Contents

Company Data / Capital Ownership

Number of Shares (thousand)	Last Fiscal Year December 31, 2018
Paid-In Capital	
Common shares	122,171
Preferred shares	225,863
Total	348,034
Treasury Shares	
Common shares	0
Preferred shares	0
Total	0

Company Data / Cash Proceeds

Event	Approval	Proceeds	Payment Started on	Type of Share	Class of Share	Proceeds per Share (BRL / Share)
Board of Directors' Meeting	December 28, 2018	Interest on Equity	January 31, 2019	Common		0.58550
Board of Directors' Meeting	December 28, 2018	Interest on Equity	January 31, 2019	Preferred		0.64405
Board of Directors' Meeting	March 28, 2019	Interest on Equity	May 15, 2019	Preferred		0.42423
Board of Directors' Meeting	March 28, 2019	Interest on Equity	May 15, 2019	Preferred		0.46665
Board of Directors' Meeting	March 28, 2019	Dividends	May 15, 2019	Preferred		0.11660
Board of Directors' Meeting	March 28, 2019	Dividends	May 15, 2019	Preferred		0.12826

Individual Financial Statements / Statement of Financial Position - Assets (R$ thousand)

Code of the Account	Description	Last Fiscal Year December 31, 2018	Second-to-Last Fiscal Year December 31, 2017	Third-to-Last Fiscal Year December 31, 2016
1	Total Assets	10,634,336	11,322,515	9,868,206
1.01	Current Assets	563,277	1,789,167	65,370
1.01.01	Cash and Cash Equivalents	458,227	1,670,323	59,323
1.01.03	Accounts Receivable	105,050	118,844	6,047
1.01.03.02	Other Accounts Receivable	105,050	118,844	6,047
1.01.03.02.01	Interest on Equity / Dividends Receivable	0	118,844	6,047
1.01.03.02.02	Amounts Receivable	105,050	0	0
1.02	Non-Current Assets	10,071,059	9,533,348	9,802,836
1.02.01	Long-Term Assets	224,769	141,015	185,478
1.02.01.10	Other Non-Current Assets	224,769	141,015	185,478
1.02.01.10.03	Judicial Deposits	7,504	7,183	6,668
1.02.01.10.04	Recoverable Taxes	217,265	133,832	178,810
1.02.02	Investments	9,846,285	9,392,326	9,617,349
1.02.03	Property, Plant and Equipment	5	7	9

Individual Financial Statements / Statement of Financial Position – Liabilities (R$ thousands)

Code of the Account	Description	Last Fiscal Year December 31, 2018	Second-to-Last Fiscal Year December 31, 2017	Third-to-Last Fiscal Year December 31, 2016
2	Total Liabilities	10,634,336	11,322,515	9,868,206
2.01	Current Liabilities	457,966	2,476,434	225,173
2.01.03	Tax Liabilities	43,157	13,821	4,781
2.01.04	Loans and Financing	0	1,711,854	0
2.01.04.02	Debentures	0	1,711,854	0
2.01.05	Other Liabilities	414,809	750,759	220,392
2.01.05.02	Other	414,809	750,759	220,392
2.01.05.02.01	Dividends and Interest on Equity Payable	387,966	723,404	193,631
2.01.05.02.04	Other Liabilities	26,843	27,355	26,761
2.02	Non-Current Liabilities	216,526	40,073	1,732,120
2.02.01	Loans and Financing	209,861	0	1,548,238
2.02.01.02	Debentures	209,861	0	1,548,238
2.02.02	Other Liabilities	0	0	145,399
2.02.02.02	Other	0	0	145,399
2.02.04	Provision	6,665	40,073	38,483
2.03	Equity	9,959,844	8,806,008	7,910,913
2.03.01	Paid-up Share Capital	4,100,000	4,100,000	4,100,000
2.03.04	Profit Reserves	2,779,080	2,006,029	432,606
2.03.04.01	Legal Reserve	227,610	168,086	51,667
2.03.04.02	Statutory Reserve	2,551,470	1,858,253	401,249
2.03.04.09	Treasury Shares	0	-20,310	-20,310
2.03.06	Equity Valuation Adjustments	3,080,764	2,699,979	3,378,307

Individual Financial Statements / Statement of Income (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
3.04	Operating Income/Expenses	1,234,508	2,609,822	826,581
3.04.02	General and Administrative Expenses	-26,324	-19,151	-14,433
3.04.04	Other Operating Income	1,273,937	1,407,280	0
3.04.04.02	Income from Sale of Shares of the Financial Assets Available-for-Sale	0	1,407,280	0
3.04.04.03	Result from the Sale of Investments	1,239,532	0	0
3.04.04.04	Reversal of Provisions of Tax Obligations	34,405	0	0
3.04.05	Other Operating Expenses	-1,533,660	-103,069	-5,845
3.04.05.01	Tax Expenses	-119,450	-103,069	-5,845
3.04.05.02	Other Operating Expenses	-1,414,210	0	0
3.04.06	Equity Income	1,520,555	1,324,762	846,859
3.05	Earnings before Financial Income Taxes	1,234,508	2,609,822	826,581
3.06	Financial Result	-35,818	-99,198	-197,258
3.06.01	Financial Revenues	95,171	65,486	22,689
3.06.02	Financial Expenses	-130,989	-164,684	-219,947
3.07	Earnings before Income Taxes	1,198,690	2,510,624	629,323
3.08	Income Tax and Social Contribution	-8,194	-182,249	0
3.09	Net Income from Continued Operations	1,190,496	2,328,375	629,323
3.11	Income/Loss for the Period	1,190,496	2,328,375	629,323
3.99	Earnings per Share (BRL/Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Common Shares	3.21217	6.25486	1.69059
3.99.01.02	Preferred Shares	3.53339	6.88035	1.85965
3.99.02	Diluted Earnings per Share			
3.99.02.01	Common Shares	3.21217	6.28237	1.69803
3.99.02.02	Preferred Shares	3.53339	6.91061	1.86783

Individual Financial Statements / Statement of Comprehensive Income (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
4.01	Profit for the Period	1,190,496	2,328,375	629,323
4.02	Other Comprehensive Income	380,785	-678,328	-438,996
4.02.01	Financial Instrument Adjustments on Available-for-Sale Investments	0	-844,823	370,555
4.02.02	Effects from Companies with Significant Influence	380,785	166,495	-809,551
4.03	Comprehensive Income for the Period	1,571,281	1,650,047	190,327

Individual Financial Statements / Statement of Cash Flow - Indirect Method (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
6.01	Net Cash from Operating Activities	-782,723	-55,882	26,765
6.01.01	Cash from Operations	-1,555,994	-54,283	-9,400
6.01.01.01	Net Earnings before Income Tax and Social Contribution	1,198,690	2,510,624	629,323
6.01.01.02	Income from Sale of Shares of the Financial Assets Available-for-Sale	0	-1,407,280	0
6.01.01.03	Result from the Sale of Investments	-1,239,532	0	0
6.01.01.04	Equity Income	-1,520,555	-1,324,762	-846,859
6.01.01.06	Monetary Variations and Interest, Net	-4,745	152,038	202,433
6.01.01.07	Provision for/Reversal of Tax Liabilities	8,726	13,389	4,744
6.01.01.08	Other	1,422	1,708	959
6.01.02	Changes in Assets and Liabilities	773,271	-1,599	36,165
6.01.02.01	(Increase) in Other Assets	-20,808	-9,392	-576
6.01.02.02	Increase/(Decrease) in Other Liabilities	168,664	74,078	-633
6.01.02.03	Interest on Equity and Dividends Received	684,653	218,026	37,374
6.01.02.04	Income Tax and Social Contribution Paid	-59,238	-284,311	0
6.02	Net Cash from Investment Activities	1,926,295	1,858,844	0
6.02.01	Sale of Shares of the Financial Assets Available-for-Sale	0	1,480,425	0
6.02.02	Cash and Cash Equivalents of Merged Companies	0	378,419	0
6.02.03	Sale of Investments	1,926,295	0	0
6.03	Net Cash from Financing Activities	-2,355,668	-191,962	0
6.03.01	Interest on Equity and Dividends Paid	-719,416	-191,962	0
6.03.02	Issue of Debentures, Net	700,358	0	0
6.03.03	Settlement of Debentures	-2,278,542	0	0
6.03.04	Issuance of Promissory Notes	2,400,000	0	0
6.03.05	Settlement of Promissory Notes	-2,458,068	0	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	-1,212,096	1,611,000	26,765
6.05.01	Opening Balance of Cash and Cash Equivalents	1,670,323	59,323	32,558
6.05.02	Closing Balance of Cash and Cash Equivalents	458,227	1,670,323	59,323

Individual Financial Statements / Statement of Changes in Equity / SCE - January 1, 2018 to December 31, 2018 (R$ thousands)

Code	Description	Paid Up Share Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	4,100,000	-20,310	2,026,339	0	2,699,979	8,806,008
5.03	Adjusted Opening Balances	4,100,000	-20,310	2,026,339	0	2,699,979	8,806,008
5.04	Capital Transactions with Shareholders	0	20,310	-20,310	-417,445	0	-417,445
5.04.06	Dividends	0	0	0	-43,215	0	-43,215
5.04.07	Interest on Equity	0	0	0	-374,230	0	-374,230
5.04.08	Cancellation of shares in treasury	0	20,310	-20,310	0	0	0
5.05	Total Comprehensive Income	0	0	0	1,190,496	380,785	1,571,281
5.05.01	Profit for the Period	0	0	0	1,190,496	0	1,190,496
5.05.02	Other Comprehensive Income	0	0	0	0	380,785	380,785
5.05.02.06	Effects from Companies with Significant Influence	0	0	0	0	380,785	380,785
5.06	Internal Changes in Equity	0	0	773,051	-773,051	0	0
5.06.01	Creation of Reserves	0	0	773,051	-773,051	0	0
5.07	Closing Balances	4,100,000	0	2,779,080	0	3,080,764	9,959,844

Individual Financial Statements / Statement of Changes in Equity / SCE - January 1, 2017 to December 31, 2017 (R$ thousands)

Code	Description	Paid Up Share Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	4,100,000	-20,310	452,916	0	3,378,307	7,910,913
5.03	Adjusted Opening Balances	4,100,000	-20,310	452,916	0	3,378,307	7,910,913
5.04	Capital Transactions with Shareholders	0	0	0	-754,952	0	-754,952
5.04.06	Dividends	0	0	0	-432,952	0	-432,952
5.04.07	Interest on Equity	0	0	0	-322,000	0	-322,000
5.05	Total Comprehensive Income	0	0	0	2,328,375	-678,328	1,650,047
5.05.01	Profit for the Period	0	0	0	2,328,375	0	2,328,375
5.05.02	Other Comprehensive Income	0	0	0	0	-678,328	-678,328
5.05.02.01	Financial Instrument Adjustments	0	0	0	0	-844,823	-844,823
5.05.02.06	Effects from Companies with Significant Influence	0	0	0	0	166,495	166,495
5.06	Internal Changes in Equity	0	0	1,573,423	-1,573,423	0	0
5.06.01	Creation of Reserves	0	0	1,573,423	-1,573,423	0	0
5.07	Closing Balances	4,100,000	-20,310	2,026,339	0	2,699,979	8,806,008

Individual Financial Statements / Statement of Changes in Equity / SCE - January 1, 2016 to December 31, 2016 (R$ thousands)

Code	Description	Paid Up Share Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	4,100,000	-20,310	20,200	0	3,817,303	7,917,193
5.03	Adjusted Opening Balances	4,100,000	-20,310	20,200	0	3,817,303	7,917,193
5.04	Capital Transactions with Shareholders	0	0	0	-196,607	0	-196,607
5.04.06	Dividends	0	0	0	-159,207	0	-159,207
5.04.07	Interest on Equity	0	0	0	-37,400	0	-37,400
5.05	Total Comprehensive Income	0	0	0	629,323	-438,996	190,327
5.05.01	Profit for the Period	0	0	0	629,323	0	629,323
5.05.02	Other Comprehensive Income	0	0	0	0	-438,996	-438,996
5.05.02.01	Financial Instrument Adjustments	0	0	0	0	370,555	370,555
5.05.02.06	Effects from Companies with Significant Influence	0	0	0	0	-809,551	-809,551
5.06	Internal Changes in Equity	0	0	432,716	-432,716	0	0
5.06.01	Creation of Reserves	0	0	432,716	-432,716	0	0
5.07	Closing Balances	4,100,000	-20,310	452,916	0	3,378,307	7,910,913

Individual Financial Statements / Statement of Value Added (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
7.01	Revenues	34,405	0	0
7.01.02	Other Revenues	34,405	0	0
7.01.02.01	Reversal of Provisions of Tax Obligations	34,405	0	0
7.02	Inputs Acquired from Third Parties	-19,775	-12,752	-9,425
7.02.02	Materials, Electricity, Outsourced Services and Others	-17,313	-10,701	-3,050
7.02.04	Other	-2,462	-2,051	-6,375
7.03	Gross Value Added	14,630	-12,752	-9,425
7.05	Net Value Added Produced	14,630	-12,752	-9,425
7.06	Value Added Received in Transfers	2,855,258	2,797,528	869,548
7.06.01	Equity Income	1,520,555	1,324,762	846,859
7.06.02	Financial Revenues	95,171	65,486	22,689
7.06.03	Other	1,239,532	1,407,280	0
7.06.03.02	Income from Sale of Shares of the Financial Assets Available-for-Sale	0	1,407,280	0
7.06.03.03	Result from the Sale of Investments	1,239,532	0	0
7.07	Total Value Added Distributable	2,869,888	2,784,776	860,123
7.08	Value Added Distribution	2,869,888	2,784,776	860,123
7.08.01	Personnel	5,681	5,519	4,206
7.08.02	Taxes, Fees and Contributions	128,363	285,971	6,477
7.08.03	Return on Third-Party Equity	1,545,348	164,911	220,117
7.08.04	Return on Equity	1,190,496	2,328,375	629,323
7.08.04.01	Interest on Shareholders' Equity	374,230	322,000	37,400
7.08.04.02	Dividends	43,215	432,952	159,207
7.08.04.03	Retained Earnings/Accumulated Losses for the Period	773,051	1,573,423	432,716

Consolidated Financial Statements / Statement of Financial Position - Assets (R$ thousands)

Code of the Account	Description	Last Fiscal Year December 31, 2018	Second-to-Last Fiscal Year December 31, 2017	Third-to-Last Fiscal Year December 31, 2016
1	Total Assets	10,634,336	11,322,515	10,277,017
1.01	Current Assets	564,861	1,790,505	1,809,333
1.01.01	Cash and Cash Equivalents	459,811	1,671,661	439,060
1.01.02	Financial Investments	0	0	1,353,180
1.01.02.02	Financial Investments Measured at Fair Value through Other Comprehensive Income	0	0	1,353,180
1.01.02.02.01	Available-for-Sale Securities	0	0	1,353,180
1.01.03	Accounts Receivable	105,050	118,844	17,093
1.01.03.02	Other Accounts Receivable	105,050	118,844	17,093
1.01.03.02.01	Interest on Equity / Dividends Receivable	0	118,844	17,093
1.01.03.02.02	Amounts Receivable	105,050	0	0
1.02	Non-Current Assets	10,069,475	9,532,010	8,467,684
1.02.01	Long-Term Assets	224,769	141,015	192,639
1.02.01.10	Other Non-Current Assets	224,769	141,015	192,639
1.02.01.10.03	Judicial Deposits	7,504	7,183	6,668
1.02.01.10.04	Recoverable Taxes	217,265	133,832	185,971
1.02.02	Investments	9,844,701	9,390,988	8,275,036
1.02.03	Property, Plant and Equipment	5	7	9

Consolidated Financial Statements / Statement of Financial Position - Liabilities (R$ thousands)

Code of the Account	Description	Last Fiscal Year December 31, 2018	Second-to-Last Fiscal Year December 31, 2017	Third-to-Last Fiscal Year December 31, 2016
2	Total Liabilities	10,634,336	11,322,515	10,277,017
2.01	Current Liabilities	457,966	2,476,434	779,383
2.01.03	Tax Liabilities	43,157	13,821	558,866
2.01.04	Loans and Financing	0	1,711,854	0
2.01.04.02	Debentures	0	1,711,854	0
2.01.05	Other Liabilities	414,809	750,759	220,517
2.01.05.02	Other	414,809	750,759	220,517
2.01.05.02.01	Dividends and Interest on Equity Payable	387,966	723,404	193,631
2.01.05.02.04	Other Liabilities	26,843	27,355	26,886
2.02	Non-Current Liabilities	216,526	40,073	1,586,721
2.02.01	Loans and Financing	209,861	0	1,548,238
2.02.01.02	Debentures	209,861	0	1,548,238
2.02.04	Provision	6,665	40,073	38,483
2.03	Consolidated Equity	9,959,844	8,806,008	7,910,913
2.03.01	Paid-up Share Capital	4,100,000	4,100,000	4,100,000
2.03.04	Profit Reserves	2,779,080	2,006,029	432,606
2.03.04.01	Legal Reserve	227,610	168,086	51,667
2.03.04.02	Statutory Reserve	2,551,470	1,858,253	401,249
2.03.04.09	Treasury Shares	0	-20,310	-20,310
2.03.06	Equity Valuation Adjustments	3,080,764	2,699,979	3,378,307

Consolidated Financial Statements / Statement of Income (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
3.04	Operating Income/Expenses	1,234,255	2,609,791	781,880
3.04.02	General and Administrative Expenses	-26,330	-19,161	-15,167
3.04.04	Other Operating Income	1,273,937	1,407,280	22,438
3.04.04.01	Investment Dividends	0	0	22,438
3.04.04.02	Income from Sale of Shares of the Financial Assets Available-for-Sale	0	1,407,280	0
3.04.04.03	Result from the Sale of Investments	1,239,532	0	0
3.04.04.04	Reversal of Provisions of Tax Obligations	34,405	0	0
3.04.05	Other Operating Expenses	-1,533,660	-103,069	-8,895
3.04.05.01	Tax Expenses	-119,450	-103,069	-8,895
3.04.05.02	Other Operating Expenses	-1,414,210	0	0
3.04.06	Equity Income	1,520,308	1,324,741	783,504
3.05	Earnings before Financial Income Taxes	1,234,255	2,609,791	781,880
3.06	Financial Result	-35,565	-99,167	-132,006
3.06.01	Financial Revenues	95,424	65,659	70,615
3.06.02	Financial Expenses	-130,989	-164,826	-202,621
3.07	Earnings before Income Taxes	1,198,690	2,510,624	649,874
3.08	Income Tax and Social Contribution	-8,194	-182,249	-20,551
3.09	Net Income from Continued Operations	1,190,496	2,328,375	629,323
3.11	Consolidated Income/Loss for the Period	1,190,496	2,328,375	629,323
3.11.01	Attributed to Parent Company Shareholders	1,190,496	2,328,375	629,323
3.99	Earnings per Share (BRL/Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Common Shares	3.21217	6.25486	1.69059
3.99.01.02	Preferred Shares	3.53339	6.88035	1.85965
3.99.02	Diluted Earnings per Share			
3.99.02.01	Common Shares	3.21217	6.28237	1.69803
3.99.02.02	Preferred Shares	3.53339	6.91061	1.86783

Consolidated Financial Statements / Statement of Comprehensive Income (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
4.01	Consolidated Net Income for the Period	1,190,496	2,328,375	629,323
4.02	Other Comprehensive Income	380,785	-678,328	-438,996
4.02.01	Financial Instrument Adjustments on Available-for-Sale Investments	0	-844,823	370,555
4.02.02	Effects from Companies with Significant Influence	380,785	166,495	-809,551
4.03	Consolidated Comprehensive Income for the Period	1,571,281	1,650,047	190,327
4.03.01	Attributed to Parent Company Shareholders	1,571,281	1,650,047	190,327

Consolidated Financial Statements / Statement of Cash Flows – Indirect Method (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
6.01	Net Cash from Operating Activities	-782,477	-55,862	61,083
6.01.01	Cash from Operations	-1,555,748	-54,263	34,262
6.01.01.01	Net Earnings before Income Tax and Social Contribution	1,198,690	2,510,624	649,874
6.01.01.02	Income from Sale of Shares of the Financial Assets Available-for-Sale	0	-1,407,280	0
6.01.01.03	Result from the Sale of Investments	-1,239,532	0	0
6.01.01.04	Equity Income	-1,520,308	-1,324,741	-783,504
6.01.01.05	Revenue from Dividends	0	0	-22,438
6.01.01.06	Monetary Variations and Interest, Net	-4,745	152,038	184,231
6.01.01.07	Provision for/Reversal of Legal Obligations	8,726	13,389	5,013
6.01.01.08	Other	1,421	1,707	1,086
6.01.02	Changes in Assets and Liabilities	773,271	-1,599	26,821
6.01.02.01	(Increase) in Other Assets	-20,808	-9,392	-7,735
6.01.02.02	Increase/(Decrease) in Other Liabilities	168,664	74,078	-1,730
6.01.02.03	Interest on Equity and Dividends Received	684,653	218,026	48,164
6.01.02.04	Income Tax and Social Contribution Paid	-59,238	-284,311	-11,878
6.02	Net Cash from Investment Activities	1,926,295	1,480,425	0
6.02.01	Sale of Shares of the Financial Assets Available-for-Sale	0	1,480,425	0
6.02.03	Sale of Investments	1,926,295	0	0
6.03	Net Cash from Financing Activities	-2,355,668	-191,962	0
6.03.01	Interest on Equity and Dividends Paid	-719,416	-191,962	0
6.03.02	Issue of Debentures	700,358	0	0
6.03.03	Settlement of Debentures	-2,278,542	0	0
6.03.04	Issuance of Promissory Notes	2,400,000	0	0
6.03.05	Settlement of Promissory Notes	-2,458,068	0	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	-1,211,850	1,232,601	61,083
6.05.01	Opening Balance of Cash and Cash Equivalents	1,671,661	439,060	377,977
6.05.02	Closing Balance of Cash and Cash Equivalents	459,811	1,671,661	439,060

Consolidated Financial Statements / Statement of Changes in Equity / SCE - January 1, 2018 to December 31, 2018 (R$ thousands)

Code	Description	Paid Up Share Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Equity	Minority Interest	Equity Consolidated
5.01	Opening Balances	4,100,000	-20,310	2,026,339	0	2,699,979	8,806,008	0	8,806,008
5.03	Adjusted Opening Balances	4,100,000	-20,310	2,026,339	0	2,699,979	8,806,008	0	8,806,008
5.04	Capital Transactions with Shareholders	0	20,310	-20,310	-417,445	0	-417,445	0	-417,445
5.04.06	Dividends	0	0	0	-43,215	0	-43,215	0	-43,215
5.04.07	Interest on Equity	0	0	0	-374,230	0	-374,230	0	-374,230
5.04.08	Cancellation of shares in treasury	0	20,310	-20,310	0	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	1,190,496	380,785	1,571,281	0	1,571,281
5.05.01	Profit for the Period	0	0	0	1,190,496	0	1,190,496	0	1,190,496
5.05.02	Other Comprehensive Income	0	0	0	0	380,785	380,785	0	380,785
5.05.02.06	Effects from Companies with Significant Influence	0	0	0	0	380,785	380,785	0	380,785
5.06	Internal Changes in Equity	0	0	773,051	-773,051	0	0	0	0
5.06.01	Creation of Reserves	0	0	773,051	-773,051	0	0	0	0
5.07	Closing Balances	4,100,000	0	2,779,080	0	3,080,764	9,959,844	0	9,959,844

Consolidated Financial Statements / Statement of Changes in Equity / SCE - January 1, 2017 to December 31, 2017 (R$ thousands)

Code	Description	Paid Up Share Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Equity	Minority Interest	Equity Consolidated
5.01	Opening Balances	4,100,000	-20,310	452,916	0	3,378,307	7,910,913	0	7,910,913
5.03	Adjusted Opening Balances	4,100,000	-20,310	452,916	0	3,378,307	7,910,913	0	7,910,913
5.04	Capital Transactions with Shareholders	0	0	0	-754,952	0	-754,952	0	-754,952
5.04.06	Dividends	0	0	0	-432,952	0	-432,952	0	-432,952
5.04.07	Interest on Equity	0	0	0	-322,000	0	-322,000	0	-322,000
5.05	Total Comprehensive Income	0	0	0	2,328,375	-678,328	1,650,047	0	1,650,047
5.05.01	Profit for the Period	0	0	0	2,328,375	0	2,328,375	0	2,328,375
5.05.02	Other Comprehensive Income	0	0	0	0	-678,328	-678,328	0	-678,328
5.05.02.01	Financial Instrument Adjustments	0	0	0	0	-844,823	-844,823	0	-844,823
5.05.02.06	Effects from Companies with Significant Influence	0	0	0	0	166,495	166,495	0	166,495
5.06	Internal Changes in Equity	0	0	1,573,423	-1,573,423	0	0	0	0
5.06.01	Creation of Reserves	0	0	1,573,423	-1,573,423	0	0	0	0
5.07	Closing Balances	4,100,000	-20,310	2,026,339	0	2,699,979	8,806,008	0	8,806,008

Consolidated Financial Statements / Statement of Changes in Equity / SCE - January 1, 2016 to December 31, 2016 (R$ thousands)

Code	Description	Paid Up Share Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Equity	Minority Interest	Equity Consolidated
5.01	Opening Balances	4,100,000	-20,310	20,200	0	3,817,303	7,917,193	0	7,917,193
5.03	Adjusted Opening Balances	4,100,000	-20,310	20,200	0	3,817,303	7,917,193	0	7,917,193
5.04	Capital Transactions with Shareholders	0	0	0	-196,607	0	-196,607	0	-196,607
5.04.06	Dividends	0	0	0	-159,207	0	-159,207	0	-159,207
5.04.07	Interest on Equity	0	0	0	-37,400	0	-37,400	0	-37,400
5.05	Total Comprehensive Income	0	0	0	629,323	-438,996	190,327	0	190,327
5.05.01	Profit for the Period	0	0	0	629,323	0	629,323	0	629,323
5.05.02	Other Comprehensive Income	0	0	0	0	-438,996	-438,996	0	-438,996
5.05.02.01	Financial Instrument Adjustments	0	0	0	0	370,555	370,555	0	370,555
5.05.02.06	Effects from Companies with Significant Influence	0	0	0	0	-809,551	-809,551	0	-809,551
5.06	Internal Changes in Equity	0	0	432,716	-432,716	0	0	0	0
5.06.01	Creation of Reserves	0	0	432,716	-432,716	0	0	0	0
5.07	Closing Balances	4,100,000	-20,310	452,916	0	3,378,307	7,910,913	0	7,910,913

Consolidated Financial Statements / Value Added Statement (R$ thousands)

Code of the Account	Description	Last Fiscal Year January 1, 2018 to December 31, 2018	Second-to-Last Fiscal Year January 1, 2017 to December 31, 2017	Third-to-Last Fiscal Year January 1, 2016 to December 31, 2016
7.01	Revenues	34,405	0	0
7.01.02	Other Revenues	34,405	0	0
7.01.02.01	Reversal of Provisions of Tax Obligations	34,405	0	0
7.02	Inputs Acquired from Third Parties	-19,781	-12,761	-10,159
7.02.02	Materials, Electricity, Outsourced Services and Others	-17,319	-10,710	-3,197
7.02.04	Other	-2,462	-2,051	-6,962
7.03	Gross Value Added	14,624	-12,761	-10,159
7.05	Net Value Added Produced	14,624	-12,761	-10,159
7.06	Value Added Received in Transfers	2,855,264	2,797,680	876,557
7.06.01	Equity Income	1,520,308	1,324,741	783,504
7.06.02	Financial Revenues	95,424	65,659	70,615
7.06.03	Other	1,239,532	1,407,280	22,438
7.06.03.01	Dividends Received/Receivable	0	0	22,438
7.06.03.02	Income from Sale of Shares of the Financial Assets Available-for-Sale	0	1,407,280	0
7.06.03.03	Result from the Sale of Investments	1,239,532	0	0
7.07	Total Value Added Distributable	2,869,888	2,784,919	866,398
7.08	Value Added Distribution	2,869,888	2,784,919	866,398
7.08.01	Personnel	5,681	5,519	4,206
7.08.02	Taxes, Fees and Contributions	128,363	285,971	30,077
7.08.03	Return on Third-Party Equity	1,545,348	165,054	202,792
7.08.04	Return on Equity	1,190,496	2,328,375	629,323
7.08.04.01	Interest on Shareholders' Equity	374,230	322,000	37,400
7.08.04.02	Dividends	43,215	432,952	159,207
7.08.04.03	Retained Earnings/Accumulated Losses for the Period	773,051	1,573,423	432,716

Management Report

MANAGEMENT REPORT Message to Shareholders

Dear shareholders,

The Brazilian economy has shown signs of gradual recovery amidst a volatile global market. Elements such as the reestablishment of economic confidence from industry players and the advancement of the reform agenda will positively contribute with this process, which also includes low inflation, reduced interest rates and favorable prospects for productive investments.

In 2018, Bradespar stood out with its strong debt reduction arising from the use of proceeds from the sale of Vale S.A. shares, which was part of its asset portfolio. The transaction allowed the Company to restructure its liabilities through a full early amortization of its 3rd Issue of Promissory Notes, as well as a partial early amortization of its 7th Issue of Simple Debentures. The transaction also provided the necessary liquidity for shareholder remuneration, in the form of Interest on Equity, of R$ 217.0 million on January 31, 2019. In addition, the Board of Directors will resolve on a proposal for an additional distribution of R$ 200.4 million, being R$ 157.2 million as Interest on Equity and R$ 43.2 million as Dividends, to be paid in May 2019, resulting in a total shareholder remuneration of R$ 417.4 million.

During the year, we also entered into an agreement with Litel Participações to end the legal dispute regarding the purchase option of shares issued by Valepar, the former parent company of Vale S.A.

Management Report

Our management and decision-making processes reflect our commitment towards transparency and solid relationships with analysts and investors, which are aligned with the most efficient Corporate Governance practices. Thus, throughout the year, we hosted several APIMEC events in São Paulo and Rio de Janeiro, in addition to other attending other corporate events sponsored by several financial institutions in Brazil and abroad.

We would like to thank all our shareholders and employees for the trust placed in the Company during 2018, an essential element for the construction of our track record.

São Paulo, SP, March 28, 2019
Lázaro de Mello Brandão
Chairman of the Board of Directors

Management Report

INVESTMENT STRUCTURE

Since 2017, BRADESPAR's investments have exclusively focused on VALE, a company in which BRADESPAR has representatives at the Board of Directors.

At the end of 2018, the market value of BRADESPAR's assets, minus net debt, totaled R$ 15.3 billion.

%V = % Voting Capital
%T = % Total Capital

BRADESPAR

5.7% V/T

VALE

Management Report

MANAGEMENT'S COMMENTS ON THE COMPANY'S PERFORMANCE

The table below shows the consolidated results, in accordance with accounting practices adopted in Brazil.

Income Statement						(R$ thousand)
	4Q18	4Q17	Chg %	2018	2017	Chg %
Result of Financial Assets Available for Sale	-	1,407,280	-	-	1,407,280	-
Result on Disposal of Investments	1,239,532	-	-	1,239,532	-	-
Equity Income	805,629	183,701	338.6%	1,520,308	1,324,741	14.8%
Other Operational Revenues	34,405	-	-	34,405		
Operating Revenue	**2,079,566**	**1,590,981**	**30.7%**	**2,794,245**	**2,732,021**	**2.3%**
General and Administrative Expenses	(14,730)	(7,928)	85.8%	(20,003)	(13,059)	53.2%
Payroll Expenses	(2,280)	(2,211)	3.1%	(6,327)	(6,102)	3.7%
Financial Revenues (Expenses)	(20,664)	(13,624)	51.7%	(35,565)	(99,167)	-64.1%
Tax Expenses	(60,306)	(79,241)	-23.9%	(119,450)	(103,069)	15.9%
Other Operational Expenses	(3,682)	-	-	(1,414,210)	-	-
Operational Result before Income Tax/Social Contribution	**1,977,904**	**1,487,977**	**32.9%**	**1,198,690**	**2,510,624**	**-52.3%**
Income Tax / Social Contribution	(8,194)	(152,949)	-94.6%	(8,194)	(182,249)	-95.5%
Results for the Period	**1,969,710**	**1,335,028**	**47.5%**	**1,190,496**	**2,328,375**	**-48.9%**

Operating Revenue

As an investment company, BRADESPAR's operating revenue originates from the equity income, dividends and interest on its equity stake in VALE.

In 2018, BRADESPAR's operating revenue totaled R$2.8 billion, stable in relation to the previous year. It should be noted that the results in 2018 were impacted by the sale of the 39,058,000 shares in VALE, and in 2017 results were impacted by the sale of 53,464,240 shares in CPFL Energia. Nevertheless, excluding these extraordinary effects, operating revenues grew by 14.8% when compared to the previous year, reflecting the results recorded by VALE.

Financial Results

The financial result in 2018 came in negative by R$35.6 million, mainly due to the income on financial investments and interest on BRADESPAR's debentures and promissory notes, calculated based on CDI, impacted by the interest rate (SELIC).

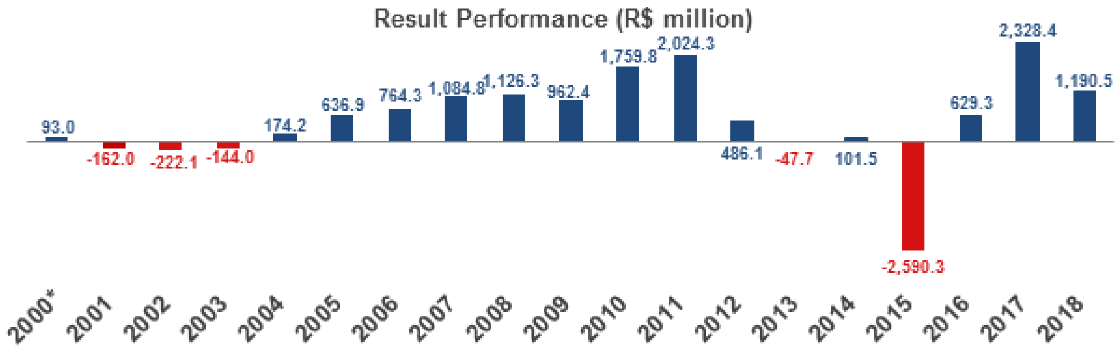
Management Report

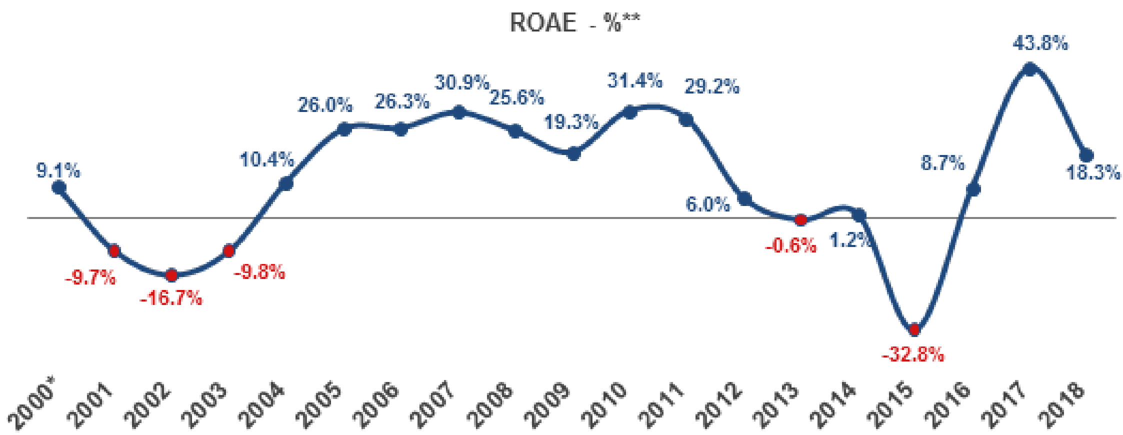
Payroll, General and Administrative Expenses

BRADESPAR's payroll, general and administrative expenses totaled R$26.3 million in 2018.

Results of the Period

In 2018, BRADESPAR recorded a net income of R$1.2 billion in 2018. Return on average equity (ROAE) reached 18.3%.





*Corresponds to 10 months of operations

** ROAE = Net Income / Average Equity - does not consider the effect of the equity valuation adjustment recorded in Shareholders' Equity.

Management Report

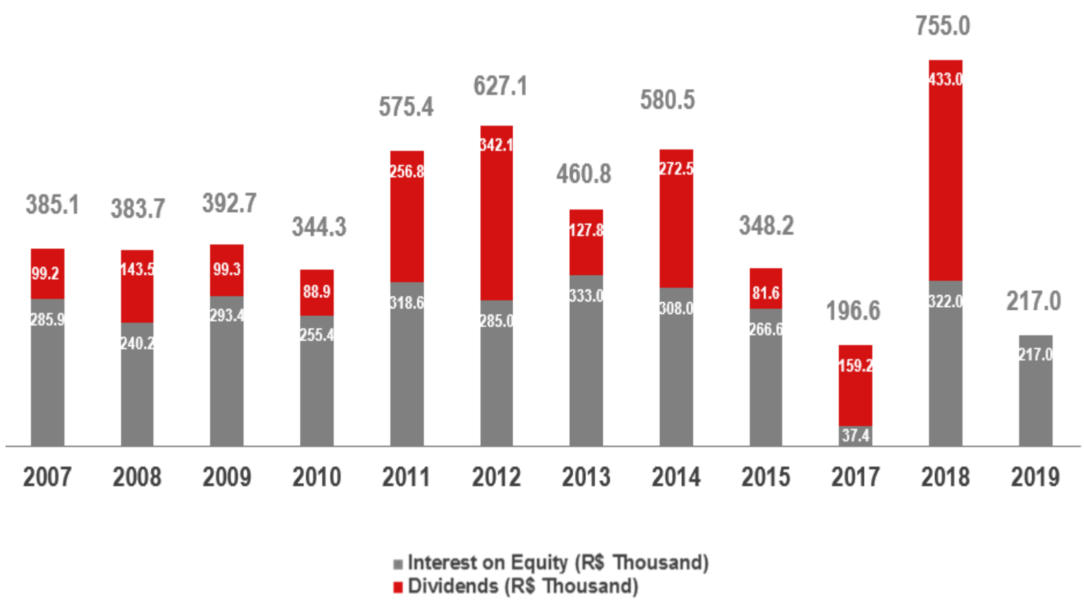
DIVIDENDS AND INTEREST ON EQUITY

In compliance with its Indicative Policy for the Annual Remuneration to the Shareholder, BRADESPAR announced, on December 28, 2018, the payment of interest on equity in the amount of R$ 217.0 million, of which R$ 0.585504889 per common share and R$ 0.644055377 per preferred share, to the shareholders who were part of the Company's shareholder base on such date.

Interest on equity was paid on January 31, 2019, in the net amount of R$ 0.4897679155 per common share and R$ 0.547447070 per preferred share, net of withholding income tax of 15% (fifteen percent).

In addition, on March 28, 2019, the Board of Directors submitted a proposal for an additional distribution, of R$ 200.4 million, being R$ 157.2 million as Interest on Equity and R$ 43.2 million as Dividends, to be paid on May 15, 2019, totaling R$ 417.4 million referring to the 2018 fiscal year.

Payment History of Interest on Equity and Dividends



Management Report

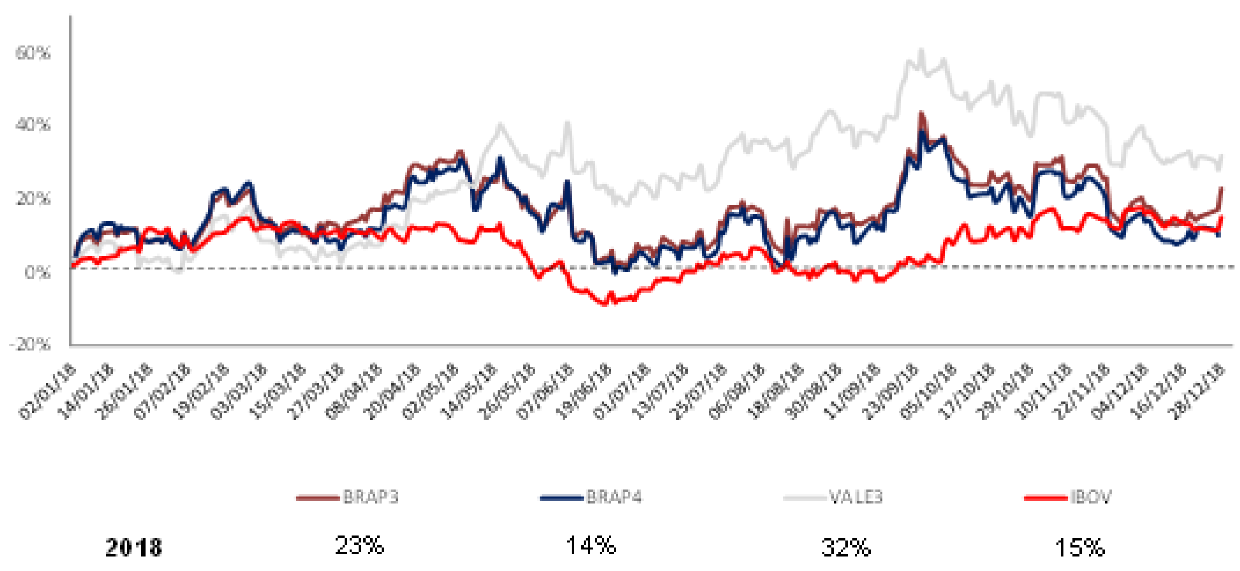
CAPITAL MARKET

Since its inception, BRADESPAR's shares are listed on B3 under tickers BRAP3 (ON) and BRAP4 (PN), and its securities are traded on LATIBEX, the Madrid Stock Exchange's Latin American Companies Market, in Spain, in Euros, through the Depositary Receipt Program (GDRs).

Moreover, BRADESPAR's shares participate in two leading indexes: IBOVESPA, which includes the most liquid companies in the Brazilian market, and the Corporate Governance Index (IGC), composed of the companies that have committed to high standards of corporate governance, since 2001, when it adhered to B3's Level I of Corporate Governance.

In 2018, the Company's shares appreciated by 14.4% (BRAP4) and 22.9% (BRAP3), while IBOVESPA accumulated a 15.0% increase and the shares of its investee, VALE, increased 31.8%.

Shares Performance on B3 in 2018



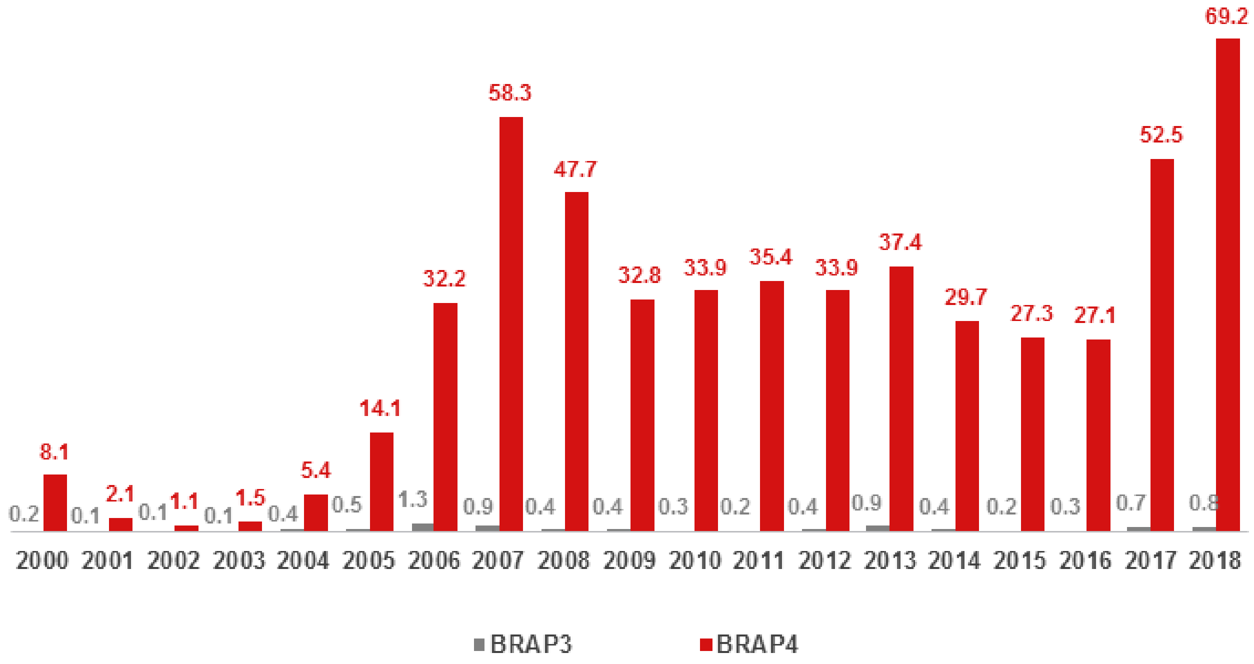
Prices adjusted for shareholder payments, including Dividends and/or Interest on Equity.
Source: Economatica.

Management Report

Liquidity

The average daily trading volume of BRADESPAR preferred shares (BRAP4), traded in 2018, was R$ 69.2 million. The average number of trades for BRAP4 on B3 was 7,811 in the same period.

Financial Volume Average Daily Traded Shares (R$ million)



Source: Economatica.

Premium/Discount

At the end of 2018, the market value of BRADESPAR's interest in VALE reached R$15.0 billion. The market value of BRADESPAR, in relation to VALE, was a discount of 30.0%, that is, BRADESPAR's market capitalization corresponds to 70.0% of the net value of its assets.

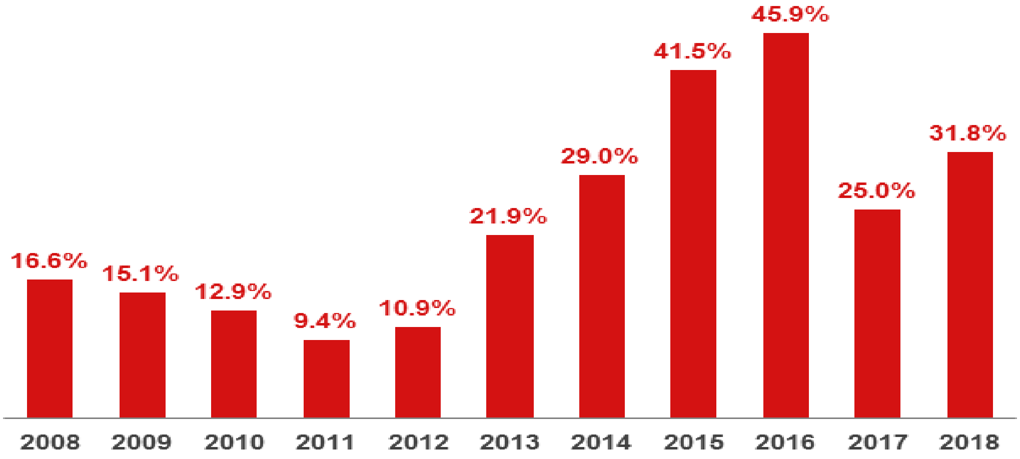
Management Report

BRADESPAR's Net Asset Value vs. Market Cap (closing prices on December 28, 2018)

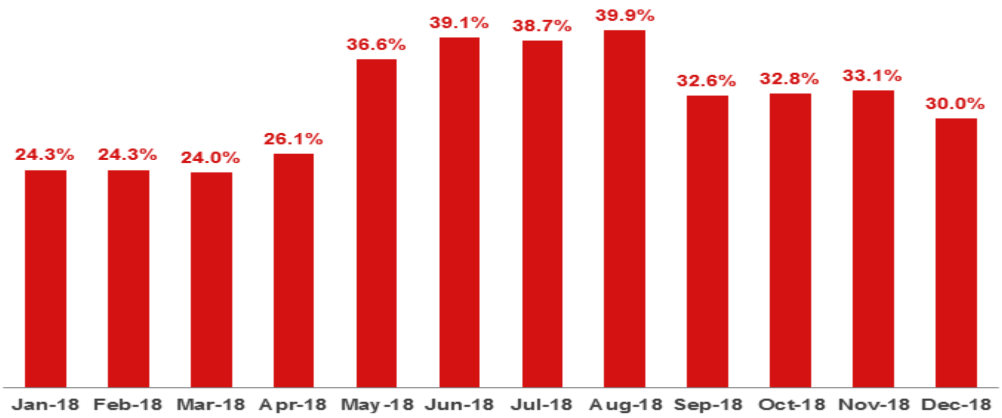
Companies	BRADESPAR's stake					
	Price (R$/share)	Price (R$/share)	Price (R$/share)	Price (R$/share)	Price (R$/share)	Price (R$/share)
VALE ON	51.00	293,907,266	5.73%	14,989,271	3,876,402	3,390,093
Bradespar's Total Assets Value (A)				**14,989,271**	**3,876,402**	**3,390,093**
Bradespar's Net Debt (B) [(1)]				**353,090**	**91,313**	**79,858**
Bradespar's Cash and Cash Equivalents				563,143	145,635	127,365
Bradespar's Gross Debt				(210,053)	(54,322)	(47,507)
Bradespar's Net Asset Value (C) = (A) + (B)				**15,342,361**	**3,967,715**	**3,469,951**
Bradespar's Market Capitalization (D)				**10,737,209**	**2,776,769**	**2,428,413**
Common Shares (BRAP3)	29.30	122,171,449		3,579,623	925,733	809,596
Preferred Shares (BRAP4)	31.69	225,862,596		7,157,586	1,851,036	1,618,817
Difference between net asset value and market capitalization (C) - (D)				**4,605,152**	**1,190,946**	**1,041,538**
DISCOUNT [(2)]				**30.02%**		

(1) Net Debt on 12/28/2018.
(2) ((BRADESPAR's Market Cap)/(Asset Value + Net Debt)) - 1

Historical Discount between BRADESPAR's Net Asset Value and Market Capitalization



Note: Average discount at the end of each month.



Note: Discount on last business day of the month.

Management Report

COMMENTS ON INVESTEE

VALE

VALE is the largest mining company in the Americas and one of the largest in the world, the leader in the global market of iron ore, iron ore pellets and nickel. The company also produces manganese, iron alloys, metallurgy and thermal coal, copper, platinum-group metals, gold, silver and cobalt. VALE also operates robust logistics systems in Brazil and other regions in the world, including railways, maritime and port terminals that are integrated to its operations.

VALE's solid performance was the highlight of the year, reaching record production and sales of iron ore of 384.6 million and 309.0 million tons, respectively, along with an improvement in the overall quality of its premium products, demonstrating a unique combination of larger volumes with high quality.

We also highlight that VALE surpassed its stipulated net debt target, previously set at US$ 10 billion, achieving a net debt of US $9.6 billion on December 31, 2018, notably benefiting from the reduction in gross interest, which was $ 1.7 billion in 2017, to $ 1.2 billion in 2018.

On January 25, 2019, a rupture occurred at Dam I of the Córrego do Feijão Mine, located in the city of Brumadinho, MG. The Dam was built in 1976 by Ferteco Mineração, a company acquired by VALE on April 27, 2001, by using the upstream method to dispose tailings from the Mine's production. The dam was inactive, without any kind of operational activity, and a decommissioning project was under development.

Management Report

It should also be noted that Dam I received stability declarations issued by a renowned international company specializing in Geotechnics, issued on June 13, 2018 and September 26, 2018, based on to the periodic review processes according to the Dams Safety and Regular Safety Dams Inspection guidelines, in which both attested their physical and hydraulic safety.

VALE deeply regrets the accident and is carrying out all material and human efforts, unlimited, in support all those affected, either the victims themselves or third parties, as well as the local communities.

The VALE’s Board of Directors resolved on certain governance measures and based on Article 15, Paragraph 1, of its Bylaws, elected established three independent Extraordinary Board Advisory Committees which are coordinated and composed exclusively by external independent members with sound reputation and vast experience in the subjects to be addressed, being them. The independent members will treat the following matters:

- The first member will exclusively monitor the measures taken to assist victims and the recovery of the area affected by the dam’s rupture, aiming to ensure that there is effective compensation for confirmed material, moral and environmental losses;

- The second member will focus on determining the causes and responsibilities for the dam’s rupture of the dam; and

- The third member will be dedicated to advising on issues related to the diagnosis of safety conditions, management and mitigation of risks related to VALE’s dams, as well as measures to be taken to strengthen the safety conditions of these strictures.

Finally, VALE submitted to the Brazilian authorities a decommission plan for all its dams that use the upstream method. VALE has 10 dams built with this method, all of which are currently inactive.

Management Report

The main highlights for VALE during 2018 include:

- Adjusted EBITDA of R$ 61.1 billion, 25.0% higher than in 2017;
- Net income of R$ 25.7 billion; and
- Investments remained stable when compared to the previous year, totaling US$ 3.8 billion, of which US$ 900.0 million was for project execution and US$ 2.9 billion for operational maintenance.

Management Report

SERVICES PROVIDED BY INDEPENDENT AUDITORS

In compliance with CVM Instruction 381/03, BRADESPAR informs that, in September 30, 2018, it did not engage the independent auditor – KPMG Auditores Independentes – in activities not related to external audit.

With regards to engaging services not related to external audit, BRADESPAR complies with the regulations that assure the independence of the external auditor, maintaining consistency with international standards, pursuant to the procedures established by the Company, which include, among others: (a) the auditor should not audit its own work; (b) the auditor should not have management duties at the client; and (c) the auditor should not promote the interests of its client. Additionally, in case of engaging other services, the scope and the procedures of the referred services are discussed with the independent auditors, so that they do not affect the independence rules set forth.

Notes to the Financial Statements

Notes to the Financial Statements
(In thousands of reais, unless otherwise specified)

1. OPERATIONAL BACKGROUND

BRADESPAR S.A. (BRADESPAR, Company or Parent Company), a publicly-held corporation headquartered at Avenida Paulista, 1450, 9º andar, São Paulo - SP, Brazil, is to acquire shareholding interest in other companies.

The direct equity interests are as follows:

a) Millennium Security Holdings Corp. (MILLENNIUM)

The corporate purpose of MILLENNIUM is to engage in any act or activity permitted by any law prevailing in the British Virgin Islands.

b) VALE S.A. (VALE)

VALE S.A. is a publicly-held company headquartered in the city of Rio de Janeiro-Brazil, with securities are traded on the Stock Exchanges of São Paulo - B3 S.A. (VALE3), New York – NYSE (VALE), Paris – NYSE Euronext (VALE3) and Madrid – LATIBEX (XVALO).

VALE S.A. and its direct and indirect subsidiaries are the world's largest producer of iron ore and pellets, key raw materials for the steel industry and nickel producers, with applications in the stainless steel and metal alloys industry. The company also produces copper, thermal and metallurgical charcoal, manganese, iron alloys, metals of the group of platinum, gold, silver and cobalt (Note 20).

2. PRESENTATION OF FINANCIAL STATEMENTS

We hereby present the individual (Parent Company) and Consolidated financial statements of BRADESPAR, which includes the subsidiary MILLENNIUM, as at December 31, 2018 and 2017.

The Company's parent company and consolidated financial statements were drawn up in accordance with CPC 36 (R3) – Consolidated Financial Statements, in compliance with the international standard IAS 34 (Interim Financial Reporting", presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), implemented in Brazil through the Brazilian Accounting Pronouncements Committee (CPC) and its technical pronouncements (CPCs), interpretations (ICPCs) and guidelines (OCPCs), approved by the Brazilian Securities and Exchange Commission (CVM).

Management declares that the disclosures in BRADESPAR's individual and consolidated financial statements show all material information used in its management and the accounting practices described above have been consistently used between the years.

The accounting estimates applied to draw up the financial statements, related to deferred tax assets and liabilities, liability provisions and contingencies, consider the best evidence available and are based on assumptions applicable at the end of the reporting fiscal years. Final results, upon realization, may differ from estimated amounts.

BRADESPAR evaluates the subsequent events until the date on which the Board of Directors approved the financial statements. The events identified are presented in Note 19.

Notes to the Financial Statements

3. MAIN ACCOUNTING PRACTICES

a) Principles of consolidation

The consolidated financial statements reflect the balances and transactions of the parent company and its subsidiary. Investments with significant influence are accounted for using the equity method.

BRADESPAR's consolidated financial statements include the its direct subsidiary MILLENNIUM.

b) Segment reporting

BRADESPAR is a holding company whose corporate purpose and sole business segment is to hold interest as partner or shareholder in other companies.

c) Functional and presentation currency

The financial statements are presented in Brazilian reais, which is BRADESPAR's functional currency.

d) Cash and cash equivalents

Cash and cash equivalents are resources used by the Company to manage its short-term liabilities and are represented by cash and cash equivalents in domestic currency and investments in mutual funds, whose maturities at the actual date of the transactions are equal to or less than 90 days, subject to minor risk of change in fair value and are convertible into cash. The market value of investment funds is determined based on the unit value for the last day of the period, as disclosed by the fund manager.

The composition of cash and investments recorded in cash and cash equivalents is presented in Note 7.

e) Financial assets

From 2018, the Company adopted CPC 48 - Financial Instruments (IFRS 9), which has a new approach to classify and measure financial assets, in which the entity takes as basis the business model to manage the financial assets and the characteristics of the contractual cash flow of the financial asset. This new approach replaced the categories of financial assets set forth in CPC 38 (IAS 39), which was applied until December 31, 2017; (i) Financial Assets for Trading - recorded by measured at fair value through profit or loss; (ii) investments held-to-maturity - are recorded at cost, plus income earned as a contra entry to income for the period; (iii) Loans and Receivables - are measured at amortized cost based on the effective interest rate method; and
(iv) Available for sale: - recorded at acquisition cost, plus income earned to income and measured at market value with effects recorded in shareholders' equity.

CPC 48 classifies the financial assets into three categories: (i) measured at amortized cost;
(ii) measured at fair value through other comprehensive profits or losses (VJORA - Shareholders' Equity); and (iii) measured at fair value through profit or loss (VJR).

- **Designated at fair value through profit or loss (FVTPL)**

Financial assets measured at VJR are registered and initially valued at fair value, and any subsequent changes in fair value are immediately recognized in income.

Notes to the Financial Statements

These are assets held by the Company with the purpose of trading them in the short-term or to holding them as part of a portfolio managed as a whole to obtain a short-term profit or to take a position, or eventually those assets that do not meet the SPPI test. Derivative financial instruments are also categorized as VJR.

Financial assets are initially recognized and valued at fair value in the balance sheet, and transaction costs are passed directly to income for the period.

- **Designated at fair value through other comprehensive income (FVOCI)**

They are initially recognized at fair value, plus transaction costs directly deriving from their acquisition or issuance, and are subsequently measured at fair value, with gains and losses recognized as other comprehensive profits or losses, with the exception of impairment losses and gains and losses on currency translation, until the financial asset is no longer recognized. Expected credit losses are recorded in the statement of income counterweighting the other comprehensive profits or losses and have no impact on the gross accounting amount of the asset.

Calculation of fair value

The fair value of financial assets is calculated according to the market price available at the balance sheet date. If there is no available market price, the fair value is calculated based on distributor prices, pricing models, quote models or price quotes for instruments with similar characteristics.

Investment funds are valued based on the share price disclosed by the investor fund's Administrator, reflecting the market price of investments included in the portfolio of the said fund.

f) Impairment of financial assets

The company evaluates, at the end of each year, whether there is objective evidence of impairment of its assets. If it is confirmed that there are impacts on the cash flows due to the deterioration of its assets and this can be reliably estimated, it recognizes in the result the impairment loss. In 2018 and 2017, there was no impairment loss.

g) Financial liabilities

They are stated at their recognized or estimated value, including charges and monetary adjustments (on a daily "pro-rata" basis), when applicable.

The Company classifies its financial liabilities in the following categories:

- Amortized Cost – financial liabilities not measured at their fair value through profit or loss. They are initially recorded at their fair value and subsequently measured at amortized cost. Such category includes debentures issued by the Company. Debentures are broken down in Note 9; and

- Fair value through profit or loss designated at initial recognition – registered and measured at their fair value, with the respective fair value changes recognized immediately through profit and loss. In the Company, the fair value change of financial liabilities through profit and loss is only due to the change in the market risk due to variation in the interest rate, not showing changes in fair value attributable to credit risk.

Notes to the Financial Statements

h) Investments

Participation in subsidiaries and investments with significant impact are measured according to the equity pickup method and, when applicable, deducted from provision for impairment.

Investments are broken down in Note 8.

i) Provisions, contingent liabilities and assets and legal obligations

The recognition, measurement and disclosure of provisions, contingent liabilities and assets, and also legal obligations are made according to the criteria established by CPC 25, which was approved by CVM Resolution 594/09, so that:

- Contingent Assets: are not recognized for accounting purposes, except for collateral guarantees or favorable non-appealable decisions, classifying the gain as virtually certain, and by confirmation of its recoverability upon receipt or setting off with other payable liabilities. Contingent assets, which possibility of success is probable, are disclosed in the notes hereto;

- Provisions: are established considering the legal counsel's opinion, nature of lawsuits, similarity with previous proceedings, complexity, and court precedents, whenever losses are classified as probable, which would result in a probable use of resources to settle obligations, and whenever the amounts involved may be measured with enough certainty;

- Contingent Liabilities: under CPC 25, the term "contingent" refers to liabilities not recognized, given that their existence is only confirmed upon occurrence or not of one or more future uncertain events that are beyond Management's control. Contingent liabilities do not meet the recognition criteria, because they are classified as possible losses, and may only be disclosed in the notes, when relevant. Liabilities classified as remote are not accrued and not disclosed; and

- Legal Liabilities - Provision for Tax Risks: arising from lawsuits whose subject matter is their legality or constitutionality and which, regardless of the assessment on the chances of success, have their amounts recognized in full in the financial statements.

The details of lawsuits, as well as the operation of registered amounts, are provided for in Note 11.

j) Income tax and social contribution

The tax credits are recorded by the likely amount of realization and refer to credits of income tax and social contribution on tax losses carryforwards and temporary differences, being recognized, when applicable, in current assets and non-current assets - long-term assets.

The provision for income taxes is established at the rate of 15% on the taxable income, plus the additional 10%, where applicable.

The provision for social contribution is established on the taxable income before income tax, considering the rate of 9%. Provisions for other taxes and social contributions were established in accordance with the respective applicable law.

Notes to the Financial Statements

The breakdown of income tax and social contribution amounts, their calculations and information on unused tax credits are presented in Note 13.

k) Determination of Income

Income is determined according to the accrual basis, which provides that revenues and expenses shall be included in the calculation of the income for the periods in which they occur, always and at the same time when they are related, regardless of receipt or payment. For fundraising transactions through the issue of bonds and securities, the respective expenses are recorded against liabilities and charged through profit and loss, according to the term of the transaction.

l) Earnings per share

Basic earnings per share are calculated by dividing the income attributed to the Company's shareholders by the weighted average number of outstanding shares (total shares less treasury shares). There are no profit dilution factors.

m) Subsequent events

They correspond to the events that occurred between the base date of the financial statements and the date of authorization for their issuance. They consist of:

• Events that lead to adjustments: those that show conditions that already existed on the base date of the financial statements; and

• Events that do not cause adjustments: those that show conditions that did not exist at the base date of the financial statements.

Subsequent events are described in Note 19.

4. KEY ACCOUNTING JUDGMENTS AND ESTIMATES

The presentation of the financial statements in accordance with the principles for recognition and measurement under the accounting standards issued by CPC and IASB requires that the Company Management exercises judgments, makes estimates and assumptions that may affect the value of assets and liabilities reported.

Such estimates are based on the best knowledge existing in each period and in actions planned to be taken, being constantly revised based on the information available. Changes in facts and circumstances may lead to a revision in the estimates, and therefore the actual future results may differ from such estimates.

Significant assumptions and estimates used by the Company Management are presented as follows:

Classification and measurement of financial assets

The classification of financial assets is based on Management's intent, at the date of acquisition of the securities, to maintain or sell such securities. The accounting treatment of our securities depends on such classification.

We estimate the fair value using quoted market prices, when available. We noted that the value may be affected by the volume of shares traded and may also not reflect the "control premium" resulting from shareholders agreements. However, Management believes that market prices are the best indicators for the fair value.

Notes to the Financial Statements

In order to determine the fair value, in the event quoted market prices are not available, Management exercises judgment, since the models depend on our judgment with respect to the weight to be assigned to different factors and the quality of information we received. Such judgment must also determine whether a decrease in the fair value below the updated cost of a security available for sale is temporary, to require a possible recognition of a devaluation in theupdated cost and to reflect the decrease as expense. In order to determine whether a devaluation is temporary, Management decides which historical period should be considered and to which extent a loss may be recognized.

Such evaluation methods may lead the Company to different results, if the assumptions and estimates used are not confirmed thereafter.

Provisions and contingent liabilities

Accounting provisions are established considering the legal counsel’s opinion, nature of lawsuits, similarity with previous proceedings, complexity, and court precedents, whenever losses are classified as probable, which would result in a probable use of resources to settle obligations, and whenever the amounts are able to be measured with enough certainty.

Contingent liabilities classified as possible losses are not recognized for accounting purposes and shall only be disclosed in the notes if they are individually relevant, and those classified as remote do not require the establishment of provision or disclosure.

We continuously monitor the legal proceedings in course to evaluate, among other things: (i) their nature and complexity; (ii) the development of the proceedings; (iii) the opinion of our legal counsel; and (iv) our experience with similar proceedings. In order to determine whether a loss is probable and to estimate its value, we also consider:

- the chances of loss arising from proceedings occurred before or on the date of the financial statements, but which were identified by us after the date of the financial statements, but before their disclosure; and

- the need to disclose proceedings or events occurred after the date of the financial statements, but before their disclosure.

5. ACCOUNTING PRONOUNCEMENTS

a) Standards, amendments or interpretations of applicable standards as of January 1, 2018:

- In the 2018 fiscal year, the requirements of CPC 47 - Revenue of Contract with the Client, in compliance with *International Financial Reporting Standards* (*IFRS* - 15), and CPC 48 - Financial Instruments, in compliance with *International Financial Reporting Standards* (*IFRS* - 9), entered into force. The new pronouncements have no impact on the annual financial statements, including through equity pick-up.

b) Standards, amendments and interpretations of applicable standards in future periods:

- **CPC 06 (R2) - Leasing**

CPC 06 (R2), issued in January 2016 to replace CPC 06 (R1) Business Leasing Transactions, ICPC 03 - Additional Aspects of Leasing Transactions, establishes that the leaseholders account for all leases according to a single model, similar to the accounting of financial leases in compliance with CPC 06 (R1). CPC 06 (R2) is mandatory for fiscal years as of January 1, 2019.

Notes to the Financial Statements

At the beginning of the leasing, the leaseholder shall recognize a liability to make the payments (leasing liability) and an asset representing the right to use the asset during the leasing term (right to use the asset). Expenses with interest on the lease liability and expenses with depreciation of assets of right of use must be recognized separately.

The potential impact that the initial application of the new standard will have on the Financial Statements of Bradespar was evaluated, as described below. The actual impacts upon adoption may change due to certain assumptions still subject to refinement, which are:

- Use of the actual or par value discount rate; and
- Exclusion of certain taxes from the payment flows of the lease agreements.

Leases in which the Company is a Leaseholder

The BRADESPAR will recognize new assets and liabilities for its operating leases, mainly related to real estate and infrastructures in general. The nature of expenses related to such leases will change because the Organization will recognize the depreciation costs of the assets of right of use and interest expense on lease obligations, which were previously recognized as a linear expense of operating lease during the lease term.

Based on the information currently available, the Organization estimates that the impacts on the opening balance sheet on January 1, 2019 would lead to recording assets of use rights and lease liabilities between R$984 and R$1,241.

And the effects of the initial adoption on the investee with significant influence will not produce impacts.

Transition

Bradespar will adopt CPC 06 (R2) on January 1, 2019, using the simplified modified retrospective approach, which does not require the disclosure of comparative information.

The new standard will be adopted for agreements that were previously identified as leases that adopt CPC 06 (R1) and ICPC 03 - Additional Aspects of Leasing Operations. Therefore, the Organization will not apply the standard to agreements that have not been previously identified as agreements with a lease under CPC 06 (R1) and ICPC 03.

6. RISK MANAGEMENT

The Company believes that risk management is crucial for strategic planning and financial flexibility. Therefore, it has developed a risk management strategy in order to provide an integrated overview of the risks to which it is exposed.

BRADESPAR is a holding company in which the source of income is due, basically, to the equity pick-up of its subsidiary and investment with significant influence. Therefore, it is subject mainly to the impact of different elements negotiated in the financial market on the business results (market risk), risks arising from third parties' obligations to the Company (credit risk), those inherent to internal processes (operational risk) and those arising from economic factors (liquidity risk).

Notes to the Financial Statements

Liquidity risk management

Liquidity risk refers to the possibility that the Company fails to comply with its contractual obligations on the due dates, as well as faces difficulties to meet the needs of cash flow due to liquidity restrictions in the market.

Credit risk management

Credit risk arises from potential negative impacts on cash flow due to uncertainty in relation to the ability of counterparties to comply with their contractual obligations. It mainly arises, therefore, from cash and cash equivalents and credit exposures to outstanding accounts receivable.

In our opinion, the risk of credit exposure resulting from financial investments classified as "cash and cash equivalents" is low, since the amounts in such investments are not material, because we always made distribution of dividends and/or interest on equity to shareholders throughout the year, in addition to pay interest and/or principal amounts related to debentures issued.

- **Risk profile of counterparties**

  The Company uses basically qualitative credit risk analysis, which takes into consideration the payment history, relationship and strategic position of the counterparty in its industry, VALE being the main investment maintained by the Company, which gives us the main source of cash flow.

  According to the credit risk of a particular counterparty, the Company uses the corporate guarantee strategy to mitigate the credit risk. The Company controls the receivables to ensure that all principal amounts or interest are honored by the counterparty.

Market risk

The Company is exposed to the behavior of some market risk factors that may affect its cash flow and interest rate risk on issued debentures linked to variable rates. Potential impacts are analyzed from time to time to support decision-making processes and the Company's growth strategy and monitor future cash flows volatility.

Operational risk

The operational risk management used by BRADESPAR to handle uncertainty related to any ineffectiveness or deficiency of internal processes, personnel, systems and external events is to mitigate such risk through the creation of controls and continuous improvement of existing controls.

7. CASH AND CASH EQUIVALENTS

	December 31			
	Parent Company		**Consolidated**	
	2018	**2017**	**2018**	**2017**
Available funds in domestic currency	56,042	198	57,626	1,536
Financial investment funds (1)	402,185	1,670,125	402,185	1,670,125
TOTAL	**458,227**	**1,670,323**	**459,811**	**1,671,661**

(1) Refer to investments of fixed income in Financial Investment Funds, intended to members of the Organization or associated Companies, which are considered as qualified investors, managed by Bradesco.

Notes to the Financial Statements

8. INVESTMENTS

a) The Parent Company's equity interests measured by the equity accounting method are detailed below:

Companies	Share Capital	Adjusted Equity	Adjusted Result	Number of Common Shares Held (thousand)	Share Capital Interest %	Total Investments		December 31 Adjustment due to Valuation (1)	
				Common Shares		2018	2017	2018	2017
MILLENNIUM	11,919	1,584	247	-	100.00	1,584	1,338	247	21
VALE (2) (3) (4) (6) (7)	77,300,000	177,008,471	25,656,525	293,907	5.56	9,844,701	9,390,988	1,520,308	1,094,506
VALEPAR (5)	-	-	-	-	-	-	-	-	230,235
Total	-	-	-	-	-	**9,846,285**	**9,392,326**	**1,520,555**	**1,324,762**

(1) Considers the results recorded by the companies, including investees' equity variations not deriving from income, as well as adjustments due to conformity of the accounting practices, when applicable;
(2) The company's December 31, 2018 information was audited by the same independent auditors of BRADESPAR;
(3) Investment arising from the merger of VALEPAR by VALE as an exchange ratio, representing an increase in the number of shares held by VALEPAR's shareholders in relation to VALEPAR's shareholding position in VALE on the merger date, with an increase from an indirect interest of 5.88% to a direct interest of 6.30% in VALE, generating capital gain of R$262,738;
(4) VALE's Financial Statements disclosed on December 31, 2018 that BRADESPAR has 296,009,366 common shares. The difference of 2,102 common shares between the position of VALE and BRADESPAR is due to the sale made in the trading session of December 26 and 27, 2018, with financial settlement on January 2 and 3, 2019, respectively. To recognize the share write-off, VALE considers the financial settlements dates, while BRADESPAR considers the trading session's dates.
(5) Company merged in August 2017;
(6) Investment with significant influence guaranteed by the Shareholders' Agreement; and
(7) For more information on the direct investment in VALE, see Note 20.

In November and December 2018, BRADESPAR traded, at B3 S.A. – BRASIL, BOLSA, BALCÃO, thirty-nine million, fifty-eight thousand (39,058) shares of the investee VALE, for the gross amount of R$1,926,295, corresponding to 0,74% (seventy-four hundredths percent) of its direct interest.
BRADESPAR reported a profit of R$1,239,532 in this transaction. The proceeds through the sale of shares were allocated to settle all Commercial Promissory Notes of the third (3rd) issue, on August 13, 2018. With the sales of the shares, BRADESPAR now has, a direct interest of 5.56% in VALE, represented by 293,907 common shares.

b) Breakdown of investments measured by equity accounting method in the Consolidated:

Company	Total Investments		December 31 Adjustments due to Valuation (1)	
	2018	2017	2018	2017
VALEPAR (2)	-	-	-	230,235
VALE	6,763,937	6,691,009	1,520,308	1,094,506
VALE – adjustment effect (2)	3,080,764	2,699,979	-	-
Total	**9,844,701**	**9,390,988**	**1,520,308**	**1,324,741**

(1) Considers the results recorded by the companies, including investees' equity variations not deriving from income, as well as adjustments due to conformity of the accounting practices, when applicable; and
(2) Equity valuation adjustments, as per Law 11638/07 and CPCs 2 and 8, which are recorded against equity, refer to forex differences when translating foreign currency into the functional currency of the operations performed by VALE.

9. DEBENTURES PAYABLE

On July 6, 2015, BRADESPAR conducted its sixth public issue of 126,000 non-convertible debentures, at the unit face value of ten thousand reais (R$10,000), totaling R$1,260,000, maturing in 1,096 days as of the issue date. The debentures were entitled to interest corresponding to 105.5% of the accumulated variation of the DI over extra group daily average rate - one-day Interbank Deposits, calculated and disclosed by CETIP, on a year of 252 business days, expressed as annual percentage ("DI Rate"), incurring on the unit face value of debentures, calculated from the issue date until the end of the capitalization period, *pro rata temporis*. The funds raised through the issue of debentures were intended for full settlement related to the debentures of the fifth issuance, which also matured on July 6, 2015.

Notes to the Financial Statements

On June 5, 2018, BRADESPAR notified the holders of its sixth issue debenture on the extraordinary early amortization of 47.47234211%, of the unit par value of the debentures: (i) Remuneration, calculated *pro rata temporis,* from the issue date up to the actual payment date totaling R$1,099,472; and (ii) 0.03% premium on the unit par value, in the amount of R$528.

On July 28, 2018, BRADESPAR carried out its seventh public issue of 70,000 non-convertible debentures, at the unit par value of ten thousand reais (R$10,000), totaling R$700,000, maturing on June 28, 2021 as of the issue date. Debentures will be entitled to interest corresponding to 103.95% of the accumulated variation of the DI over extra group daily average rate - one-day Interbank Deposits, calculated and disclosed by B3 and available on CETIP's webpage, on a year of 252 business days, expressed as annual percentage ("DI-Over Rate"), incurring on the unit par value or on the balance of the unit par valued of the debentures, calculated from the issue date or from the actual payment date of the compensation, until the end of the capitalization period, *pro rata temporis*.

The Company may partially amortize the debentures at any time, at its sole discretion, provided that said amortization proportionally considers all the series debentures. The early amortization is limited to up to 90% of the unit par value or of the balance of the unit par value of the debentures.

The Company may carry out the early redemption of all the debentures at any time, at its sole discretion. In case of early redemption, there will be no premium. The Company is also committed to maintaining certain total net indebtedness ratios, calculated on a quarterly basis, on a consolidated manner.

On July 2, 2018, BRADESPAR received the amount of R$700,358 thousand from the seventh public issue of 70,000 non-convertible debentures, at the unit par value of R$10,000, issued on June 28, 2018. The funds raised were intended for full settlement related to the debentures of the single series of the sixth issue.

On July 5, 2018, BRADESPAR announced to the holders of the sixth issue of simple, non-convertible debentures, maturing on July 6, 2018, the payment of each debenture for R$5,252.76578900, as actual par value, and for R$31.42262275, as compensation, calculated *pro rata temporis* from the date of payment of the last compensation up to the maturity date.

On July 6, 2018, BRADESPAR settled the balance of the unit par value and interest of all debentures of the single series of the sixth issue, in the amount of R$665,808.

On December 27, 2018, BRADESPAR notified the holders of debentures of its seventh issue on the extraordinary early amortization of 70% (seventy percent) of the unit par value of the debentures, in accordance with the contractual prerogative that allows for early amortization, limited to 90% of the nominal unit value or the balance of the nominal unit value of the debentures, remuneration, calculated pro rata temporis from the issue date to the effective payment date in the amount of R $ 512,734

On December 31, 2018, the updated payable balance of the debentures totaled R$209,861 (December 31, 2017 – R$1,711,854).

10. PROMISSORY NOTES

On August 13, 2018, BRADESPAR carried out the third issue for the public offer with restricted efforts of twenty-four commercial promissory notes, with a unit value of R$100,000,000 (one hundred million reais), totaling R$2.4 billion, maturing in 365 days from the issue date. Promissory Notes were entitled to interest corresponding to 103.5% of the accumulated variation of the DI over extra group daily average rate - one-day Interbank Deposits, calculated and disclosed by B3, on a year of 252 business days, expressed as exponential and cumulative *pro rata temporis* for business days elapsed from the issue date to the actual payment date.

Notes to the Financial Statements

On December 19, 2018, BRADESPAR notified the shareholders and the market on the redemption of all twenty-four (24) Commercial Promissory Notes, of the 3rd issue of August 13, 2018, updated according to the formula established in the agreements: (i) Remuneration, calculated *pro rata temporis* from the issue date up to the actual payment date in the amount of R$2,454,386; and (ii) Premium of 0.15% on the unit par value, plus compensation, in the amount of R$3,682.

11. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS AND LEGAL OBLIGATIONS

a) Contingent assets

No contingent assets were recognized; however, there are proceedings with probable chances of success, namely:

- COFINS – R$11,937 (December 31, 2017 – R$11,702): The Company pleads COFINS refund or offset, collected pursuant to Law 9,718/98, between January and October 2001, regarding all due invoicing surplus; and

- Social Integration Program (PIS) – R$2,587 (December 31, 2017 – R$2,535): The Company pleads the PIS refund or offset, collected pursuant to Law 9,718/98, between January and October 2001, regarding all surplus due amounts based on the requirements set out by Supplementary Law 7/70 (Pis Repique), or at least regarding all due invoicing surplus.

b) Provisions classified as probable losses and legal obligations - tax

The companies covered in the Consolidated are parties in tax lawsuits arising from the regular course of their activities.

When recording provisions, Management considers the legal counsel's opinion, nature of lawsuits, similarity with previous proceedings, complexity, and court standpoint, whenever losses are classified as probable.

BRADESPAR's Management understands that the provision recorded is enough to cover all losses arising from such proceedings.

Liabilities regarding legal obligations under legal dispute are maintained until the lawsuit is granted relief, represented by favorable court decisions over which no further appeals shall not apply or barred by law.

I) Tax Provisions

By virtue of the Private Share Purchase Agreement representing Bradesplan Participações Ltda. (BRADESPLAN's) share capital, executed with Banco Bradesco S.A. (BRADESCO) in May 2006, BRADESPAR is responsible for tax court proceedings (PIS and COFINS) involving the former subsidiary BRADESPLAN. On December 31, 2018, the updated amount totaled R$6,665 (December 31, 2017 – R$27,227), and during the year, there was a partial reversal of the provision as a result of a favorable decision.

The balance of judicial deposits on December 31, 2018, in the amount of R$7,504 (December 31, 2017 – R$7,183) is related to COFINS, which must be refunded by the Brazilian Federal Revenue Service (RFB) pursuant to the aforementioned proceedings.

II) Legal obligations - provision for tax risks

In 2018, BRADESPAR, as a result of a favorable decision, reversed the provision of COFINS, whose balance as of December 31, 2017, totaled R$12,846. The Company sought to calculate and collect COFINS, from November 2001 to January 2004, on the actual billing, which concept is contained in Article 2 of Complementary Law No. 70/91, thus eliminating the unconstitutional expansion of the calculation base sought by paragraph 1 of Article 3 of Law 9,718/98.

III) Changes in Tax Provisions:

	Parent Company and Consolidated	
	2018	**2017**
Balance at the Beginning of the Fiscal Year	**40,073**	**38,483**
Monetary restatement	997	1,590
Reversals of Provisions (1)	(34,405)	-
Closing balance	**6,665**	**40,073**

(1) Refers to the reversal of the provision related to the PIS and COFINS process by favorable decision.

IV) Civil Provision

i) BRADESPAR was a party, with Litel Participações S.A. (“LITEL”), an investment vehicle of Previ and other pension funds, was a party to an Arbitration Proceeding filed by ELÉTRON S.A. (“ELÉTRON”), company of the Opportunity Group, in which ELÉTRON requested recognition of the right to: (i) acquire a certain number of shares of VALEPAR and (ii) be indemnified for any losses and damages.

A partial ruling, rendered in this arbitration, acknowledged that BRADESPAR and LITEL had to sell VALEPAR’s shares, under the conditions that would be established in the final decision of the arbitration.

Against this partial decision, BRADESPAR and LITEL each proposed, in the Court of Rio de Janeiro, an annulment proceeding, alleging the impediment of the arbitrator who chaired over the Arbitration Court. Another arbitrator presided over the Arbitration Court while the actions seeking annulment were in progress, without suspending the arbitration process. On September 5, 2011 and October 3, 2011, the Arbitration Court, moving forward with the partial ruling, rendered a final decision (“Arbitration Decision”) and established, by a majority, that BRADESPAR and LITEL should transfer to ELÉTRON, after the payment of the purchase price, 37,500,000 common shares issued by VALEPAR.

The purchase price was established at R$632 million, to be updated by UFIR-RJ, between June 12, 2007 and the actual payment date.

The Arbitration Court also ordered BRADESPAR and LITEL to refund the dividends and interest on equity distributed by VALEPAR as of June 12, 2007 to ELÉTRON. ELÉTRON’s petition for due indemnification for losses and damages was rejected by the Arbitration Court.

BRADESPAR and LITEL, each with its grounds, filed the annulment proceedings against the Arbitration Decision in the Court of Rio de Janeiro, which were dismissed, together with the annulment proceedings of the Partial Sentence. The appeals filed at the Court of Justice of Rio de Janeiro (TJ/RJ) were dismissed. From the decisions of TJ/RJ, appeals and interlocutory appeals were filed at the Higher Court of Justice (STJ), which were pending judgment, without suspending the previous decisions.

Notes to the Financial Statements

On October 2, 2014, ELÉTRON filed, against BRADESPAR and LITEL, in the proportion of fifty percent (50%) for each, given the solidarity established, the enforcement of the Arbitration Decision, at the 5th Business Court of Rio de Janeiro. In this lawsuit, ELÉTRON pleaded the delivery of the 37,500,000 common shares issued by VALEPAR and indicated the payment of an amount that did not correspond to the purchase price established in the Arbitration Decision, since it deducted the dividends stated, but not distributed by VALEPAR, from the amount to be paid, which led the Debtors to challenge the Enforcement.

On March 4, 2015, after BRADESPAR and LITEL filed the motion to deny, ELÉTRON requested the conversion of the enforcement into payment of losses and damages, presenting an intended amount of R$2.6 billion, plus legal fees. The judge granted the request. BRADESPAR and LITEL appealed the conversion, but the TJ/RJ maintained the decision. However, established that, in the meantime, the amount of losses and damages should be calculated through an expert investigation.
Against the decision of the TJ/RJ, which maintained the conversion of the Enforcement into Losses and Damages, BRADESPAR and LITEL filed an appeal at the STJ.

After such expert investigation, the Expert Report indicated an amount of losses and damages totaling R$4.010 billion, on the conclusion of the report (i.e., April 26, 2017). The debtors, BRADESPAR and LITEL, refused the conclusions of the Expert Report, indicating the need for a new investigation. BRADESPAR's expert assistants questioned the following criteria adopted in the Expert Report: (i) establishing October 21, 2011 as the base date of the alleged losses and damages, that is, the date before the Enforcement, and the court expert investigation refused to present the calculations for the contemporaneous dates with the procedure of the Enforcement - end of 2014 and beginning of 2015; (ii) making the calculations only through the method of calculating the value of the Net Equity at Market Value, when the creditors themselves requested the Equity Method;

(iii) applying a goodwill (control premium) of 34.96%, a very small portion of the company's capital (2.37%), without additional political rights; (iv) not considering the illiquidity of VALEPAR's shares and the fact that this company is a holding company, which would imply in the application of a discount of illiquidity and discount of holding; (v) establishing the price of the shares of VALE S.A. (VALE) based on the average of the 60 trading sessions, prior to the base date, which is incorrect, since the proposal was evaluate at market value;

On September 26, 2017, LITEL filed, at the Rapporteur of the proceedings at STJ cases, an interim request for provisional protection, in which pleaded for the preliminary concession of a decision preventing the enforcement of the arbitration decisions. The request was denied in a decision rendered on December 18, 2017. Although non-exhaustive, without a final ruling, the said decision indicated the jurisprudence of the STJ, in the sense that the participation of a prohibited magistrate in a board trial, when its vote does not interfere in the final result, does not lead to the nullity of the decision.

After receiving the Expert Report, the Judge assigned a hearing date to hear the parties on the possibility of terminating the proceeding, through conciliation. At a hearing held on February 7, 2018, the parties indicated that they were unable to reach an agreement to terminate the proceeding.

According to a decision published on May 2, 2018, the Judge approved the expert report presented in the amount of R$4.010 billion, refuting the arguments presented by the defendants. The ratification decision was appealed to the TJ/ RJ, without obtaining an injunction to suspend the Enforcement. Thus, ELÉTRON requested and obtained from the first-degree court, in a decision published on July 24, 2018, the subpoena of LITEL and BRADESPAR, to jointly pay the amount of the approved report, within a period of 15 days.

Notes to the Financial Statements

At the same time, LITEL filed a motion at the STJ to suspend the Enforcement process, until the decision on the conversion to loss and damages was tried, without success.

Given the extinction of VALEPAR, as it was incorporated by VALE, on August 14, 2017, the purpose of ELÉTRON's lawsuits, that is, requesting 37,500,000 common shares issued by VALEPAR, applying the conversion rate established in the incorporation (1.2065), correspond to 45,243,750 common shares of VALE, whose market value corresponded to R$2.4 billion on September 28, 2018.

Still considering the above-mentioned arbitration award, in October 2015, ELÉTRON filed other arbitration proceeding against BRADESPAR and LITEL, requesting indemnification for damages it claims to have suffered due to the price variation of the requested shares.

Based on the analysis of the arbitration and judicial proceedings mentioned above and considering the most recent events in the case, such as the start of the enforcement of the amount approved by the first-degree court, BRADESPAR's legal advisors classify the probability of loss, related to these litigations, as probable.

These reasons led the Company's Management to supplement, at the end of the first half of 2018, the provision in an amount of R$1.2 billion, corresponding 50% of the price of VALE's shares at that time. It should be noted that the percentage of 50% was the one indicated by the Judgment Creditor at the beginning of the enforcement proceeding and adopted by the decision that set the payment, due to the solidarity of the obligation established in the Arbitration Sentence between LITEL and BRADESPAR.

Given the imminence of the deposit of more than R$2.4 billion, the Company's management carried out a fundraising with the market to obtain the financial resources required to comply with the deposit judicial order.

Considering the adverse conditions of the lawsuit, the Company and LITEL entered into a transaction with ELÉTRON ("Transaction") on September 26, 2018, before the 5th Business Court of Rio de Janeiro, to conclude the judicial proceedings brought by ELÉTRON, as well as the arbitration proceedings, with the following purposes:

(i) alleged losses suffered due to the decrease in the interest of ELÉTRON in the capital of VALEPAR, after a capital increase of December 26, 2002; and (ii) losses and damages due to the non-compliance with the Call Citibank between 1997 and 2011.

The Transaction led to the disbursement, to ELÉTRON, made concurrently with the judicial ratification, on the same date of the Transaction, of the amount of R$1.4 billion, and there was the payment of the same amount by LITEL.

With the Transaction, in addition to the conclusion of the Enforcement and arbitrations mentioned and, therefore, all incidents, appeals and proceedings related thereto, the Parties have relinquished exercising any right or future claim arising from: a) the corporate relationship originating from VALEPAR or resulting from the ownership of the shares of VALEPAR by ELÉTRON; and b) the corporate structure of VALE.

The Transaction was recommended by the Law Office that sponsored the cases for BRADESPAR and does not prevent the Company from seeking from third parties the reimbursement of part of the amounts disbursed.

Notes to the Financial Statements

ii) Bradespar is a party to a lawsuit filed by Litel Participações S.A. ("Litel"), which is filed under court secrecy under No. 0281248-69.2018.8.19.0001 with the 10th Civil Court of Rio de Janeiro. In this lawsuit, Litel seeks the condemnation of Bradespar for the payment of R$1.4 billion, as a reimbursement of the amount that was paid to Elétron S.A. ("Elétron"), in an agreement entered into in the case file of compliance with an arbitration award, converted into damages, filed against Litel and Bradespar

Bradespar disagrees with Litel's lawsuit and its grounds, which are duly addressed in the defense filed on March 8, 2019, will be heard by the 10th Civil Court of Rio de Janeiro.

The office that represents Bradespar in the lawsuit classifies as possible the likelihood of Bradespar losing.

In addition to challenging the suit, Bradespar filed a counterclaim with the request for the conviction of Litel in the payment of the amount to be reimbursed by Litel, under the terms of the Indemnification Agreement entered into on January 5, 2001.

c) Contingent liabilities classified as possible losses

BRADESPAR has a system to monitor all the administrative and legal proceedings in which it is the plaintiff or defendant, and supported by its legal counsels' opinion, it classifies lawsuits according to the expectation of failure: remote, possible or probable.

ANTARES, incorporated by BRADESPAR, is a party to a lawsuit filed with RFB, as successor of the spun-off portion of VBC Participações S.A. (VBC), concerning the compensation in this company for tax losses and negative calculation base of social contribution on net profit, during its total spin-off and consequent extinction, in an amount higher than the limit of 30% set forth by Law No. 8.981/95. The total amount, on December 31, 2018, corresponded to R$272,828 (December 31, 2017 - R$264,441), of which R$200,948 was recorded as income tax (December 31, 2017 - R$194,770) and R$71,880 was recorded as social contribution on net income (December 31, 2017 - R$69,671).

d) In general, tax provisions relating to lawsuits are considered long-term, due to the unpredictability of the length of proceedings within the Brazilian justice system, which is why the estimate was not disclosed in relation to the specific year in which these lawsuits will be closed.

e) The Company does not have labor contingencies, classified as probable and possible losses, which shall be provisioned or disclosed.

12. EQUITY

a) Ownership structure in number of shares

Share capital is divided into non-par, book-entry, registered shares.

	December 31	
	2018	**2017**
Common shares	122,171,449	122,523,049
Preferred shares	225,862,596	227,024,896
Subtotal	**348,034,045**	**349,547,945**
Treasury shares (common shares)	-	(351,600)
Treasury shares (preferred shares)	-	(1,162,300)
Total outstanding shares	**348,034,045**	**348,034,045**

Notes to the Financial Statements

b) Profit Reserves

	December 31	
	2018	**2017**
Legal Reserve (i)	227,610	168,086
Statutory Reserve (ii)	2,551,,470	1,858,253
Total	**2,779,080**	**2,026,339**

(i) The legal reserve is established mandatorily based on 5% of net income for the year, limited to 20% of the paid-in share capital. The legal reserve is intended to ensure the integrity of the share capital, and shall only be used to offset losses or to increase the capital; and

(ii) The statutory reserve is intended to maintain an operating margin compatible with the performance of the Company active operations, and may be established by 100% of the net income remaining after any statutory allocations are made, upon proposal submitted by the Executive Board, approved by the Board of Directors and resolved in the Shareholders Meeting, with the balance being limited to 95% of the paid-in share capital.

c) Treasury shares

The Extraordinary Shareholders' Meeting of April 27, 2018 approved the cancellation of all shares issued by BRADESPAR and held in treasury, acquired through a share buyback program, with 1,513,900 registered, book-entry shares with no par value - 351,600 common shares and 1,162,300 preferred shares - with no reduction in share capital.

The Board of Directors' Meeting of August 13, 2018, resolved to implement the share buyback program; the shares will be held in treasury and subsequently sold or canceled, without reducing the share capital. In order to invest funds from the "Profit Reserve – Statutory", which are available for investment, the Board of Directors authorized the Company's Board of Executive Officers to acquire, between August 14, 2018 and August 14, 2019, up to 10,870,000 no-par registered, book-entry shares, of which up to 970,000 common and up to 9,900,000 preferred, within the authorized limits and the validity period mentioned above.

d) Interest on equity and/or dividends

The Annual Shareholders' Meeting of April 27, 2018 was approved by the Board of Directors, resolving on dividends, for the financial year 2017 totaling R$432,952 - R$1.168182086 per common share and R$1.285000295 per preferred share - to be paid on May 15, 2018.

As per the notice to the market of December 28, 2016, in accordance with the Material Fact disclosed on December 21, 2018, after reviewing the cash generation flows and the distribution of income of its investee and in accordance with the flows and the "Indicative Policy for Annual Remuneration", BRADESPAR paid interest on equity on totaling R$217,000 - 0.585504889 per common share and 0.644055377 per preferred share - on January 31, 2019.

Notes to the Financial Statements

Interest on equity/dividends were paid and provisioned as follows:

Descriptio n	Per share (gross)		Gross paid value	IRRF (15%)	Net Value
	Common shares	Preferred shares			
Interest on equity paid	0,868,813	0,955,695	322,000	48,300	273,700
Dividends paid	1,168,180	1,285,000	432,952	-	432,952
Total as of December 31, 2017	**2,036,993**	**2,240,693**	**754,952**	**48,300**	**706,652**
Interest on Equity Proposed(1)	0,585504	0,644055	217,000	32,550	184,450
Interest on Equity Provisioned (2)	0,424234	0,466658	157,230	23,585	133,645
Dividends Provisioned (2)	0,116601	0,128261	43,215	-	43,215
Total balance on December 31, 2018	**1,126339**	**1,238974**	**417,445**	**56,135**	**361,310**

(1) Paid on January 31, 2019; and
(2) Will be paid on May 15,2019.

The calculation of interest on equity proposed and dividends provisioned for 2018 is shown below:

	R$	% (1)
Profit for the year	1,190,496	
(-) Legal reserve	59,525	
Adjusted calculation base	**1,130,971**	
Interest on Equity Paid / Provisioned (2) (3)	374,230	
Dividends Provisioned (3)	43,215	
Withholding income tax related to interest on equity	(56,135)	
Interest on equity (net) and accumulated dividends in 2018	**361,310**	**31.95**
Interest on equity (net) and accumulated dividends in 2017	**706,652**	**31.95**

(1) Percentage of interest on equity and dividends applied to the adjusted calculation base;
(2) Paid on January 31, 2019; and
(3) Will be pai on May 15,2019;

13. INCOME TAX AND SOCIAL CONTRIBUTION

I) Parent Company

a) Recoverable taxes, totaling R$217,265 (December 31, 2017 - R$133,832), basically refer to income tax and social contribution from previous fiscal years and withholding income tax over financial investment and interest on equity received.

b) Statement of calculation of charges with income tax and social contribution:

	Years ended on December 31	
	2018	2017
Earnings before taxes (Income Tax and Social Contribution)	**1,198,690**	**2,510,624**
Total income tax and social contribution at the rates of 25% and 9%, respectively	(407,555)	(853,612)
Effect of additions and exclusions in tax calculations:		
Shareholding interest in subsidiaries and investments with substantial influence, taxed in the corresponding companies	516,989	450,419
Non-deductible provisions and expenses, net of non-taxable income	8,495	(1,666)
Interest on equity received and receivable	(203,449)	(125,817)
Interest on equity (paid and payable)	73,780	109,480
Others (1)	3,546	238,947
Income tax and social contribution for the year	**(8,194)**	**(182,249)**

(1) Substantially includes the realization of non-activated tax credit.

Notes to the Financial Statements

c) Unused tax credits

On December 31, 2018, unused income tax and social contribution tax credits, calculated on temporary additions and tax losses and social contribution tax loss carryforwards, totaled R$357,419 (December 31, 2017 – R$316,715).

II) Consolidated

a) Recoverable taxes, totaling R$217,265 (December 31, 2017 - R$133,832), basically refer to income tax and social contribution from previous fiscal years and withholding income tax over financial investment and interest on equity received.

b) Statement of calculation of charges with income tax and social contribution:

	Years ended on December 31	
	2018	**2017**
Earnings before taxes (Income Tax and Social Contribution)	**1,198,690**	**2,510,624**
Total income tax and social contribution at the rates of 25% and 9%, respectively	(407,555)	(853,612)
Effect of additions and exclusions in tax calculations:		
Shareholding interest in investments with substantial influence, taxed in the corresponding companies	516,905	450,412
Non-deductible provisions and expenses, net of non-taxable income	8,579	(1,659)
Interest on equity received and receivable	(203,449)	(125,817)
Interest on equity (paid and payable)	73,780	109,480
Others (1)	3,546	238,947
Income tax and social contribution for the year	**(8,194)**	**(182,249)**

(1) substantially includes the realization of non-activated tax credit.

c) Unused tax credits

On December 31, 2018, unused income tax and social contribution tax credits, calculated on temporary additions and tax losses and social contribution tax loss carryforwards, totaled R$357,419 (December 31, 2017 – R$316,715).

14. FINANCIAL RESULT

	Years ended on December 31			
	Parent Company		**Consolidated**	
	2018	**2017**	**2018**	**2017**
Financial Revenues				
Income from financial investments	88,399	51,254	88,422	51,264
Interest rate on recoverable taxes	5,528	12,131	5,528	12,131
Other	1,244	2,101	1,474	2,264
	95,171	**65,486**	**95,424**	**65,659**
Financial Expenses				
Debenture interest expenses	(75,611)	(163,076)	(75,611)	(163,075)
Expenses with Interests of Promissory Notes	(54,386)	-	(54,386)	-
Other	(992)	(1,608)	(992)	(1,751)
	(130,989)	**(164,684)**	**(130,989)**	**(164,826)**
Net Financial Result	**(35,818)**	**(99,198)**	**(35,565)**	**(99,167)**

Notes to the Financial Statements

15. RELATED PARTIES

I) Related-party transactions (direct and indirect) are performed based on conditions and fees compatible with third-party averages on the date of such transactions. The main transactions are detailed below:

a) Parent Company and Consolidated

	Investment with significant influence(1)		December 31 Total	
	2018	2017	2018	2017
Current Assets				
Interest on Equity to be Received	-	118,844	-	118,844

(1) VALE S.A.

	Investment with significant influence(1) (2)		Years ended on December 31 Total	
	2018	2017	2018	2017
Revenue from interest on equity	598,380	370,051	598,380	370,051

(1) VALE S.A.; and
(2) Valepar (merged in August 2017).

I) Compensation of the Management's key personnel

Each year, the Annual Shareholders' Meeting establishes:

- Management's overall annual compensation, which is defined at the Board of Directors' meeting, to be paid to the members of the Board of Directors and Executive Officers, as provided for by the Company's Bylaws; and
- The amount allocated to fund the supplementary pension plans of the Management, within the Pension Plan for BRADESPAR's Management.

A maximum compensation amount of R$2,800 (2017 – R$2,700) and limit of R$2,650 (2017 – R$2,600) for private pension plans were established for 2018.

Management short-term and medium-term compensation

	Years ended on December 31	
	2018	2017
Earnings	2,800	2,567
Total	**2,800**	**2,567**

Post-employment benefits

	Years ended on December 31	
	2018	2017
Defined contribution supplementary private pension plans	2,452	2,600

Notes to the Financial Statements

Other benefits

BRADESPAR does not have long-term benefits upon employment contract termination, share-based compensation, pursuant to CPC 10 - Share-based Compensation or profit sharing for its Management's key personnel.

Equity interest

Members of the Board of Directors and Board of Executive Officers jointly hold the following equity interest in BRADESPAR:

	December 31	
	2018	**2017**
• Common shares	0.4626%	0.3599%
• Preferred shares	0.5346%	0.4762%
• **Total Shares**	**0.5093%**	**0.4355%**

16. FINANCIAL INSTRUMENTS

a) The financial instruments are classified below:

I) Financial Assets - Loans and receivables in the Parent Company, refer to Cash and Cash Equivalent, totaling R$458,227 (December 31, 2017 – R$1,670,323), and, in the Consolidated, totaling R$459,811 (December 31, 2017 – R$1,671,661).

II) Financial Liabilities - Amortized Cost in the Parent Company and Consolidated, refer to Debentures to Pay totaling R$209,861 (December 31, 2017 - R$1,711,854) and Other Liabilities totaling R$25,718 (December 31,2017 - R$25,571).

b) Non-discounted cash flow for financial liabilities

Below, the non-discounted contractual cash flow payable, based on non-derivative financial liabilities, stated by the remaining contractual maturity until the end of the reporting period:

	Parent Company and Consolidated		
	Less than one year	**Between one and three years**	**Total**
On December 31, 2018			
Debentures payable	-	246,548	246,548
December 31, 2017			
Debentures payable	1,774,575	-	1,774,575

Cash flows are estimates prepared by the Company and may vary from this analysis due to variations in the respective index.

Notes to the Financial Statements

c) Sensitivity analysis

In compliance with CVM Instruction 475/08, the following chart provides the sensitivity of positions subject to variations in market rates or prices:

Risk Factors	Definition	Scenarios					
		December 31, 2018			December 31, 2017		
		1	2	3	1	2	3
Interest rate in reais	Exposures subject to variations of fixed interest rates and interest rate coupon	(4)	(707)	(1,402)	(79)	(13,388)	(26,516)
Total without Correlation		**(4)**	**(707)**	**(1,402)**	**(79)**	**(13,388)**	**(26,516)**
Total with Correlation		**(4)**	**(707)**	**(1,402)**	**(79)**	**(13,388)**	**(26,516)**

The sensitivity analysis was performed based on the scenarios developed for the respective dates, always considering the market information of the time and scenarios that would negatively affect our positions.

Scenario 1: Based on the market information (B3, Anbima, etc.), 1-basis point shocks were applied for the interest rate and 1% variation for prices. Example: a 6.55% p.a. scenario was applied to a fixed 1-year interest rate of 6.56% p.a.;

Scenario 2: Shocks of 25% were applied based on the market. Example: a 6.55% p.a. scenario was applied to a fixed 1-year interest rate of 8.18% p.a. The scenarios for the remaining risk factors also represented a shock of 25% in the respective curves or prices; and

Scenario 3: Shocks of 50% were applied based on the market. Example: a 6.55% p.a. scenario was applied to a fixed 1-year interest rate of 9.82% p.a. The scenarios for the remaining risk factors also represented a shock of 50% in the respective curves or prices.

17. FAIR VALUE ESTIMATE

It is assumed that the fair value of cash and cash equivalents and other obligations is in line with their carrying amount. The Company uses CPC 40 (R1) for financial instruments measured at fair value in the statement of financial position, which requires disclosure of measurements according to the following hierarchy levels of fair value measurement:

Level 1: Prices quoted in an active market for identical assets or liabilities. Level 1 include, until December 31, 2017, available-for-sale securities and from 2018 securities classified as measured at fair value through other comprehensive income traded in an active market;

Level 2: Observable data other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets; or other observable data in the market, or which may be verified by observable market data during substantially the entire term of the assets or liabilities. Level 2 assets and liabilities, which are not derived from a direct public quotation, include debentures and their valuations, considering credit risk, which do not require subjective internal assumptions to determine the fair value; and

Notes to the Financial Statements

Level 3: Non-observable data supported by little or no market activity and that are significant to the fair value of assets and liabilities. Level 3 assets and liabilities normally include financial instruments which value is calculated through pricing models, discounted cash flow methods, or similar techniques, as well as instruments which fair value calculation requires significant estimates or judgments by the Management.

Liabilities measured by fair value are detailed below:

I) Financial Liabilities - Measured at Fair Value, in the Parent Company and Consolidated on December 31, 2018, Debentures Payable totaling R$209,861 (December 31, 2017 - R$1,711,854) and classified as level 1; and

II) The Company does not have assets measured at fair value based on levels 1, 2 and 3 and liabilities measured at fair value based on levels 2 and 3.

18. OTHER INFORMATION

a) The Company did not operate with derivative financial instruments during the fiscal years ended December 31, 2018 and December 31, 2017;

b) Amounts receivable on December 31, 2018, in the Parent Company and Consolidated, totaling R$105,050, refer to the sale of VALE's shares, traded on B3 trading sessions of December 26 and 27, 2018. On December 31, 2017, in the parent company and consolidated, refer to interest on VALE's capital, totaling R$118,844;

c) Other Liabilities, in the Parent Company and Consolidated, to R$26,843 (December 31, 2017 – R$27,355) mainly refer to the fractions of shares arising from the reverse split, as resolved at the Extraordinary Shareholders' Meeting (ESM) of April 2004, which were sold on the B3 auction in July 2004; the amounts were credited or made available to shareholders;

d) General and Administrative Expenses, in the Parent Company, refer to Personnel Expenses, totaling R$6,327 (December 31, 2017 – R$6,102), and Other General and Administrative Expenses, totaling R$19,997 (December 31, 2017 – R$13,049). In the Consolidated, they refer to Personnel Expenses of R$6,327 (December 31, 2017 – R$6,102) and Other General and Administrative Expenses of R$20,003 (December 31, 2017 – R$13,059); and

e) Result on Sale of Available-for-Sale Financial Assets as of December 31, 2017 refers to the profit on the sale of 53,464,240 CPFL Energia S.A.´s common shares, in the amount of R$1,407 billion, for the gross amount of R$1.480 billion, corresponding to 5.25% of CPFL Energia's capital stock, due to the adhesion to the Public Acquisition Offer of shares issued by CPFL Energia S.A. by State Grid Brazil;

f) Other Operating Revenues - Reversal of Provisions of Tax Obligations refers to the reversal of COFINS tax provision in view of the success obtained in the proceeding (Note 11);

g) Other Operating Expenses refer to: (i) Court Settlement (Electron) proceedings for the termination of judicial litigation, in the amount of R$1,410 billion; (ii) Premium to debenture holders for partial liquidation of debentures, in the amount of R$528 thousand; and (iii) Premium on the total early settlement of promissory notes, in the amount of R$3,682 thousand; and

h) In February 2017, BRADESPAR informed its shareholders and the market in general that it had entered, together with Litel Participações S.A. (LITEL), Litela Participações S.A. (LITELA), Mitsui & Co., Ltd. (MITSUI) and BNDES Participações S.A. (BNDESPAR), as shareholders of VALEPAR, into a new VALEPAR Shareholders' Agreement (VALEPAR's Agreement), effective as of May 2017. The VALEPAR's Agreement, along with the standard provisions relating to voting rights and right of first refusal for the acquisition of the signatories shares, provides for the submission, by the signatories, of a proposal to VALE with the purpose of enabling VALE's listing on the B3's Novo Mercado special listing segment and making VALE a company without defined control (Proposal). The Proposal was binding on the signatories of VALEPAR's Agreement.

Notes to the Financial Statements

Vale informed that the Extraordinary Shareholders' Meeting held in June 2017 approved the resolutions related to the proposal to restructure the Company's Corporate Governance, object of the

Material Facts of February and May 2017, and the Notice to the Market of June 2017, namely:

In August 2017, VALE informed the conclusion of the corporate governance restructuring, approved at the Extraordinary Shareholders' Meeting ("ESM") of June 2017, and informed that the number of preferred shares delivered for conversion exceeded the minimum Voluntary Conversion of 54.09% of

the class "A" preferred shares (excluding the treasury shares, the merger of which was approved by VALE). In view of the merger, VALEPAR shareholders now hold a direct interest in VALE.

VALE also informs that, as provided for in the Proposal, in August 2017, LITEL, LITELA, BRADESPAR, MITSUI and BNDESPAR entered into VALE's Shareholders' Agreement binding 20% of the common shares issued by the Company, with a maturity of three years.

The Extraordinary Shareholders' Meeting ("ESM") of October 18, 2017 approved the proposal to convert all class "A" preferred shares into VALE common shares, in the ratio of 0.9342 common share to one class "A" preferred share ("Conversion of the Remaining Shares).

Between October 20 and November 19, 2017, dissident class "A" preferred shareholders had the right to withdraw from VALE, based on the equity value on December 31, 2016, of R$24.26 per share.

19. SUBSEQUENT EVENTS

On January 28, 2019, BRADESPAR informed the shareholders and the market that the Board of Directors of its VALE investee, due to the rupture of Dam I of the Mine of Córrego do Feijão, in Brumadinho (MG), decided, among others governance measures, to suspend the Policy of Remuneration to Shareholders and, therefore, the non-payment of dividends and interest on equity (Note 20).

BRADESPAR will keep its shareholders and the market up to date on the consequences on its results and on its shareholder's remuneration policy.

On January 31, 2019, BRADESPAR paid the shareholders interest on capital declared on December 28, 2018 in the amount of R$217,000, corresponding to 0.585504889 per common share and 0.644055377 per preferred share.

Notes to the Financial Statements

20 - ADDITIONAL INFORMATION ON INVESTMENT WITH SIGNIFICANT INFLUENCE

We present below the summary of the Balance Sheet and Income Statement published by VALE, not representing BRADESPAR´s proportional interest:

Em 31 de dezembro – R$ Million

BALANÇO PATRIMONIAL	2018	2017
ASSET		
Current	59,256	62,701
Noncurrent		
Long-term	51,631	43,965
Investments	12,495	11,802
Intangible Assets	30,850	28,094
Property, Plant and Equipment	187,481	181,535
TOTAL	**341,713**	**328,097**
EQUITY AND LIABILITIES		
Current	35,285	43,357
Noncurrent	132,745	136,634
Net Equity	173,683	148,106
TOTAL	**341,713**	**328,097**
Direct Interest	5.56%	6.30%

R$ Million

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31		
	2018	2017
Sales Revenue, net	134,483	108,532
Cost of goods sold and services rendered	(81,201)	(67,257)
Gross Profit	**53,282**	**41,275**
Operating Expenses	(9,413)	(6,463)
Financial Result	(18,058)	(9,650)
Equity Income	(693)	(277)
Earnings before Income Taxes	**25,118**	**24,885**
Income tax and Social contribution	966	(4,607)
Net Income from Continued Operations	26,084	20,278
Discontinued Operations	(310)	(2,608)
Net Income	**25,774**	**17,670**
Attributed to Parent Company Shareholders	**117**	**43**
Attributed to VALE Shareholders	**25,657**	**17,627**

a) Samarco Mineração S.A. (SAMARCO)'s agreement with the federal and state governments is ratified by the court

In March 2016, SAMARCO and its shareholders, VALE and BHPB, entered into an agreement with the Federal Government, the two Brazilian states (Espirito Santo and Minas Gerais) and other governmental authorities, regarding the judicial proceeding related to the rupture of SAMARCO's dam, for the implementation of recovery and compensation programs for affected areas and communities.

The Agreement is valid for 15 years, renewable in successive terms of one year until all obligations have been fulfilled.

According to the Agreement, SAMARCO, VALE and BHPB, formed the Fundação Renova, a foundation, to be financed by SAMARCO to develop and implement programs for socioeconomic and socio-environmental recovery and compensation. In the event that SAMARCO does not fulfill its obligations to provide resources in the foundation, VALE and BHPB will be responsible, under the Agreement, for providing resources in the proportion of their interest, equivalent to 50% each.

As a result of the rupture of the dam, SAMARCO has suspended its operations by determination of the governmental authorities.

On April 20, 2018, VALE informed that, in accordance with the material fact of January 19, 2017, SAMARCO and its shareholders, VALE and BHPB, entered into a Preliminary Consent Decree (TAP) with the Federal Prosecution Office (MPF) on January 18, 2017 aimed to outline the process and timeframe for negotiations of a Final Agreement, especially in relation to public civil actions filed by the Federal Government and others, in the amount of R$20 billion, and by the MPF, in the amount of R$155 billion, resulting from the rupture of SAMARCO´s Fundão Dam.

In June 2018, a Term of Conduct Adjustment was signed between the parties, which extinguished (i) the public civil action of R$20.2 billion filed by the Federal Government and others; and (ii) part of the requests contained in the public civil action of R$155 billion filed by the MPF.

During the second quarter of 2018, VALE reaffirmed its commitment to repair and offset the impacts of the SAMARCO dam rupture, ensuring additional funding for the programs managed by Fundação Renova. As a result of this analysis, VALE recognized an additional provision of R$1.5 billion in its Interim Financial Statements of June 30, 2018, which total the present value estimates of its secondary responsibility in supporting the work of Fundação Renova, and are equivalent to 50% of additional SAMARCO obligations for the next 12 years.

As of December 31, 2018, the balance of the provision for compliance with the agreement related to the rupture of the SAMARCO´s dam corresponded to R$4.3 billion (December 31, 2017 - R$3.3 billion).

b) Rupture of the Brumadinho dam

On January 25, 2019 (subsequent event), the Dam I of the Mina do Córrego do Feijão mine, which belongs to the Paraopebas Complex in the Southern System, located in Brumadinho, Minas Gerais, Brazil ("Brumadinho Dam"), collapsed. This dam was inactive since 2016 (not receiving residues since) and there was no other operational activity at the dam.

Due to the rupture, 306 people lost their lives, or are missing, and the region’s ecosystem was damaged. Approximately 11.7 million tons of iron ore residues were deposited in the Brumadinho Dam. The exact volume of residues spread from the dam’s rupture is not yet known. Residues spread approximately 270 km in length, destroying VALE's facilities, affecting local communities and causing environmental impacts. The Paraopeba River and its ecosystems were also impacted by the event.

The Company has not been sparing efforts to protect victims and to mitigate and repair social and environmental damages resulting from the event. Vale provided this support through several actions, all with the objective of ensuring the necessary humanitarian assistance to those affected by the dam’s rupture.

Notes to the Financial Statements

In order to investigate the causes for the event, Vale hired a panel of independent experts. The Company also established three Independent Advisory Committees to support the Board of Directors, and such committees are comprised of independent members who are not related to the Company's management or its operations, thus ensuring the unbiased nature of the committees' initiatives and actions. The committees are listed below:

(i) The Extraordinary Independent Consulting Committee for Investigation ("CIAEA"), dedicated to investigating the causes and responsibilities for the rupture of the Brumadinho Dam;
(ii) The Extraordinary Independent Committee for Support and Recovery ("CIAEAR"), dedicated to monitoring the measures of assistance to the impacted people and recovery of the impacted area, ensuring that all necessary resources will be applied; and dedicated to monitoring the measures taken to support and repair those affected and to recover the areas affected by the Brumadinho Dam disruption, ensuring that all necessary resources will be applied; and
(iii) The Extraordinary Independent Consulting Committee for Dam Safety ("CIAESB"), which is dedicated to assess the Board of Directors in issues related to the diagnosis of the safety, management and risk mitigation conditions related to Vale's tailing dams, as well as to recommend measures to be taken to reinforce the safety conditions of these dams used by the Company.

In addition, Vale determined the suspension of (i) the variable compensation of its executives; (ii) the Shareholder Remuneration Policy and (iii) any other resolution related to the share buybacks. The Company paid shareholders the remuneration for the year in advance, in the amount of R$7,694 million in September 2018, as approved by the Board of Directors on July 25, 2018. This payment was higher than the mandatory minimum dividend for 2018 and consequently no additional dividends to shareholders will be necessary.

Financial Impacts Resulting from the Dam's Rupture

The Company concluded that the dam disruption and subsequent developments do not relate to a condition existing at the date of these financial statements and therefore, does not result in adjustments to the recognized account values on December 31, 2018. Therefore, all accounting impacts will be reflected in 2019.

The current stage of investigations, assessments of the causes and possible actions by third parties does not allow us to reliably measure all potential costs that the Company may incur for disclosure purposes in the financial statements. The amounts being disclosed related to this event were based on the management's best estimates.

Operational shutdown and decommissioning of tailing dams

On January 29, 2019, the Company formalized to the market and the Brazilian authorities its intention to accelerate the decommissioning plan for all mining waste dams built with the upstream method (the same method as the Brumadinho Dam) existing in Brazil. Decommissioning means that the structure will lose its characteristics and will no longer have its original operational characteristics.

The Company is working on the preparation of decommissioning projects for the upstream dams which, once completed, will be submitted for approval by the competent authorities, in accordance with regulations and legal requirements. Our preliminary studies, carried out on January 29, 2019, indicate expenditures of R$5 billion for the removal and reprocessing of all materials contained in the dams, followed by the total recovery of the areas around the decommissioned dams.

Prior to the event, our decommissioning plans for these dams were based on methods that ensured the physical and chemical stability of structures without necessarily removing and processing the existing residues. After the event, the Company is working on a detailed individual engineering plan for each of these dams to be decommissioned. Until the date of this report, it was not possible to define the costs to be incurred in decommissioning but as soon as a new concrete estimate is defined, the Company will disclose the information and recognize the expenses in 2019.

Notes to the Financial Statements

In order to safely carry out the decommissioning of the dams, the Company temporarily shut down production at the units where the upstream tailing dams are located, as reported to the market. These shut downs represent an approximate production loss of 40 million tons of iron ore per year.

In addition, the Company has other operations that are temporarily suspended due to judicial decisions or technical analysis of the dams carried out by the Company, which total a potential sale loss of 52.8 million tons of iron ore. The Company is working on technical and legal measures for the resumption of these operations.

As reference, the Company sold 365 million tons of iron ore and pellets in 2018.

Due to the rupture of the Brumadinho Dam and the review of safety criteria for other dams in the Minas Gerais region, people were relocated, as necessary, to temporary housing.

Asset write-offs

As a result of the event and the decision to accelerate the decommissioning of all other upstream dams, in 2019, the Company will write-off the Córrego do Feijão mine and other decommissioned dams in Brazil, resulting in a R$480 million loss that will impact the Company’s balance sheet and the income statement.

Agreements

The Company has been working with the competent authorities and society to repair the environmental and social impacts of the event. In this sense, the Company entered into negotiations and agreements with the competent authorities, as well as with the people affected by the event.

Public Labor Prosecutor's Office

On February 15, 2019, Vale entered into a partial agreement with the Public Labor Prosecutor´s Office to indemnify the direct and outsourced workers of the Córrego do Feijão mine which were impacted by the end of the unit’s operations. Under the terms of the agreement, Vale will maintain the work contract of its direct employees until December 31, 2019. As for outsourced employees who were dismissed, Vale will assist in their professional allocation or pay their salaries until December 31, 2019.

The Company will also regularly pay the salaries to those who are still missing until authorities consider them as fatal victims of the event and thus will pay the families of the fatal victims an amount equal to 2/3 of their salaries until December 31, 2019, or until a final agreement has been reached with the Labor Prosecutor’s Office.

Based on the terms proposed by Vale and taking into account the uncertainties on how to fully estimate the indemnification amounts, including the number of individuals entitled to compensation, the Company estimates that the final agreement will result in provisions of approximately R$ 850 million in 2019.

In addition, the Company will also provide lifetime health insurance benefits to widowed spouses and a similar benefit to dependents of fatal victims until they reach the age of 22. Due to the preliminary stage of this agreement and considering the complexity of an actuarial assumption, it is still not possible to determine the potential results or reliable estimates for such measures and, therefore, the estimated amount of the provision relating to this obligation could not be assessed. The Company expects to have this amount in 2019.

Notes to the Financial Statements

Federal Government, State of Minas Gerais and the Federal Prosecution and Federal Defender’s Offices

At a court hearing held on February 20, 2019, within the scope of public civil action no. 5010709-36.2019.8.13.0024 with the 6th Public Treasury Court of Belo Horizonte, Vale entered into a preliminary agreement with the State of Minas Gerais, the Federal Government, and representatives of the Federal Prosecution of the State of Minas Gerais and the Federal Defender's Office of the State of Minas Gerais under which the Company assumed the obligation to make emergency payments to the residents of Brumadinho and the communities located up to 1 km from the Paraopeba river bed, from Brumadinho to the city of Pompéu, which will be defined through a prior registration of residents.

As a result of this agreement, the Company will anticipate the indemnities by means of monthly payments for each family member during a period of 12 months. These monthly payments vary depending on the age of the beneficiary, among other factors. The Company initially estimated that the assumed obligation will result provisions between R$1 billion and R$2 billion, depending on the number of beneficiaries that will be registered.

The agreement also includes the following measures: (i) the hiring of independent technical assistance for those affected by the event may, if desired, negotiate their individual indemnities; and (ii) reimbursement or direct funding of the extraordinary expenses of the State of Minas Gerais, its organs and its indirect Administration team mobilized due to the dam’s rupture, including transportation, accommodations and meal expenses for the employees involved in the rescue work and other emergency actions. The respective amounts are still being estimated by the State of Minas Gerais and will be presented legally.

Donations and other expenses incurred

Donations

Vale offered donations of R$100,000 to each of the families with missing or deceased victims, R$50,000 to families who lived in the areas of the Self Recovery Zone (ZAS) of the ruptured dam, R$15,000 to those who developed productive activities in ZAS and R$5,000 for each family living in ZAS of the upper south dam of the Gongo Soco Mine in Barão de Cocais. The amount incurred so far is around R$62 million. These humanitarian donations do not constitute anticipation of eventual indemnities that the Company may have to pay beneficiaries.

Vale also signed a grant agreement with the Municipality of Brumadinho where it will donate approximately R$80 million, to the municipality within a 2-year period.

Environment and fauna

The Company is building retention dams to retain residue deposited in the affected areas. The Company also installed anti-turbidity barriers on the Paraopeba River to contain the evolution of the turbidity spots, in addition to the mobilization to dredge some of the released material, including the cleaning and silt removal from the Paraopeba river channel.

In addition, daily collection points for water and sediment were installed along the Paraopeba River, the Três Maias reservoir and the São Francisco river.

Vale also has dedicated structures and specialized teams for the rescue, reception and exclusive treatment of animals rescued from impacted areas, enabling emergency care and recovery so that, after veterinary authorization, they are returned to their homes and owners.

The Company also agreed to pay administrative fines imposed by the State Environmental and Sustainable Development Department - SEMAD MG, which amount to approximately R$99 million.

Notes to the Financial Statements

The Company incurred the following expenses up to the present moment:

R$ million

	2019
Incurred expenses	
Administrative Sanctions	99
Donations to victims and the municipality	62
Environmental recovery	17
Medical assistance and other materials	9
Fuel and transportation	8
Others (*)	85
	300

(*) includes expenses with communication, reallocations, humanitarian assistance, equipment, legal services, water, food aid, taxes, among others.

Of the events identified so far, a substantial portion has not been disbursed or measured. The costs of employees involved with measures related to the event (including labor force, equipment and materials owned by Vale were not measured).

Contingencies and other legal liabilities

Vale is subject to significant contingencies due to the rupture of the Brumadinho Dam. The Company is already a party to several investigations and legal and administrative proceedings initiated by authorities and affected individuals. New cases are expected to arise. Vale is still evaluating these contingencies and will make provisions, based on the evolution of these proceedings. Due to the preliminary stage of the investigations and processes, it is not possible to determine a set of reliable results or estimates of potential exposures related to dam rupture at this time.

Legal actions

On January 27, 2019, following injunctions granted in relation to the requirements of the Public Prosecutor's Office of the State of Minas Gerais and the Government of Minas Gerais, the Company suffered legal blockages and transfer orders in the amount of R$11 billion in its bank account as guarantee that the necessary measures to ensure the stability of other dams at the Córrego do Feijão mine complex and provide accommodation and assistance to affected people, repair environmental impacts, among other obligations, are taken.

On January 31, 2019, the Public Labor Prosecutor´s Office filed a Public Civil Action issued two preliminary decisions determining the blocking of R$1.6 billion in the Company’s bank accounts to ensure the indemnification of direct and outsourced employees working in the Córrego do Feijão mine at the moment of the rupture of the Brumadinho dam.

On March 18, 2019, the Attorney General of the State of Minas Gerais filed a Public Civil Action and a preliminary injunction was handed down in order to determine the blocking of R$1 billion in Company assets to guarantee compensation for the losses suffered as a result of the removal of the population from the Sebastião de Águas Claras area (*Macacos* Community).

On March 25, 2019, the Public Prosecutor Office of the State of Minas Gerais filed a Public Civil Action, in which an injunction was issued determining the blocking of R$2.95 billion in Company assets to guarantee compensation for the losses suffered as a result of the removal of the population from the Gongo Soco, Barão de Cocais, area.

In total, approximately R$16.9 billion of Company's assets were blocked, of which approximately R$468 million was blocked in the bank accounts, R$12.6 billion were converted into escrow deposits and R$3.75 billion correspond to 75,312,728 shares held in treasury, out of the total 158,216,372 treasury shares held by Vale on December 31, 2018.

Notes to the Financial Statements

Other collective and individual actions related to the rupture of the Brumadinho Dam were filed. Some collective actions were dismissed by the court of first instance.

Administrative sanctions

In addition, the Company was notified of the imposition of administrative fines by the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA"), in the amount of R$ 250 (million?), as well as a daily fine of R$100,000 issued on February 7, 2019, in which the Company appealed to all of them. The Brumadinho Municipal Environmental Department also applied fines totaling around R$108 million, which have also been appealed to administratively.

VALE is a publicly-held company and, accordingly, it files its information with the CVM. Therefore, more information on VALE, as of December 31, 2018 and December 31, 2017, is available on www.cvm.gov.br.
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Notes to the Financial Statements

MANAGEMENT BODIES

Board of Directors
Chairman
Lázaro de Mello Brandão

Vice-Chairman
Fernando Jorge Buso Gomes

Members
Carlos Alberto Rodrigues Guilherme
Denise Aguiar Alvarez
João Aguiar Alvarez
Milton Matsumoto
André Leal Faoro

Fiscal Council
Sitting members
Ariovaldo Pereira
João Batista de Moraes
Vicente Carmo Santo
Ricardo Reisen de Pinho
Domenica Eisenstein Noronha

Alternates
Clayton Neves Xavier
Marcelo da Silva Rego
Aires Donizete Coelho
Maurício Rocha Alves de Carvalho
Carlos Eduardo Oliveira Maia

Executive Board
Chief Executive Officer
Fernando Jorge Buso Gomes
Officer
Johan Albino Ribeiro

Cid de Oliveira Guimarães
Accountant - CRC 1SP218369/O-0

Other information that the Company Considers Relevant

SHAREHOLDERS WITH OVER 5% OF THE SHARES OF EACH TYPE AND CLASS - ITR

SHAREHOLDING POSITION OF HOLDERS OF OVER 5% OF THE SHARES OF EACH TYPE AND CLASS OF THE COMPANY, TO THE LEVEL OF INDIVIDUALS						
Company: BRADESPAR S.A.					**Position in December 31, 2018 (In [Units] Shares)**	
Shareholder	**Common Shares**		**Preferred Shares**		**Total**	
	Number	**%**	**Number**	**%**	**Number**	**%**
Cidade de Deus - Cia. Cial de Participation	44,883,224	36.7379	301,410	0.1334	45,184,634	12.9828
NCF Participações S.A.	30,388,376	24.8735	2,235,627	0.9898	32,624,003	9.3738
Fundação Bradesco	18,179,304	14.8802	-	-	18,179,304	5.2234
BlackRock, Inc. (Funds)	-	-	11,614,474	5.1423	11,614,474	3.3372
Aberdeen (Funds)	-	-	11,605,128	5.1381	11,605,128	3.3345
Treasury Shares	-	-	-	-	-	-
Other Shareholders	28,720,545	23.5084	200,105,957	88.5963	228,826,502	65.7483
Total	**122,171,449**	**100.00**	**225,862,596**	**100.00**	**348,034,045**	**100.00**

DISTRIBUTION OF THE SHARE CAPITAL OF THE LEGAL ENTITY (SHAREHOLDER OF THE COMPANY), TO THE LEVEL OF INDIVIDUALS						
Name: CIDADE DE DEUS CIA. COMERCIAL DE PARTICIPAÇÕES					**Position in December 31, 2018 (In [Units] Shares)**	
Shareholder	**Common Shares**		**Preferred Shares**		**Total**	
	Number	**%**	**Number**	**%**	**Number**	**%**
Nova Cidade de Deus Particip. S.A	3,755,570,498	45.7138	-	-	3,755,570,498	45.7138
Fundação Bradesco	2,776,765,252	33.7995	-	-	2,776,765,252	33.7995
Lia Maria Aguiar	533,490,588	6.4938	-	-	533,490,588	6.4938
Maria Ângela Aguiar	411,197,692	5.0052	-	-	411,197,692	5.0052
Other	738,378,906	8.9877	-	-	738,378,906	8.9877
Total	**8,215,402,936**	**100.0000**	**-**	-	**8,215,402,936**	**100.00**

DISTRIBUTION OF THE SHARE CAPITAL OF THE LEGAL ENTITY (SHAREHOLDER OF THE COMPANY), TO THE LEVEL OF INDIVIDUALS						
Name: NOVA CIDADE DE DEUS PARTICIPAÇÕES S.A.					**Position in December 31, 2018 (In [Units] Shares)**	
Shareholder	**Common Shares**		**Preferred Shares**		**Total**	
	Number	**%**	**Number**	**%**	**Number**	**%**
Fundação Bradesco	152,343,061	46.3016	348,644,755	100.00	500,987,816	73.9282
BBD Participações S.A.	176,679,963	53.6984	-	-	176,679,963	26.0718
Total	**329,023,024**	**100.0000**	**348,644,755**	**100.00**	**677,667,779**	**100.00**

DISTRIBUTION OF THE SHARE CAPITAL OF THE LEGAL ENTITY (SHAREHOLDER OF THE COMPANY), TO THE LEVEL OF INDIVIDUALS						
Name: NCF PARTICIPAÇÕES S.A.					**Position in December 31, 2018 (In [Units] Shares)**	
Shareholder	**Common Shares**		**Preferred Shares**		**Total**	
	Number	**%**	**Number**	**%**	**Number**	**%**
Fundação Bradesco	294,340,091	25.1288	1,043,932,143	100.00	1,338,272,234	60.4116
Cidade de Deus - Cia. Cial de Participation	875,232,678	74.7216	-	-	875,232,678	39.5093
Nova Cidade de Deus Particip. S.A.	1,752,357	0.1496	-	-	1,752,357	0.0791
Total	**1,171,325,126**	**100.00**	**1,043,932,143**	**100.00**	**2,215,257,269**	**100.00**

Other information that the Company Considers Relevant

DISTRIBUTION OF THE SHARE CAPITAL OF THE LEGAL ENTITY (SHAREHOLDER OF THE COMPANY), TO THE LEVEL OF INDIVIDUALS						
Name: BBD PARTICIPAÇÕES S.A.					**Position in December 31, 2018 (In [Units] Shares)**	
Shareholder	**Common Shares**		**Preferred Shares**		**Total**	
	Number	**%**	**Number**	**%**	**Number**	**%**
NCD Participações Ltda	-	-	73,929,804	48.8159	73,929,804	23.9195
Treasury	56,115,188	35.5991	24,350,608	16.0787	80,465,796	26.0342
Luiz Carlos Trabuco Cappi	8,962,837	5.6860	169,161	0.1117	9,131,998	2.9546
Carlos Alberto Rodrigues Guilherme	8,846,266	5.6120	143,981	0.0951	8,990,247	2.9087
Milton Matsumoto	8,798,050	5.5814	143,941	0.0950	8,941,991	2.8931
Other	74,908,436	47.5215	52,708,638	34.8036	127,617,074	41.2897
Total	**157,630,777**	**100.00**	**151,446,133**	**100.0000**	**309,076,910**	**100.0000**

POSITION OF CONTROLLING PARTIES, THE MANAGEMENT AND OUTSTANDING SHARES

CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING PARTIES AND THE MANAGEMENT AND OUTSTANDING SHARES Position in December 31, 2018						
Sharehol der	**Number of Common Shares (in Units)**	**%**	**Number of Preferred Shares (in Units)**	**%**	**Total Number of Shares (in Units)**	**%**
Parent company	95,125,912	77.8626	2,537,037	1.1233	97,662,949	28.0613
Management						
Board of Directors	565,120	0.4626	1,207,458	0.5346	1,772,578	0.5093
Executive Board	-	-	-	-	-	-
Treasury Shares	-	-	-	-	-	-
Other Shareholders	26,480,417	21.6748	222,118,101	98.3421	248,598,518	71.4294
Total	**122,171,449**	**100.00**	**225,862,596**	**100.00**	**348,034,045**	**100.00**
Outstanding Shares	26,480,417	21.6748	222,118,101	98.3421	248,598,518	71.4294

CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING PARTIES AND THE MANAGEMENT AND OUTSTANDING SHARES Position in December 28, 2017 (12 months before)						
Sharehol der	**Number of Common Shares (In Units)**	**%**	**Number of Preferred Shares (In Units)**	**%**	**Total Number of Shares (in Units)**	**%**
Parent company	95,125,912	77.6392	2,537,037	1.1175	97,662,949	27.9398
Management						
Board of Directors	440,976	0.3599	987,576	0.4350	1,428,552	0.4087
Executive Board	-	-	93,534	0.0412	93,534	0.0268
Treasury Shares	351,600	0.2870	1,162,300	0.5120	1,513,900	0.4331
Other Shareholders	26,604,561	21.7139	222,244,449	97.8943	248,849,010	71.1917
Total	**122,523,049**	**100.00**	**227,024,896**	**100.00**	**349,547,945**	**100.00**
Outstanding Shares	26,604,561	21.7139	222,244,449	97.8943	248,849,010	71.1917

Unqualified Special Review Report

INDEPENDENT AUDITOR'S REPORT IN THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To
Shareholders and the Board of Directors of
Bradespar S.A.
São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of Bradespar S.A. ("Bradespar"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2018, and the related statements of income and comprehensive income, changes in equity and cash flows for the year then ended, as well as the related explanatory notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Bradespar and its subsidiaries as at December 31, 2018, and of its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

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 Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of Bradespar and its subsidiary in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics and in the 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 opinion.

Emphasis - Subsequent Event

We draw your attention to Note 20b to the individual and consolidated financial statements, which describes the Brumadinho dam failure, which occurred at the investee's operating facilities, Vale S.A., on January 25, 2019. The investee's management considered that the event is not a condition that existed at the end of the reporting period, and therefore does not require adjustments in the financial statements as of December 31, 2018. The amounts disclosed in the Note related to this event are based on investee's management best estimates, however, at the current stage of the investigations, assessments of the causes and possible third parties lawsuits, it is not possible to measure reliably all costs that investee may incur in the future. Our opinion is not modified in relation to this topic.

Key Audit Matters

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

- **Direct Investment in Vale S.A. – Individual and Consolidated**

As described in the Notes 3h, 8 and 20, Bradespar owns 5,56% of Vale S.A., which is accounted for the equity method due to its significant influence in the investment. This investee which has relevant critical accounting estimates, involving a high level of judgment in its evaluation that may significantly affect the profit or loss of Bradespar, as follows:

(i) Impairment considering the evaluation related to the recoverability of property, plant and equipment, intangible assets and goodwill, and related to the definition of Cash-Generating Units (CGUs) which involve significant judgment, due to the materiality of the assets and to the level of uncertainty for determining the related impairment;

(ii) Asset retirement obligation, once the determination of the associated cost of those future activities demands considerable judgment in relation to factors such as how long a certain area will be used, the time required to rehabilitate and certain economic assumptions;

(iii) Income taxes, involving complexities related to international transfer pricing issues, uncertainty level and judgment for the assessment of tax exposure estimates and for quantification of contingent liabilities;

Due to the materiality of Vale's investment and the profit or loss in the individual and consolidated financial statements of Bradespar, as well as the measurement of accounting estimates of Vale S.A. which involves significant judgment of the company, and to the effect that eventual changes in the assumptions may cause in the individual and consolidated financial statements of Bradespar, we considered this to be a key audit matter.

How our audit approached this matter

Our audit procedures included the planning and communication of the scope of our audit, discussion of the risks of material misstatements and the communication of the instructions to the auditor of the investee. We held meetings with the auditor of the relevant investee, evaluated and analyzed the procedures performed, that considered, among other aspects, the outstanding matters above that may significantly affect the profit or loss of Bradespar. We also evaluated the audit evidences obtained by the specialists involved in the audit of the investee. We analyzed the communications and the reports sent by the auditor of the investee, as well as the procedures performed and the conclusions obtained, specifically the determination of the materiality, the effect of the misstatements not corrected, the audit procedures performed to approach the risks related to the impairment of the property, plant and equipment, intangible assets and goodwill, and related to the Cash-Generating Units, to the asset retirement obligation and to the income taxes. Additionally, analyzed the process of identification and evaluation of the impairment assessment of the investments performed by Bradespar. We also evaluated the disclosures in the individual and consolidated

Unqualified Special Review Report

INDEPENDENT AUDITOR'S REPORT IN THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

financial statements.
Based on the evidence obtained from the procedures summarized above, we considered appropriate the investment amount in relation to the effects accounted for the equity method by Bradespar, as well in the related disclosures, in the context of the individual and consolidated financial statements taken as a whole, for the year ended December 31, 2018.

- **Contingents liabilities – tax and civil – Individual and Consolidated**
As described in the Notes 3i and 11, Bradespar is involved in lawsuits of tax and civil natures, due to the normal course of its activities. The measurement and the disclosure of Contingent Liabilities, related to lawsuits require Bradespar's professional judgment. Due to the relevance, complexity and judgment involved in the evaluation and measurement of the Contingent Liabilities, we considered this as a key audit matter.

How our audit approached this matter

Our audit procedures included the evaluation of the key internal controls related to the disclosure of contingent liabilities, by evaluating the criteria and assumptions adopted in the measurement methodology of the amout disclosed, as well as the assessment of the internal and external legal advisors of Bradespar, and historical data and information. This work included the involvement of our legal experts, obtained and analyzed the support documentation and the evaluation of legal advisors related to the key processes and litigations involving Bradespar. We evaluated whether the disclosures included in the individual and consolidated financial statements related on the nature, total exposure and recorded amounts involved.

Based on the evidence obtained from the procedures summarized above, we considered the evaluation, measurement and disclosures appropriate in the context of the individual and consolidated financial statements taken as a whole, for the year ended December 31, 2018.

Other matters
Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Bradespar's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Bradespar's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the individual and consolidated financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the individual and consolidated statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual 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 of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) 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 individual and consolidated financial statements, management is responsible for assessing the Bradespar'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 Bradespar and subsidiary or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Bradespar's and subsidiary financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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

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INDEPENDENT AUDITOR'S REPORT IN THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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 individual 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 may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bradespar's and subsidiary internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a significant uncertainty exists related to events or conditions that may cast significant doubt on the Bradespar's and subsidiary ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual 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 auditors' report. However, future events or conditions may cause the Bradespar and subsidiary to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated 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 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 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 individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Osasco, March 28, 2019
KPMG Auditores Independentes
CRC 2SP028567/O-1 F SP
Original report in Portuguese signed by
André Dala Pola
Accountant CRC 1SP214007/O-2

Report of the Fiscal Council or Similar body

FISCAL COUNCIL REPORT

The members of the Fiscal Council of Bradespar S.A., as signed below and in the exercise of their legal and statutory duties and having examined the Management Report and Financial Statements for the fiscal year ended December 31, 2017, prepared in accordance with the Pronouncements Accounting Pronouncements Committee (CPC), and based on the opinion of the independent auditors KPMG Auditores Independentes, substantiated on the Report issued on this date, without reservations, issued an opinion that the aforementioned documents were examined and may be appraised by shareholders meeting at the Annual Shareholders' Meeting.

Osasco, SP, March 20, 2018

- Ariovaldo Pereira
- Domenica Eisenstein Noronha
- João Batista de Moraes
- Ricardo Reisen de Pinho
- Vicente Carmo Santo

Officers` Statement on the Financial Statementes

Declaration of the CEO and Investor Relations Officer

I, Fernando Jorge Buso Gomes, hereby declare that:

1. Based on my knowledge, the planning presented by the auditors and subsequent discussions on the audit results, I agree with the conclusions provided for in the Report prepared by KPMG Auditores Independentes, there being no disagreement; and

2. I reviewed Bradespar's Financial Statements for the period ended on December 31, 2018 and, based on subsequent discussions, I agree that said Statements reflect fairly all material respects and the Company's financial position for the period presented.

São Paulo, SP, March 28, 2019.

Fernando Jorge Buso Gomes
CEO and Investor Relations Officer

Officers` Statement on the Independent Auditor`s Report

Declaration of the Executive Officer

I, Johan Albino Ribeiro, hereby declare that:

1. Based on my knowledge, the planning presented by the auditors and subsequent discussions on the audit results, I agree with the conclusions provided for in the Report prepared by KPMG Auditores Independentes, there being no disagreement; and

2. I reviewed Bradespar's Financial Statements for the period ended on December 31, 2018 and, based on subsequent discussions, I agree that said Statements reflect fairly all material respects and the Company's financial position for the period presented.

São Paulo, SP, March 28, 2019.

Johan Albino Ribeiro

Executive Officer