)	(16,441)
Total current	**(682,740)**	**(919,129)**

Part of the balance recorded under "idle capacity", totaling R$ 66,755 (R$ 214,101 in 2016), refers to outsourced services to maintain and repair Samarco facilities affected by the failure of the dam (Note 3 (j)).

(b) Provisions for the Fundão tailings dam failure (Note 3 (j)).

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Selling expenses				
Outsourced services	(32,737)	(13,109)	(32,737)	(13,109)
Personnel expenses	(17,056)	(20,195)	(17,056)	(20,195)
Depreciation and amortization	(7,896)	(5,925)	(8,053)	(6,087)
Auxiliary supplies	(2,834)	(914)	(2,834)	(914)
Sales commission	(94)	-	-	-
Shipment expenses	(55)	(259)	(55)	(259)
Allowance for doubtful accounts	5,378	4,939	5,378	3,632
Sales expenses of subsidiaries	(4,606)	(7,097)	(3,927)	(7,472)
General expenses	(11,019)	(11,548)	(11,019)	(11,569)
Total	**(70,919)**	**(54,108)**	**(70,303)**	**(55,973)**
General and administrative expenses				
Outsourced services	(11,488)	(9,142)	(11,488)	(9,142)
Personnel expenses	(38,652)	(52,128)	(38,652)	(52,128)
Depreciation and amortization	(731)	(1,110)	(731)	(1,110)
Auxiliary supplies	(96)	(139)	(96)	(139)
General expenses	(5,058)	(4,885)	(5,058)	(4,885)
Total	**(56,025)**	**(67,404)**	**(56,025)**	**(67,404)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

26. OTHER NET OPERATING EXPENSES

Details of other net operating expenses are shown below:

		PARENT COMPANY		CONSOLIDATED	
		2017	2016	2017	2016
Tax		(41,269)	(15,556)	(41,269)	(15,556)
Provision for ICMS losses - ES		7,046	5,481	7,046	5,481
Provisions for contingencies (Note 19)		131,138	(99,426)	131,138	(99,426)
Investments and social projects		(6,966)	(8,386)	(6,966)	(8,386)
Employee profit sharing		(93)	88	(93)	92
Provision for restructuring plan		(8,409)	(23,864)	(8,409)	(23,864)
Research expenses (Note 13)		(36,049)	(21,507)	(36,049)	(21,507)
Lawyer and expert fees		1,031	(5,454)	1,031	(5,454)
Inventory adjustment (warehouse)		(4,747)	(4,111)	(4,747)	(4,111)
Sale of property, plant and equipment		(142,053)	(452)	(142,084)	(452)
Provision for PPE write-off	(a)	-	1,145	-	1,145
Provision for socio-environmental and socio-economic recovery	(a)	(4,500,728)	3,437,267	(4,500,728)	3,437,267
Expenses with socio-environmental and socio-economic recovery	(a)	(566,529)	(2,068,663)	(566,529)	(2,068,663)
Expenses Fundação Renova	(a)	(52,106)	(255,069)	(52,106)	(255,069)
Penalty for socio-environmental and socio-economic recovery	(a)	(5,950)	-	(5,950)	-
Reversal impairment provision		134,129	-	134,129	-
Other provisions		10,633	(4,704)	10,633	(4,704)
Other, net		89,488	(8,543)	89,414	(8,554)
TOTAL		**(4,991,434)**	**928,246**	**(4,991,539)**	**928,239**

(a) Loss on property, plant and equipment, provisions and expenses related to the failure of Fundão dam (Note 3).

27. FINANCIAL RESULT

The Company's detailed finance result (consolidated and parent company) is shown as follows:

Finance income		2017	2016
Yields on judicial deposits	(a)	131,147	177,583
Earnings on investments		265	4,160
Discounts obtained		137	42
Other financial revenue		7,850	26,229
Finance income - consolidated		**139,399**	**208,014**
Income of subsidiaries		(4)	(102)
Finance income - parent company		**139,395**	**207,912**
Financial expenses			
Default interest and tax charges	(b)	(49,812)	(38,932)
Charges on loans and financing		(665,860)	(501,387)
Interest on contingencies	(a)	(15,507)	(13,366)
Commission and bank interest		(22,975)	(34,721)
IRRF on interest - remittance abroad		(70,451)	(54,282)
PIS and COFINS on financial revenue	(c)	(4,305)	(11,432)
Financial expenses from environmental and socio-economic recovery	(d)	(797,428)	(746,914)
Other financial expenses		(39,441)	(53,003)
Finance expenses – consolidated		**(1,665,779)**	**(1,454,037)**
Expenses of subsidiaries		(67)	(65)
Finance expenses - parent company		**(1,665,846)**	**(1,454,102)**

(a) Refers to the interest accruals of court deposits and provisions for contingencies in respect of tax, civil, labor and environmental proceedings. (Note 19).

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

(b) Refers to arrears and tax interest on ICMS - Minas Gerais, REFIS, TFRM and other.
(c) Refers to PIS and COFINS taxes on financial revenue as per normative amendments introduced by Decree 8.451.
(d) Up-dating of the provisions referring to the failure of the Fundão tailings dam.

The balance of exchange variance is represented as follows:

Exchange variance	2017	2016
Cash	11,710	644
Trade receivables	(160)	1,581
Recoverable taxes	(30,225)	344,593
Court deposits	(36,777)	286,246
Trade payables	(6,765)	(14,990)
Payroll, provisions and social contributions	484	(6,035)
Taxes payable	8,617	(1,444)
Dividends	52,133	(500,239)
Contingency	712	(6,200)
Deferred income tax	7,794	571,341
Others	6,108	(56,166)
Net exchange variance – consolidated	**13,631**	**619,331**
Net exchange variance of subsidiaries	(4)	77
Net exchange variance - parent company	**13,627**	**619,408**

28. INCOME TAX

The Company is subject to income tax at the rate of 18% on income derived from subsidized (tax incentive) exportations and 25% on the unsubsidized portion.

28.1 Income tax payable

The changes in income tax payable are as follows:

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Balance at beginning of year	-	6,571	**84**	**6,657**
Provisions in the period	50,865	75,636	50,838	81,290
Payments	-	-	47	(5,656)
Offsetting with PIS and COFINS credits	-	(19,866)	-	(19,866)
Offsetting of the negative balance from prior years	(50,865)	(62,341)	(50,865)	(62,341)
Balance at end of year	**-**	**-**	**104**	**84**

28.2 Deferred income tax

The Company has deferred income tax recorded under noncurrent assets constituted on temporarily nondeductible provisions, at the rates of 18% and 25%, according to the nature of each provision as an adjustment of the net income from subsidized exports or adjustment of taxable income, respectively. The realization of these assets shall take place according to the expectation of resumption of the Company's operations and the consequent generation of taxable profit foreseen for future years.

In line with the expectation of resumption of the Company's operations (Note 1b), an analysis was carried out relative to the realization of the deferred income tax constituted up to 2017. And, with the understanding that future tax profits subject to taxation at the rate of 25% will not be sufficient to support the use of the deferred income tax arising from the Provision for socio-environmental and socio-economic recovery and tax losses, the Company has chosen to not recognize the deferred income tax under these accounts in its bookkeeping.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

28.3 Deferred income tax on nonmonetary items

The financial statements have been translated from the functional currency (USD) to the presentation reporting currency (R$). The basis for calculating income tax and assets and liabilities is denominated in Brazilian reais (R$). A change in the exchange rate could therefore have a significant effect on the income tax expenses, especially on nonmonetary assets:

Net deferred income tax:

	NOTE	2017			2016		
Amounts recorded at the tax rate of:		25%	18%	Total	25%	18%	Total
Provision for ICMS losses - ES	8	373,088	-	373,088	374,850	-	374,850
Provision for depreciation, write-off and other - Property, plant and equipment	12	-	-	-	53,918	-	53,918
Provision for civil claims	19	14,469	-	14,469	37,153	-	37,153
Provision for Tax proceedings	19	13,384	414	13,798	15,893	545	16,438
Provision for labor claims	19	15,392	-	15,392	19,681	-	19,681
Provision for environmental proceedings	19	504	-	504	465	-	465
Provision for mining rights	20	28,055	-	28,055	28,055	-	28,055
Provision for social, environmental and socio-economic recuperation	20	1,353,212	-	1,353,212	1,802,778	-	1,802,778
Reduction to recoverable value of deferred income tax asset of Provision for socio-environmental and socio-economic recovery		(1,353,212)	-	(1,353,212)	(1,802,778)	-	(1,802,778)
Provision for asset retirement obligation	20	45,717	-	45,717	38,038	-	38,038
Tax losses		1,928,707	-	1,928,707	1,233,411	-	1,233,411
Reduction to recoverable value of deferred income tax asset of tax losses		(1,928,707)	-	(1,928,707)	(1,233,411)	-	(1,233,411)
Others		46,428	-	46,428	29,801	-	29,801
Total consolidated assets		**537,037**	**414**	**537,451**	**597,854**	**545**	**598,399**
Conversion from the functional currency		-	(1,258,782)	(1,258,782)	-	(1,230,442)	(1,230,442)
Depreciation for tax purposes		-	(763,158)	(763,158)	-	(594,168)	(594,168)
Financial revenue on court deposits		(112,716)	-	(112,716)	(80,258)	-	(80,258)
Total consolidated liabilities		**(112,716)**	**(2,021,940)**	**(2,134,656)**	**(80,258)**	**(1,824,610)**	**(1,904,868)**
Consolidated net total		**424,321**	**(2,021,526)**	**(1,597,205)**	**517,596**	**(1,824,065)**	**(1,306,469)**
Provisions of subsidiaries		(105)	-	(105)	(113)	-	(113)
Parent company net total		**424,216**	**(2,021,526)**	**(1,597,310)**	**517,483**	**(1,824,065)**	**(1,306,582)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

The expected realization of deferred income tax is shown below:

	Up to 1 year	1 to 3 years	3 to 5 years	5 to 8 years	8 to 10 years	Over 10 years	Total 2017
Provision for ICMS losses ES and MG	-	-	-	-	-	373,088	373,088
Civil proceedings	28	13,439	-	-	1,002	-	14,469
Tax proceedings	-	-	-	11,145	-	2,653	13,798
Labor claims	2,484	4,160	8,694	54	-	-	15,392
Environmental proceedings	407	97	-	-	-	-	504
Mining rights - Vale	28,055	-	-	-	-	-	28,055
Provision for asset retirement obligation	-	-	-	-	-	45,717	45,717
Conversion from the functional currency	-	-	-	-	-	(1,258,782)	(1,258,782)
Depreciation for tax purposes	-	-	-	(763,158)	-	-	(763,158)
Others	(66,288)	-	-	-	-	-	(66,288)
Total consolidated	**(35,314)**	**17,696**	**8,694**	**(751,959)**	**1,002**	**(837,324)**	**(1,597,205)**
Provisions of subsidiaries	(105)	-	-	-	-	-	(105)
Total parent company	**(35,419)**	**17,696**	**8,694**	**(751,959)**	**1,002**	**(837,324)**	**(1,597,310)**

28.4 Income tax in the statement of operations

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Net income (loss) before taxation	**(7,367,049)**	**(675,457)**	**(7,366,971)**	**(669,803)**
Functional currency effects - art. 62 of Law 12973/2014	(180,035)	1,801,612	(180,035)	1,801,612
Profit (Loss) taxable	**(7,547,084)**	**1,126,155**	**(7,547,006)**	**1,131,809**
Permanent differences:				
Equity in the results of investees	(610)	11,228	-	-
Overseas profits	373	182	373	182
Non-deductible tax fines	13,940	817	13,940	817
Non-deductible donations	1,768	4,500	1,768	4,500
Other permanent additions (exclusions)	(584)	(635)	(1,269)	4,939
Temporary differences:				
Inclusion of provision for socioenvironmental and socioeconomic recovery related to dam failure	5,322,811	(2,316,203)	5,322,811	(2,316,203)
Impairment provision	(215,672)	(1,145)	(215,672)	(1,145)
Tax depreciation	(675,319)	(762,681)	(675,319)	(762,681)
Yield from court escrow deposits	(129,834)	(163,873)	(129,834)	(163,873)
Other temporary additions (exclusions)	(28,638)	(64,718)	(28,638)	(64,718)
Calculation basis	**(3,258,849)**	**(2,166,373)**	**(3,258,846)**	**(2,166,373)**
Statutory rate	25%	25%	25%	25%
Income tax calculated	**814,711**	**541,593**	**814,711**	**541,593**
Deferred income tax on tax depreciation	(168,830)	(190,670)	(168,830)	(190,670)
Deferred income tax yield on judicial deposits	(32,459)	(40,968)	(32,459)	(40,968)
Deferred income tax depreciation temporary additions (exclusions)	(61,152)	(61,122)	(61,153)	(61,122)
Tax paid by companies overseas	-	-	(77)	(5,654)
Deferred income tax adjustment	-	(18,233)	-	(18,233)
Adjustment deferred income tax of temporary additions	-	(1,802,778)	-	(1,802,778)
Adjustment deferred income tax of tax losses	-	(1,233,411)	-	(1,233,411)
Provision for loss of tax losses	(814,711)	(541,593)	(814,711)	(541,593)
Deferred income tax on translation	(28,340)	660,697	(28,340)	660,697
Income tax in the statement of operations	**(290,781)**	**(2,686,485)**	**(290,859)**	**(2,692,139)**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

Income tax revenue (expense) segregated between current and deferred:

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Current income tax	814,711	541,593	814,633	535,939
Tax loss	(814,711)	(541,593)	(814,711)	(541,593)
Deferred income tax on temporary differences	(262,441)	(3,347,182)	(262,441)	(3,347,182)
Deferred income tax on non monetary items	(28,340)	660,697	(28,340)	660,697
Current and deferred income tax	**(290,781)**	**(2,686,485)**	**(290,859)**	**(2,692,139)**

29. COMMITMENTS

The Company is party to long-term contracts for the supply of raw materials and services and the acquisition of fixed assets, as shown below:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total 2017
Capital expenditure for expansion and overhaul of property, plant and equipment	7,068	-	-	-	-	7,068
Services and other	832,693	215,771	92,849	39,448	213	1,180,974
Iron ore acquisition	-	-	171,214	509,847	650,432	1,331,493
Supply of energy and raw materials	485,671	174,727	411,486	816,711	101,349	1,989,944
Freight and logistics costs	11,176	-	-	-	-	11,176
	1,336,608	**390,498**	**675,549**	**1,366,006**	**751,994**	**4,520,655**

These commitments consists of long-term contractual obligations to suppliers to renew and expand fixed assets, in addition to the provision of various services to maintain the manufacturing and administrative facilities, to acquire iron ore from third parties, to supply energy, consumables and costs on cargo chartering.

Due to the failure of the Fundão dam, the Company implemented a number of initiatives in relation to its commitments (Note 3).

30. FINANCIAL INSTRUMENTS

30.1 Financial risk management

The Company has financial instruments inherent to its operations, represented by cash and cash equivalents, restricted marketable securities, trade accounts receivable, trade payables, and loans and financing.

The management of these instruments is performed through operating strategies and internal controls, aimed at assuring the maximum possible, liquidity, profitability and security.

In the case of financial instruments used for hedging purposes, financial oversight is also performed through a periodic analysis of the risk exposure that management intends to mitigate (exchange, interest rate, etc.) and in accordance with the policies and strategies determined by Company management, approved by the finances committee.

The Company and its subsidiaries do not invest in derivatives or any other high risk assets on a speculative basis.

30.2 Financial instruments by category

The financial instruments have been classified as follows:

	CLASSIFICATION
Assets	
Cash and cash equivalents	Loans and receivables
Restricted short-term investments	Loans and receivables
Accounts receivable	Loans and receivables
Liabilities	
Trade payables	Liabilities measured at amortized cost
Loans and financing	Liabilities measured at amortized cost

Financial assets consist of:

(a) Cash, cash equivalents and restricted short-term investments

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Cash and cash equivalents	55,568	47,712	57,473	57,652
Restricted short-term investments	1,130	235	1,130	256
	56,698	**47,947**	**58,603**	**57,908**

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

- Cash and cash equivalents
  Banks - Funds available in current accounts maintained in Brazil and abroad.
  Marketable securities - Funds invested in conservative, highly liquid bank products.

- Restricted cash investments – restricted liquidity due to the judicial proceeding related to the failure of the Fundão dam (Note 3(a)), as well as funds maintained and invested in specific bank accounts (collection account) associated with certain bank loans and financing.

(b) Accounts receivable
Funds receivable at fair value.

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Accounts receivable	17,143	16,482	15,813	9,289

(c) Financial Liabilities
Financial liabilities consist of loans and financing. These funding operations are usually designed to support the Company's routine activities and investments.

The geographical distribution by region of the Company's loans and financings is shown in the table below:

	PARENT COMPANY AND CONSOLIDATED	
	2017	2016
Brazil	17.52%	7.94%
USA	71.89%	80.23%
Japan	10.59%	11.83%

30.3 Financial risk factors
The Company's normal activities expose it to a variety of financial risks: credit risk, market risk (including price risk, interest rate risk, exchange rate risk) and liquidity risk, as follows:

(a) Credit risk

The Company's sales policy is governed by the credit policies determined by management, which are aimed at minimizing any losses resulting from default by clients. The Company conducts credit analyses on its clients every year, in order to mitigate risks of nonpayment for outstanding receivables and future sales. Client payment capacity is also evaluated during the credit analysis.

The Company presently offers its clients the following means of payment: letter of credit, cash payment or credit sale in current account.

Gross sales revenue amounted to R$ 85,177 in 2017 (R$ 210,891 in 2016), while the consolidated allowance for doubtful accounts made in 2017 was R$ 24,140 (R$ 29,498 in 2016).

The exposure of the receivables to credit risk is distributed as shown below:

	PARENT COMPANY AND CONSOLIDATED	
	2017	2016
Middle East / Africa	9.0%	-
China	-	73%
Asia (except China)	35.4%	23%
Americas	55.6%	4%

(b) Market risk

(i) Price risk
The price of the Company's principal product, iron ore pellets, is set through periodic negotiations (primarily quarterly and monthly) with customers. The level of prices negotiated is directly impacted by global supply and demand for iron ore.

(ii) Interest rate risk
Arising from the possibility the Company or its subsidiaries sustain unforeseen impacts arising from fluctuations in interest rates on their financial assets and liabilities and from inflation. Most of the Company's loans and financings as of December 31, 2017 are denominated in United States Dollars. An amount of loans and financings of R$ 7,378 million bears interest at fixed rates and R$ 7,798 million at floating rates corresponding mostly to the variance in the LIBOR plus a contractual spread. The Company has no hedge against LIBOR variance, in accordance with its internal and its stockholders' guidelines. Interest-rate risk also derives from the small amount of debt referenced to the IGP-DI price index and short-term investments referenced to the Selic base interest rate.

(iii) Exchange rate risk
Arising from the possibility of fluctuations in exchange rates for the foreign currencies (other than the functional currency) used by the Company to acquire domestic consumables and/or services, pay taxes, dividends, etc. The Company has the following assets and liabilities, in Reais, which can affect its results due to exchange rate variations:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

(a) Asset exposure

	CONSOLIDATED	
Current assets	**2017**	**2016**
Cash and cash equivalents	1,439	1,252
Restricted short-term investments	224	256
Domestic accounts receivable	21,649	24,682
Recoverable taxes	85,874	112,364
Prepaid expenses	11,517	2,168
Other assets	39,115	26,881
Noncurrent assets		
Court deposits	1,772,305	1,654,766
Recoverable taxes	76,688	76,902
Deferred income tax	-	1,729,719
Other assets	62,441	68,036
	2,071,252	**3,697,026**

(b) Liability exposure

	CONSOLIDATED	
Current liabilities	**2017**	**2016**
Trade payables	(41,816)	(285,036)
Loans and financing and charges	(2,713,441)	(1,066,000)
Salaries and payroll contributions	(21,410)	(30,958)
Taxes payable	(169,966)	(86,211)
Provision for income tax	-	(84)
Dividends	-	-
Other provisions	(1,738,352)	(1,636,058)
Other liabilities	(31,677)	(34,156)
Noncurrent liabilities		
Loans and financing and charges	-	(8,818)
Provisions for contingencies	(123,456)	(246,729)
Deferred income tax	(1,597,310)	-
Dividends	(2,805,548)	(2,805,548)
Other provisions	(9,979,503)	(6,008,675)
Other liabilities	(1,852,721)	(754,440)
	(21,075,200)	**(12,962,713)**

(c) Exposure not recorded in the balance sheet:

	2017	2016
Tax proceedings		
Chance of defeat remote	(2,021,501)	(2,164,877)
Chance of defeat possible	(11,642,434)	(9,554,283)
Labor claims		
Chance of defeat remote	(7,356)	(11,939)
Chance of defeat possible	(199,529)	(59,085)
Civil claims		
Chance of defeat remote	(7,181)	(4,845)
Chance of defeat possible	(936,994)	(74,470)
Environmental proceedings		
Chance of defeat remote	(2,207)	(57)
Chance of defeat possible	(1,001,884)	(16,250)
Summary of the exchange rate exposure		
Exposure recorded in the balance sheet (a + b)	(19,003,948)	(9,265,687)
Exposure not recorded in the balance sheet (c)	(15,819,086)	(11,885,806)
Total net exposure	**(34,823,034)**	**(21,151,493)**

The Company does not hedge its assets and liabilities in Reais, in accordance with its internal guidelines. Foreign currency assets and liabilities are translated to the functional currency at the exchange rate as of the balance sheet date, with US$ 1.00 being equal to R$ 3.3074 as of December 31, 2017 and US$ 1.00 equal to R$ 3.2585 as of December 31, 2016.

(c) Liquidity risk

The liquidity risk arises if the Company does not have sufficient funds to honor its obligations in a timely fashion.

Company Management has faced challenges in its liquidity risk management due to the suspension of production operations following the failure of the Fundão dam, including defaulting on certain obligations in the Company's loan and financing agreements. The Company's liquidity in 2017 was maintained by its Stockholders via the placement of private non-convertible debentures (Note 15).

In addition, according to the terms of the Framework Agreement, to the extent that Samarco fails to meet its financial obligations thereunder, each of Vale and BHP Billiton Brasil will cover the shortfall, in proportion to their 50% shareholding in Samarco.

The carrying amounts of the cash flows from financial liabilities are:

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

	CONSOLIDATED		
	2017		
	Amount	Up to 12 months	1 - 10 years
Suppliers/trade payables	42,825	25,056	17,769
Loans and financing	15,176,001	15,176,001	-
Financial charges payable	1,005,279	1,005,279	-

The value of the undiscounted cash flows are as follows:

Financial iabilities	Carrying value	Contractual cash flow	2017		2018
			0 - 6 months	6- 12 months	
Trade payables	42,825	42,825	348	24,708	17,769
Loans and financing	15,176,001	15,176,001	15,176,001	-	-
Financial charges	1,005,279	1,005,279	1,005,279	-	-
TOTAL	**16,224,105**	**16,224,105**	**16,181,628**	**24,708**	**17,769**

30.4 Bank sureties

The Company has bank sureties issued for an indefinite term mainly to guarantee the suspension of amounts demanded under tax enforcements of December 31, 2017 of R$ 2,149,570 (R$ 2,072,005 at December 31, 2016). The total amount originally contracted is R$ 1,080,468.

Bank	Amount secured	Restated amount	Index	Term
Bradesco	607,850	1,078,061	Selic	Indeterminate
Bradesco	27,956	45,151	VRTE	Indeterminate
Votorantim	100,948	411,094,3	Selic	Indeterminate
Itaú	276,052	532,666	Selic	Indeterminate
Itaú	67,662	82,598	IPCA-E	Indeterminate
TOTAL	**1,080,468**	**2,149,570**		

30.5 Capital management

The Company administers its capital with a view to safeguarding liquidity, optimizing the use of capital while yielding sustainable returns for stockholders and benefits for other stakeholders.

In order to maintain or adjust the Company's capital structure, Management constantly monitors its debt levels, aligned with its dividends policy, which in turn follows stockholder guidelines.

The Company monitors and manages its level of financial leverage in accordance with market standards, its strategy and compliance with the financial metrics outlined in the loan agreements in the form of financial covenants (Net Debt/EBITDA). The Net Debt/EBITDA is a metric, which corresponds to the net debt compared to the cash generation of the Company, measured by the EBITDA. The net indebtedness, in turn, corresponds to the total of loans and financing (including short and long term loans, as shown in the consolidated balance sheet), subtracted from the total of cash and cash equivalents.

In 2017, with the interruption of its operational activities, the Company was unable to meet its Net Debt / EBITDA covenant of 4:1 in all loan and financing agreements.

The calculation of the net gearing index considers net debt as a percentage of total capitalization. Total capitalization is calculated summing consolidated net debt and stockholders' equity, as below:

	2017	2016
Total loans and financing	**16,181,280**	13,747,417
(-) Cash, cash equivalents, restricted short-term investments	(56,698)	(57,908)
Net debt – consolidated	**16,124,582**	**13,689,509**
Total stockholders' equity	(14,602,995)	(6,922,006)
Total capitalization	1,521,587	6,767,503
Financial leverage index	1060%	202%

Under normal conditions, the analysis of these indicators is used to determine the working capital management to maintain the degree of leverage of the Company at levels equal to or below the leverage index considered adequate by management.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

30.6 Fair value hierarchy

The Company considers fair value as the price that would be obtained from the sale of an asset or paid to transfer a liability in an arm's length transaction on the measurement date (sale price). The Company uses market data or assumptions that market participants would use to price the asset and liability, including assumptions about the risks in general and risks inherent to the inputs used in the valuation method. The Company mainly applies the market approach to measure fair value and makes every effort to use the best information available. The Company consequently uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company can classify the fair value balances based on observable inputs. The fair value hierarchy is used to prioritize the inputs used to measure fair value. The three levels of fair value hierarchy are as follows:

• Level 1. Active market: quoted price - A financial instrument is deemed to be quoted in an active market if the quoted prices are readily and regularly disclosed by a stock exchange or organized over-the-counter market by operators, brokers or market associations, by entities with disclosed prices by regulatory agencies, providing that these prices represent market transactions which take place frequently between independent parties, on an arm's length basis.

• Level 2. No active market: valuation method - A valuation/pricing method should be used to determine the fair value of an instrument which is not traded in an active market. Other criteria can be used, such as data on the current fair value of another similar instrument, discounted cash flow analyses and options pricing models. The valuation method aims to establish what the transaction price at the measurement date would be in an arm's length transaction.

• Level 3. No active market: equity instruments - Fair value of equity interests/equity instruments not quoted in an active market and underlying derivatives which should be settled by delivering unquoted equity instruments.

	Balance in 2017	Fair value hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalent	57,473	57,473	-	-
Restricted short-term investments	1,130	1,130	-	-

30.7 Sensitivity analysis

The Company's financial instruments consist of cash and cash equivalents, restricted short-term investments, accounts receivable, accounts payable and loans and financing.

The main risks facing the Company's operations are from changes in the Libor rate for long-term financing and IGP-DI for domestic operations.

In order to identify the sensitivity of the index for short-term investments, in Brazil and abroad, to which the Company was exposed as of December 31, 2017, three different scenarios were determined to cover the following 12-month period. Based on the accumulated IGP-DE accumulated index and the LIBOR rate valid for 12 months, in effect as of December 31, 2017, the Company defined a probable base scenario and two stressed scenarios: Scenarios II and III, with increases of 25% and 50%, respectively, over the base.

	Risk	Base scenario I	Scenario II	Scenario III
Financial investments abroad	Libor	1.3177% p.a.	1.6471% p.a.	1.9765% p.a.
Yields as of December 31, 2017		**98,319**	**122,898**	**147,478**
Investments available in Brazil	IGP-DI	(0.4231)%	(0.5289)%	(0.6347)%
Yields as of December 31, 2017		-	-	-

In the year ended December 31, 2017, the accumulated IGP-DI index was negative, therefore the simulations did not calculate amounts of interest payable.

In order to identify the sensitivity of the changes in foreign currency to which the Company was exposed as of December 31, 2017, three different scenarios were determined for the assets and liabilities, in which Scenarios II and III entail an exchange-rate decrease of 25% and 50% respectively, respectively, over the base.

The simulation considers the balance of the respective debts (in US dollars and in local currency) at December 31, 2017, with repayment only at the end of the period.

At December 31, 2017. (All amounts in thousands of Reais, unless otherwise stated)

Financial liabilities	Exposure (R$)	Base Probable I (USD)	Scenario II (USD)	Scenario III (USD)
Exchange rate - (Risk - R$ / US$)	-	3.3074	2.4806	1.6537
Total Assets	2,071,252	626,248	834,998	1,252,496
Total liabilities	(21,075,200)	(6,372,135)	(8,496,009)	(12,744,270)
Net exposure in Reais recorded in the balance sheet	(19,003,948)	(5,745,887)	(7,661,011)	(11,491,774)

31. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of the financial assets is evaluated by referring to the independent credit ratings (if applicable), and/or historical information about the levels of counterparty default with regard to the Company, specifically with regard to the length of the existing relationship and the level of default.

31.1 Cash and cash equivalents

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Current account and short-term bank deposits				
Investment Grade	55,568	47,712	57,473	57,652
Noninvestment Grade	-	-	-	-
	55,568	**47,712**	**57,473**	**57,652**

This category includes current accounts and short-term investments at banks.

31.2 Trade accounts receivable

	PARENT COMPANY		CONSOLIDATED	
	2017	2016	2017	2016
Counterparties with independent credit rating (S&P)				
Investment Grade	-	4,888	7	4,888
Noninvestment Grade	-	13	-	13
Counterparties without independent credit rating (S&P)				
Group 1 - clients with relationship of up to five years	1,362	6,862	1,371	-
Group 2 - clients with more than five years without history of default	10,235	92	10,235	92
Group 3 - clients with more than five years with little history of default	6,691	8,129	6,691	9,125
Group 4 - domestic clients not purchasing iron ore	21,649	24,669	21,649	24,669
Transfer of inventory between companies of the same business group	-	-	-	-
	39,937	**44,653**	**39,953**	**38,787**

32. INSURANCE COVERAGE

In order to mitigate risks and given the nature of its operations, the Company maintains several different types of insurance policies. The policies are in line with the risk management policy and are similar to the policies taken out by other companies in the same line of business as Samarco. The coverage of these policies includes operational risk of material damages and loss of earnings, domestic transportation, international transportation, life and personal accident insurance, vehicle fleet, civil liability insurance, all risks, surety bonds and others.

The Civil Liability policy was renewed to April 11, 2019 with the elimination of the coverage for (i) accidental pollution and (ii) dams, due to the recent incident, and is currently being renewed with the insurers.

In 2017, Samarco purchased a financial guarantee insurance in compliance with the terms of the Framework Agreement – TTAC, signed with the Public Prosecution Service at the 12th Federal District of Belo Horizonte, MG, to assure payment of the amounts corresponding to the court deposits that the purchaser needs to make as a result of default on the obligations of funding for the Socioeconomic and Socioenvironmental Remediation programs in response to the damages arising from the failure of the Fundão dam, as per the case records of the public civil action nº0069758-61.2015.4.01.3400 (the ACP), brought against the Insured by the Federal Government, Agência Estadual de Recursos Hídricos - AGERH, Agência Nacional de Águas - ANA, Departamento Nacional de Produção Mineral - DNPM, Estado de Minas Gerais, Estado do Espírito Santo, Fundação Estadual de Meio Ambiente - FEAM, Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis - IBAMA, Instituto Estadual de Florestas - IEF, Instituto Estadual de Meio Ambiente e Recursos Hídricos - IEMA, Instituto Mineiro de Gestão das Águas - IGAM and Instituto Chico Mendes de Conservação da Biodiversidade, among others. Indemnity payments by the Insurer will be made on equal conditions with other insurance policies submitted in the case records.

In addition, Samarco maintains a Directors and Officers Liability Insurance, in effect until March 10, 2019. This insurance covers members of the Board of Directors, Executive Board, Supervisory Board and any other body mentioned in the Bylaws, as well as certain employees at the management and strategic levels, in both the Company and its parent Companies (collectively referred to as the "Insured"). The policy covers financial losses resulting from claims against the Insured for acts or omissions in the exercise of their functions of employment. It also covers agreements previously authorized by the insurer for the purpose of bringing to a close judicial or administrative suits and coverage for payment of defense costs of the Insured, if and when incurred.

The operational risk insurance is suspended due to the temporary interruption of Samarco's operational activities. However, the Company maintains a relationship with the market with regard to asset security, so that as soon as the Company receives the necessary authorizations it will be able to reestablish the purchase of insurance for its activities.

33. SUBSEQUENT EVENTS

From December 31, 2017 and through to the date of authorization to issue these statements, the following events occurred:

a) As described in Note 1, on June 25, 2018, a final TAC agreement was signed by Samarco, its stockholders, Vale and BHP Billiton Brasil and the following institutions: the Federal and State Prosecution offices ("Ministério Público Federal e dos Estados de Minas Gerais e Espírito Santo"), the Federal Public Defenders' office and the State Public Defenders' offices of Minas Gerais and Espírito Santo ("Defensoria Pública da União e dos Estados de Minas Gerais e Espírito Santo") and the Federal Attorneys' office and State Attorneys' offices of Minas Gerais and Espírito Santo ("Advocacia Pública da União e dos Estados de Minas Gerais e Espírito Santo"). The agreement determines, among other matters, enhancements to the governance of the Foundation to ensure a greater participation of the peoples affected, as well as the establishment of a process to deal with a possible renegotiation of the programs designed to remediate the consequences of the failure of the Fundão tailings dam.

b) Samarco has been served in August, 23th 2018 and filed its defence in the Fiscal Injunction Measure lawsuit n. 0021378-63.2018.4.01.3800 filed by the Attorney General of the National Treasury connected to Federal tax contingencies classified as possible or remote on this Financial Statements. After hearing Samarco's arguments, the competent court rendered a decision suspending the effects of the preliminary injunction. The debts subject to the aforementioned Fiscal Injunction Measure are non-enforceable because either the application of the law or because Samarco has already provided guarantees in court. The lawsuit is under secrecy of justice.

BOARD OF DIRECTORS

Serving members
Silmar Magalhães Silva
Paulo Fernando Teixeira Souto de Souza
David James Crawford
Ivan Fadel

Alternates
Lucio Cavalli
Sérgio Consoli Fernandes
Juan Merlini

EXECUTIVE BOARD

Rodrigo Alvarenga Vilela
CEO and Operations and Infrastructure Officer

Laurinho José da Silva
Administrative-Human Resources Director

ACCOUNTANT RESPONSIBLE

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

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