



# Companhia Brasileira de Alumínio

Parent company and consolidated condensed interim financial statements at June 30, 2018 and independent auditor's review report.



(A free translation of the original in Portuguese)

## ***Report on review of condensed interim financial statements***

To the Board of Directors and Stockholders  
Companhia Brasileira de Alumínio

### **Introduction**

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We have reviewed the accompanying condensed interim balance sheet of Companhia Brasileira de Alumínio (the "Company") as at June 30, 2018 and the related condensed statements of income and comprehensive income for the quarter and six-month period then ended, and the condensed statements of changes in equity and cash flows for the six-month period then ended, as well as the accompanying condensed consolidated interim balance sheet of Companhia Brasileira de Alumínio and its subsidiaries ("Consolidated") as at June 30, 2018, and the related condensed consolidated statements of income and comprehensive income for the quarter and six-month period then ended, and the condensed consolidated statements of changes in equity and cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these parent company and consolidated condensed interim financial statements in accordance with the accounting standard CPC 21 - "Interim Financial Reporting" and with International Accounting Standard (IAS) 34 - "Interim Financial Reporting", of the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **Scope of review**

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We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Companhia Brasileira de Alumínio

**Conclusion**

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Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements referred above are not prepared, in all material respects, in accordance with CPC 21 - "Interim Financial Reporting" and with International Accounting Standard, IAS 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).

Curitiba, July 31st, 2018



PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5



Mauricio Colombari  
Contador CRC 1SP195838/O-3

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Parent company and consolidated condensed interim financial statements at June 30, 2018

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Condensed consolidated interim balance sheet  
In thousands of Reais

| Assets                                      | Note    | Parent company   |                   | Consolidated     |                   | Liabilities and equity                            | Note    | Parent company   |                   | Consolidated     |                   |
|---|---------|------------------|-------------------|------------------|-------------------|---|---------|------------------|-------------------|------------------|-------------------|
|   |         | 6/30/2018        | 12/31/2017        | 6/30/2018        | 12/31/2017        |   |         | 6/30/2018        | 12/31/2017        |                  |                   |
| <b>Current assets</b>                       |         |                  |                   |                  |                   | <b>Current liabilities</b>                        |         |                  |                   |                  |                   |
| Cash and cash equivalents                   | 7       | 48,109           | 18,191            | 48,153           | 18,854            | Borrowing   | 16      | 157,102          | 185,825           | 193,377          | 228,616           |
| Financial investments                       | 8       | 701,888          | 922,348           | 777,809          | 968,767           | Derivative financial instruments                  | 5.3 (a) | 180,791          | 165,240           | 180,791          | 165,240           |
| Derivative financial instruments            | 5.3 (a) | 25,463           | 20,748            | 25,463           | 20,748            | Trade payables                                    |         | 562,491          | 451,818           | 564,044          | 422,663           |
| Trade receivables                           | 9       | 453,676          | 381,417           | 450,743          | 383,718           | Confirming payable                                |         | 28,062           | 38,433            | 28,062           | 38,433            |
| Inventory                                   | 10      | 749,606          | 638,855           | 768,142          | 659,586           | Salaries and social charges                       |         | 98,110           | 135,413           | 100,065          | 137,538           |
| Taxes recoverable                           | 11      | 387,305          | 428,568           | 397,065          | 433,698           | Taxes payable                                     |         | 24,711           | 18,650            | 45,413           | 44,478            |
| Dividends receivable                        | 12      | 416              | 5,377             | 416              | 5,311             | Customer advances                                 |         | 50,406           | 240,759           | 50,499           | 240,868           |
| Financial instruments - firm commitment     | 12      | 124,696          | 114,885           | 124,696          | 114,885           | Dividends payable                                 | 12      | 79               | 12,796            | 79               | 12,796            |
| Advance to suppliers                        |         | 25,576           | 231,629           | 25,576           | 231,629           | Use of public assets                              |         | 36,519           | 36,337            | 39,287           | 38,972            |
| Other assets                                |         | 32,519           | 36,911            | 36,896           | 41,850            | Related parties                                   | 12      | 250,677          | 249,378           | 250,206          | 249,161           |
|   |         | <u>2,549,254</u> | <u>2,798,929</u>  | <u>2,654,959</u> | <u>2,879,046</u>  | Other liabilities                                 |         | 31,811           | 67,993            | 41,449           | 80,925            |
|   |         |                  |                   |                  |                   |   |         | <u>1,420,759</u> | <u>1,602,642</u>  | <u>1,493,272</u> | <u>1,659,690</u>  |
| <b>Non-current assets</b>                   |         |                  |                   |                  |                   | <b>Non-current liabilities</b>                    |         |                  |                   |                  |                   |
| Long-term receivables                       |         |                  |                   |                  |                   | Borrowing   | 16      | 1,848,225        | 2,467,367         | 1,969,777        | 2,588,869         |
| Financial investments                       | 8       | 64               | 64                | 2,417            | 5,952             | Derivative financial instruments                  | 5.3 (a) | 2,132            | 10,749            | 2,132            | 10,749            |
| Derivative financial instruments            | 5.3 (a) | 4,448            |                   | 4,448            |                   | Related parties                                   | 12      | 127,246          | 313,874           | 127,246          | 313,874           |
| Taxes recoverable                           | 11      | 537,170          | 566,374           | 537,199          | 566,431           | Provisions  | 18      | 475,817          | 459,537           | 477,634          | 460,535           |
| Financial instruments - firm commitment     | 12      | 55,706           | 118,905           | 55,706           | 118,905           | Use of public assets                              |         | 512,277          | 488,207           | 558,956          | 533,968           |
| Deferred income tax and social contribution | 17 (b)  | 824,206          | 911,791           | 830,308          | 917,715           | Financial instruments - firm commitment           | 12      | 47,392           | 53,385            | 47,392           | 53,385            |
| Related parties                             | 12      | 925              | 1,222,219         | 923              | 1,222,074         | Other liabilities                                 |         | 55,704           | 54,890            | 63,116           | 61,521            |
| Judicial deposits                           |         | 119,650          | 16,471            | 119,788          | 15,467            |   |         | <u>3,068,793</u> | <u>3,848,009</u>  | <u>3,246,253</u> | <u>4,022,901</u>  |
| Other assets                                |         | 19,085           | 18,882            | 27,685           | 26,901            |   |         |                  |                   |                  |                   |
|   |         | <u>1,561,254</u> | <u>2,854,706</u>  | <u>1,578,474</u> | <u>2,873,445</u>  | Total liabilities                                 |         | <u>4,489,552</u> | <u>5,450,651</u>  | <u>4,739,525</u> | <u>5,682,591</u>  |
|   |         |                  |                   |                  |                   | <b>Equity</b>                                     |         |                  |                   |                  |                   |
| Investments                                 | 13      | 551,863          | 638,100           | 204,904          | 218,695           | Share capital                                     | 19      | 4,950,095        | 5,637,299         | 4,950,095        | 5,637,299         |
| Property, plant and equipment               | 14      | 4,213,147        | 4,271,392         | 4,758,365        | 4,830,978         | Retained earnings                                 |         | 4,774            | 4,774             | 4,774            | 4,774             |
| Intangible assets                           | 15      | 429,918          | 435,129           | 535,435          | 541,087           | Accumulated deficit                               |         | (50,280)         |                   | (50,280)         |                   |
|   |         | <u>6,756,182</u> | <u>8,199,327</u>  | <u>7,077,178</u> | <u>8,464,205</u>  | Carrying value adjustments                        |         | (88,705)         | (94,468)          | (88,705)         | (94,468)          |
|   |         |                  |                   |                  |                   | Total equity attributable to owners of the parent |         | <u>4,815,884</u> | <u>5,547,605</u>  | <u>4,815,884</u> | <u>5,547,605</u>  |
|   |         |                  |                   |                  |                   | <b>Non-controlling interests</b>                  |         |                  |                   |                  |                   |
|   |         |                  |                   |                  |                   |   |         |                  |                   |                  |                   |
|   |         |                  |                   |                  |                   | <b>Total equity</b>                               |         |                  |                   |                  |                   |
|   |         |                  |                   |                  |                   |   |         |                  |                   |                  |                   |
|   |         |                  |                   |                  |                   | <b>Total liabilities and equity</b>               |         |                  |                   |                  |                   |
| Total assets                                |         | <u>9,305,436</u> | <u>10,998,256</u> | <u>9,732,137</u> | <u>11,343,251</u> | Total liabilities and equity                      |         | <u>9,305,436</u> | <u>10,998,256</u> | <u>9,732,137</u> | <u>11,343,251</u> |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of income**  
**Periods ended June 30**  
**In thousands of Reais, unless otherwise stated**

|   | Note   | Parent company        |                       | Consolidated          |                       |
|---|--------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |        | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017 | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017 |
| Net revenue from products sold and services rendered              | 20     | 2,467,781             | 2,136,879             | 2,558,063             | 2,349,728             |
| Cost of products sold and services rendered                       | 21     | (2,031,948)           | (1,885,638)           | (2,073,460)           | (1,989,445)           |
| <b>Gross profit</b>   |        | <b>435,833</b>        | <b>251,241</b>        | <b>484,603</b>        | <b>360,283</b>        |
| <b>Operating income (expenses)</b>                                |        |                       |                       |                       |                       |
| Selling   | 21     | (16,020)              | (12,984)              | (17,235)              | (13,087)              |
| General and administrative  | 21     | (84,280)              | (85,243)              | (87,225)              | (88,319)              |
| Other operating income, net                                       | 23     | 84,830                | 27,585                | 81,857                | 27,568                |
|   |        | (15,470)              | (70,642)              | (22,603)              | (73,838)              |
| <b>Operating profit before equity interest and finance result</b> |        | <b>420,363</b>        | <b>180,599</b>        | <b>462,000</b>        | <b>286,445</b>        |
| <b>Results from equity interest</b>                               |        |                       |                       |                       |                       |
| Equity in the results   | 13     | (7,877)               | 73,362                | (18,687)              | 1,493                 |
|   |        | (7,877)               | 73,362                | (18,687)              | 1,493                 |
| <b>Finance income and costs</b>                                   | 24     |                       |                       |                       |                       |
| Finance income  |        | 82,233                | 100,840               | 81,987                | 114,335               |
| Finance costs   |        | (211,196)             | (195,930)             | (218,465)             | (206,090)             |
| Derivative financial instruments                                  |        | 212                   | (15)                  | 212                   | (15)                  |
| Foreign exchange variations, net                                  |        | (248,620)             | 14,979                | (248,853)             | 14,974                |
|   |        | (377,371)             | (80,126)              | (385,119)             | (76,796)              |
| <b>Profit before income tax and social contribution</b>           |        | <b>35,115</b>         | <b>173,835</b>        | <b>58,194</b>         | <b>211,142</b>        |
| <b>Income tax and social contribution</b>                         | 17 (a) |                       |                       |                       |                       |
| Current   |        |                       | 62,749                | (19,967)              | 25,374                |
| Deferred  |        | (84,603)              | (272,809)             | (84,425)              | (272,741)             |
| <b>Loss for the semester</b>                                      |        | <b>(49,488)</b>       | <b>(36,225)</b>       | <b>(46,198)</b>       | <b>(36,225)</b>       |
| Loss attributable to the owners of the Company                    |        | (49,488)              | (36,225)              | (49,488)              | (36,225)              |
| Profit attributable to non-controlling interest                   |        |                       |                       | 3,290                 |                       |
| <b>Loss for the semester</b>                                      |        | <b>(49,488)</b>       | <b>(36,225)</b>       | <b>(46,198)</b>       | <b>(36,225)</b>       |
| Total number of shares - thousand                                 |        | 1,545,103             | 1,273,086             | 1,545,103             | 1,273,086             |
| Basic and diluted loss per share (in reais)                       |        | (0.03)                | (0.03)                | (0.03)                | (0.03)                |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of income**  
**Periods ended June 30**  
**In thousands of Reais, unless otherwise stated**

|   | Parent company           |                          | Consolidated             |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 4/1/2018 to<br>6/30/2018 | 4/1/2017 to<br>6/30/2017 | 4/1/2018 to<br>6/30/2018 | 4/1/2017 to<br>6/30/2017 |
| Net revenue from products sold and services rendered              | 1,307,767                | 1,153,782                | 1,355,445                | 1,262,171                |
| Cost of products sold and services rendered                       | (1,068,446)              | (997,244)                | (1,089,392)              | (1,054,004)              |
| <b>Gross profit</b>   | <b>239,321</b>           | <b>156,538</b>           | <b>266,053</b>           | <b>208,167</b>           |
| <b>Operating income (expenses)</b>                                |                          |                          |                          |                          |
| Selling   | (6,315)                  | (6,840)                  | (7,155)                  | (6,887)                  |
| General and administrative  | (41,540)                 | (46,810)                 | (42,943)                 | (48,257)                 |
| Other operating income, net                                       | 81,916                   | 158,738                  | 80,565                   | 158,709                  |
|   | 34,061                   | 105,088                  | 30,467                   | 103,565                  |
| <b>Operating profit before equity interest and finance result</b> | <b>273,382</b>           | <b>261,626</b>           | <b>296,520</b>           | <b>311,732</b>           |
| <b>Results from equity interest</b>                               |                          |                          |                          |                          |
| Equity in the results   | (13,183)                 | 34,448                   | (19,990)                 | 647                      |
|   | (13,183)                 | 34,448                   | (19,990)                 | 647                      |
| <b>Finance income and costs</b>                                   |                          |                          |                          |                          |
| Finance income  | 23,768                   | 61,336                   | 22,263                   | 67,576                   |
| Finance costs   | (107,958)                | (93,347)                 | (110,009)                | (97,679)                 |
| Derivative financial instruments                                  | 92                       | 27                       | 92                       | 27                       |
| Foreign exchange variations, net                                  | (238,745)                | (104,798)                | (238,979)                | (105,428)                |
|   | (322,843)                | (136,782)                | (326,633)                | (135,504)                |
| <b>Profit (loss) before income tax and social contribution</b>    | <b>(62,644)</b>          | <b>159,292</b>           | <b>(50,103)</b>          | <b>176,875</b>           |
| <b>Income tax and social contribution</b>                         |                          |                          |                          |                          |
| Current   |                          | 62,749                   | (8,508)                  | 45,149                   |
| Deferred  | (51,472)                 | (85,063)                 | (51,387)                 | (85,046)                 |
| <b>Loss for the quarter</b>                                       | <b>(114,116)</b>         | <b>136,978</b>           | <b>(109,998)</b>         | <b>136,978</b>           |
| Profit (loss) attributable to the owners of the Company           | (114,116)                | 136,978                  | (114,116)                | 136,978                  |
| Profit attributable to non-controlling interest                   |                          |                          | 4,118                    |                          |
| <b>Profit (loss) for the quarter</b>                              | <b>(114,116)</b>         | <b>136,978</b>           | <b>(109,998)</b>         | <b>136,978</b>           |
| Total number of shares - thousand                                 | 1,480,791                | 1,340,495                | 1,480,791                | 1,340,495                |
| Basic and diluted profit (loss) per share (in reais)              | (0.08)                   | 0.10                     | (0.08)                   | 0.10                     |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.



**Condensed consolidated interim statement of comprehensive income**  
**Periods ended June 30**  
**In thousands of Reais, unless otherwise stated**

|  | Parent company           |                          | Consolidated             |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| <b>Loss for the semester</b>   | (49,489)                 | (36,225)                 | (46,199)                 | (36,225)                 |
| <b>Other components of comprehensive income to be subsequently reclassified to the statement of income</b> |                          |                          |                          |                          |
| Operating hedge accounting   | 5,763                    | (64,235)                 | 5,763                    | (64,235)                 |
| <b>Total comprehensive loss for the semester</b>   | <u>(43,726)</u>          | <u>(100,460)</u>         | <u>(40,436)</u>          | <u>(100,460)</u>         |
| <b>Comprehensive loss attributable to the shareholders</b>   |                          |                          |                          |                          |
| Comprehensive loss attributable to the owners of the parent  |                          |                          | (43,726)                 | (100,460)                |
| Comprehensive income attributable to non-controlling interests   |                          |                          | 3,290                    |                          |
|  |                          |                          | <u>(40,436)</u>          | <u>(100,460)</u>         |
|  | Parent company           |                          | Consolidated             |                          |
|  | 4/1/2018 to<br>6/30/2018 | 4/1/2017 to<br>6/30/2017 | 4/1/2018 to<br>6/30/2018 | 4/1/2017 to<br>6/30/2017 |
| <b>Profit (loss) for the quarter</b>   | (114,117)                | 136,978                  | (109,999)                | 136,978                  |
| <b>Other components of comprehensive income to be subsequently reclassified to the statement of income</b> |                          |                          |                          |                          |
| Operating hedge accounting   | (104,573)                | 6,389                    | (104,573)                | 6,389                    |
| Interest in other comprehensive income of investees  |                          | 807                      |                          | 807                      |
|  | <u>(104,573)</u>         | <u>7,196</u>             | <u>(104,573)</u>         | <u>7,196</u>             |
| <b>Total comprehensive income (loss) for the quarter</b>   | <u>(218,690)</u>         | <u>144,174</u>           | <u>(214,572)</u>         | <u>144,174</u>           |
| <b>Comprehensive income (loss) attributable to the shareholders</b>  |                          |                          |                          |                          |
| Comprehensive income (loss) attributable to the owners of the parent                                       |                          |                          | (218,690)                | 144,174                  |
| Comprehensive income attributable to non-controlling interests   |                          |                          | 4,118                    |                          |
|  |                          |                          | <u>(214,572)</u>         | <u>144,174</u>           |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.



Condensed consolidated interim statement of changes in equity

Periods ended June 30

In thousands of Reais, unless otherwise stated

|   | Attributable to owners of the parent |                 |           |                              |                            |           |                           | Total stockholders equity |
|---|--------------------------------------|-----------------|-----------|------------------------------|----------------------------|-----------|---------------------------|---------------------------|
|   | Share capital                        | Profit reserves |           |                              | Carrying value adjustments | Total     | Non-controlling interests |                           |
|   |                                      | Legal           | Retention | Accumulated profit (deficit) |                            |           |                           |                           |
| <b>At January 1, 2017</b>                                       | 4,399,676                            |                 |           | (513,509)                    | 34,798                     | 3,920,965 |                           | 3,920,965                 |
| <b>Total comprehensive income for the period</b>                |                                      |                 |           |                              |                            |           |                           |                           |
| Profit for the quarter  |                                      |                 |           | (36,225)                     |                            | (36,225)  |                           | (36,225)                  |
| Other comprehensive income                                      |                                      |                 |           |                              | (64,235)                   | (64,235)  |                           | (64,235)                  |
|   |                                      |                 |           | (36,225)                     | (64,235)                   | (100,460) |                           | (100,460)                 |
| <b>Transações com acionistas</b>                                |                                      |                 |           |                              |                            |           |                           |                           |
| Capital increase  | 1,237,623                            |                 |           |                              |                            | 1,237,623 |                           | 1,237,623                 |
| <b>At June 30, 2017</b>   | 5,637,299                            |                 |           | (549,734)                    | (29,437)                   | 5,058,128 |                           | 5,058,128                 |
| <b>At January 1, 2018</b>                                       | 5,637,299                            | 518             | 4,256     |                              | (94,468)                   | 5,547,605 | 113,055                   | 5,660,660                 |
| First-time adoption of IFRS 9 (note 3.1.1 (ii))                 |                                      |                 |           | (792)                        |                            | (792)     |                           | (792)                     |
| <b>At January 1, 2018, after impacts of IFRS 9 adoption</b>     | 5,637,299                            | 518             | 4,256     | (792)                        | (94,468)                   | 5,546,813 | 113,055                   | 5,659,868                 |
| <b>Total comprehensive income (loss) for the period</b>         |                                      |                 |           |                              |                            |           |                           |                           |
| Profit for the period   |                                      |                 |           | (49,488)                     |                            | (49,488)  | 3,290                     | (46,198)                  |
| Other comprehensive income                                      |                                      |                 |           |                              | 5,763                      | 5,763     |                           | 5,763                     |
|   |                                      |                 |           | (49,488)                     | 5,763                      | (43,725)  | 3,290                     | (40,435)                  |
| <b>Total contributions by and distributions to stockholders</b> |                                      |                 |           |                              |                            |           |                           |                           |
| Capital reduction (note 1.1 (b))                                | (687,204)                            |                 |           |                              |                            | (687,204) |                           | (687,204)                 |
| Dividends   |                                      |                 |           |                              |                            |           | (47)                      | (47)                      |
| Sale of interest in subsidiary (note 1.1 (a))                   |                                      |                 |           |                              |                            |           | 60,430                    | 60,430                    |
|   | (687,204)                            |                 |           |                              |                            | (687,204) | 60,383                    | (626,821)                 |
| <b>At June 30, 2018</b>   | 4,950,095                            | 518             | 4,256     | (50,280)                     | (88,705)                   | 4,815,884 | 176,728                   | 4,992,612                 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of cash flows**  
**Periods ended June 30**  
**In thousands of Reais, unless otherwise stated**

|   | Note         | Parent company           |                          | Consolidated             |                          |
|---|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   |              | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| <b>Cash flow from operating activities</b>                                      |              |                          |                          |                          |                          |
| <b>Profit before income tax and social contribution</b>                         |              | 35,115                   | 173,835                  | 58,194                   | 211,142                  |
| Adjustments of items that do not represent changes in cash and cash equivalents |              |                          |                          |                          |                          |
| Interest and monetary and foreign exchange variations                           |              | 390,177                  | 104,623                  | 394,839                  | 98,677                   |
| Equity in the results   | 13           | 7,877                    | (73,362)                 | 18,687                   | (1,493)                  |
| Depreciation and amortization   | 14 and 15    | 137,062                  | 158,370                  | 152,727                  | 176,941                  |
| ACR - Realization financial instruments – firm commitment                       | 23           | 57,317                   | 59,874                   | 57,317                   | 59,874                   |
| ACR - Increase (decrease) of volume of financial instrument - firm commitment   | 23           | (3,122)                  | 99,283                   | (3,122)                  | 99,283                   |
| ACL - Realization financial instruments – firm commitment                       | 23           | 4,651                    | 4,989                    | 4,651                    | 4,989                    |
| ACL - Recognition financial instruments – firm commitment                       |              | (11,451)                 | 4,692                    | (11,451)                 | 4,692                    |
| Net gain (loss) on sale of property, plant and equipment                        | 23           | (1,838)                  | 1,358                    | (1,838)                  | 1,358                    |
| Reversal for asset impairment   | 23           | (1,912)                  | (21,984)                 | (1,912)                  | (21,984)                 |
| Gain on sales of investments  | 23           | (111,070)                | (168,011)                | (111,070)                | (168,011)                |
| Judicial provisions (reversal)  | 9, 10 and 18 | (91,938)                 | (37)                     | (92,994)                 | 57                       |
|   |              | 410,868                  | 343,630                  | 464,028                  | 465,525                  |
| <b>Decrease (increase) in assets</b>  |              |                          |                          |                          |                          |
| Financial investments   |              | 245,460                  | (171,211)                | 221,484                  | (192,198)                |
| Trade receivables   |              | (69,586)                 | (37,833)                 | (63,560)                 | (37,509)                 |
| Inventory   |              | (115,133)                | (18,910)                 | (112,938)                | (5,447)                  |
| Taxes recoverable   |              | 70,467                   | 14,359                   | 65,865                   | 4,138                    |
| Other receivables   |              | (5,588)                  | (26,216)                 | (5,665)                  | (23,568)                 |
| <b>Increase (decrease) in liabilities</b>                                       |              |                          |                          |                          |                          |
| Trade payables  |              | 110,673                  | 44,267                   | 141,381                  | 42,347                   |
| Confirming payable  |              | (10,371)                 | 4,252                    | (10,371)                 | 4,252                    |
| Salaries and social charges   |              | (37,303)                 | (24,521)                 | (37,473)                 | (24,465)                 |
| Taxes payable   |              | 6,061                    | 61,228                   | 8,788                    | 70,926                   |
| Use of public assets  |              | 7,416                    | (6,054)                  | 7,652                    | (6,054)                  |
| Derivative financial instruments  |              | 6,503                    | 7,331                    | 6,503                    | 7,331                    |
| Other liabilities   |              | (65,347)                 | (94,614)                 | (67,877)                 | (106,096)                |
| <b>Cash provided by operations</b>  |              |                          |                          |                          |                          |
| Interest paid   |              | 554,120                  | 95,708                   | 617,817                  | 199,182                  |
| Income tax and social contribution  |              | (86,291)                 | (95,413)                 | (91,902)                 | (101,543)                |
| <b>Net cash provided by operating activities</b>                                |              | 467,829                  | 295                      | 498,095                  | 78,179                   |
| <b>Cash flow from investment activities</b>                                     |              |                          |                          |                          |                          |
| Purchases of property, plant and equipment                                      | 14 and 15    | (72,171)                 | (74,994)                 | (73,027)                 | (76,393)                 |
| Write-off   |              |                          | 101,989                  |                          | 92,487                   |
| Net cash used incorporated companies  | 13 (b)       | (5,672)                  |                          | (5,312)                  |                          |
| Proceeds from sale of property, plant and equipment and intangible assets       |              | 2,315                    | 18,303                   | 2,315                    | 18,372                   |
| Related parties   |              | 142                      | 95,377                   |                          | 104,881                  |
| Dividends received  |              | 28,563                   | 75,899                   | 5,311                    | 24,564                   |
| <b>Net cash provided by (used in) investment activities</b>                     |              | (46,823)                 | 216,574                  | (70,713)                 | 163,911                  |
| <b>Cash flow from financing activities</b>                                      |              |                          |                          |                          |                          |
| New borrowing   | 16 (c)       | 8,871                    | 9,923                    | 8,871                    | 9,923                    |
| Capital reduction   |              | (205,983)                |                          | (205,983)                |                          |
| Dividends paid  |              | (12,717)                 |                          | (12,764)                 |                          |
| Repayment of borrowing  | 16 (c)       | (71,020)                 | (166,914)                | (77,714)                 | (192,284)                |
| Related parties   |              | (110,239)                | (126,389)                | (110,493)                | (126,493)                |
| <b>Net cash used in financing activities</b>                                    |              | (391,088)                | (283,380)                | (398,083)                | (308,854)                |
| Increase (decrease) in cash and cash equivalents                                |              | 29,918                   | (66,511)                 | 29,299                   | (66,764)                 |
| Cash and cash equivalents at the beginning of the semester                      |              | 18,191                   | 76,605                   | 18,854                   | 77,040                   |
| Cash and cash equivalents at the end of the semester                            |              | 48,109                   | 10,094                   | 48,153                   | 10,276                   |
| <b>Main non-cash transactions</b>   |              |                          |                          |                          |                          |
| Payment in kind   |              |                          | 1,237,623                |                          | 1,237,623                |
| Transfer of assets classified as held for sale                                  |              |                          | 224,349                  |                          | 224,349                  |
| Capital increase  |              |                          | 277,460                  |                          | 277,460                  |
| Capital reduction   | 1.1 (b)      | (481,221)                |                          | (481,221)                |                          |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of cash flows**  
**Periods ended June 30**  
**In thousands of Reais, unless otherwise stated**

|   | Parent company           |                          | Consolidated             |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 4/1/2018 to<br>6/30/2018 | 4/1/2017 to<br>6/30/2017 | 4/1/2018 to<br>6/30/2018 | 4/1/2017 to<br>6/30/2017 |
| <b>Cash flow from operating activities</b>                                      |                          |                          |                          |                          |
| <b>Profit (loss) before income tax and social contribution</b>                  | (62,644)                 | 159,292                  | (50,103)                 | 176,875                  |
| Adjustments of items that do not represent changes in cash and cash equivalents |                          |                          |                          |                          |
| Interest and monetary and foreign exchange variations                           | 313,701                  | 116,452                  | 315,541                  | 119,640                  |
| Equity in the results   | 13,183                   | (34,448)                 | 19,990                   | (647)                    |
| Depreciation and amortization   | 70,192                   | 81,704                   | 78,035                   | 90,918                   |
| ACR - Realization financial instruments – firm commitment                       | 28,228                   | 20,557                   | 28,228                   | 20,557                   |
| ACR - Increase (decrease) of volume of financial instrument - firm commitment   | (13,312)                 | 31,369                   | (13,312)                 | 31,369                   |
| ACL - Realization financial instruments – firm commitment                       | 2,182                    | 3,664                    | 2,182                    | 3,664                    |
| ACL - Recognition financial instruments – firm commitment                       | (7,264)                  | (14,395)                 | (7,264)                  | (14,395)                 |
| Net gain (loss) on sale of property, plant and equipment                        | (1,411)                  | 473                      | (1,411)                  | 473                      |
| Reversal for asset impairment   | (856)                    | (21,355)                 | (856)                    | (21,355)                 |
| Gain on sales of investments  | (111,070)                | (168,011)                | (111,070)                | (168,011)                |
| Judicial provisions (reversal)  | 41                       | 11,211                   | (1,292)                  | 11,305                   |
|   | <u>230,970</u>           | <u>186,513</u>           | <u>258,668</u>           | <u>250,393</u>           |
| <b>Decrease (increase) in assets</b>  |                          |                          |                          |                          |
| Financial investments   | 163,531                  | (219,549)                | 145,793                  | (202,962)                |
| Trade receivables   | (34,547)                 | 1,807                    | (39,759)                 | 1,159                    |
| Inventory   | (106,893)                | (26,858)                 | (104,685)                | (24,199)                 |
| Taxes recoverable   | 18,933                   | (31,761)                 | 14,711                   | (38,529)                 |
| Other receivables   | (18,499)                 | (120,629)                | (2,908)                  | (115,876)                |
| <b>Increase (decrease) in liabilities</b>                                       |                          |                          |                          |                          |
| Trade payables  | 95,370                   | 14,794                   | 109,203                  | 8,852                    |
| Confirming payable  | (16,310)                 | 4,103                    | (16,310)                 | 4,103                    |
| Salaries and social charges   | 17,314                   | 21,320                   | 17,590                   | 21,342                   |
| Taxes payable   | 13,848                   | 53,662                   | 16,627                   | 52,792                   |
| Use of public assets  | 10,443                   | (3,027)                  | 10,775                   | (2,932)                  |
| Derivative financial instruments  | 16,219                   | 3,041                    | 16,219                   | 3,041                    |
| Other liabilities   | (26,725)                 | 44,821                   | (30,801)                 | 44,212                   |
|   | <u>363,654</u>           | <u>(71,763)</u>          | <u>395,123</u>           | <u>1,396</u>             |
| <b>Cash provided by (used in) operations</b>                                    | <u>363,654</u>           | <u>(71,763)</u>          | <u>395,123</u>           | <u>1,396</u>             |
| Interest paid   | (70,911)                 | (76,065)                 | (70,989)                 | (78,942)                 |
| Income tax and social contribution  |                          |                          | (4,607)                  | (5,477)                  |
| <b>Net cash provided by (used in) operating activities</b>                      | <u>292,743</u>           | <u>(147,828)</u>         | <u>319,527</u>           | <u>(83,023)</u>          |
| <b>Cash flow from investment activities</b>                                     |                          |                          |                          |                          |
| Purchases of property, plant and equipment                                      | (47,218)                 | (46,244)                 | (47,394)                 | (46,986)                 |
| Write-off   |                          | 101,989                  |                          | 92,487                   |
| Net cash used incorporated companies  | (5,462)                  |                          | (5,312)                  |                          |
| Proceeds from sale of property, plant and equipment and intangible assets       | 1,872                    | 15,450                   | 1,864                    | 15,517                   |
| Related parties   | 142                      | 95,377                   |                          | 104,881                  |
| Dividends received  | 28,563                   | 75,899                   | 5,311                    | 24,564                   |
|   | <u>(22,103)</u>          | <u>242,471</u>           | <u>(45,531)</u>          | <u>190,463</u>           |
| <b>Net cash provided by (used in) investment activities</b>                     | <u>(22,103)</u>          | <u>242,471</u>           | <u>(45,531)</u>          | <u>190,463</u>           |
| <b>Cash flow from financing activities</b>                                      |                          |                          |                          |                          |
| New borrowing   | 8,871                    | 9,923                    | 8,871                    | 9,923                    |
| Capital reduction   | (205,983)                |                          | (205,983)                |                          |
| Dividends paid  | (12,717)                 |                          | (12,764)                 |                          |
| Repayment of borrowing  | (28,476)                 | (132,733)                | (31,870)                 | (145,439)                |
| Related parties   | (30,635)                 | (15,809)                 | (30,635)                 | (15,912)                 |
|   | <u>(268,940)</u>         | <u>(138,619)</u>         | <u>(272,381)</u>         | <u>(151,428)</u>         |
| <b>Net cash used in financing activities</b>                                    | <u>(268,940)</u>         | <u>(138,619)</u>         | <u>(272,381)</u>         | <u>(151,428)</u>         |
| Increase (decrease) in cash and cash equivalents                                | <u>1,700</u>             | <u>(43,976)</u>          | <u>1,615</u>             | <u>(43,988)</u>          |
| Cash and cash equivalents at the beginning of the quarter                       | <u>46,409</u>            | <u>54,070</u>            | <u>46,538</u>            | <u>54,264</u>            |
| Cash and cash equivalents at the end of the quarter                             | <u>48,109</u>            | <u>10,094</u>            | <u>48,153</u>            | <u>10,276</u>            |
| <b>Main non-cash transactions</b>   |                          |                          |                          |                          |
| Payment in kind   |                          | 1,237,623                |                          | 1,237,623                |
| Transfer of assets classified as held for sale                                  |                          | 224,349                  |                          | 224,349                  |
| Capital increase  |                          | 277,460                  |                          | 277,460                  |
| Capital reduction   | (481,221)                |                          | (481,221)                |                          |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## Notes to the condensed consolidated interim financial statements at June 30, 2018 In thousands of Reais, unless otherwise stated

### 1 General information

Companhia Brasileira de Alumínio (the “Company” or “CBA”) is a subsidiary of Votorantim S.A. (“VSA”), with its head office in São Paulo, State of São Paulo. It mainly extracts and processes bauxite ore in Brazil and produces and sells bauxite ore, alumina, primary and semis aluminum products in the Brazilian and foreign markets, through a wide range of products, such as ingots, billets, rods, plates, coils, sheets and extruded products. The Company also controls nickel and electrolytic cobalt operations, in addition to trading the surplus of electricity generation in the local market, through Votorantim Energia.

The bauxite that we process in our plant comes from two of our own mining units, located in Minas Gerais (Poços de Caldas Minas and Mirai), and is also acquired from a mine in Barro Alto (Goiás), which is managed and operated by an independent company.

The Company has its own hydroelectric power plants and participates in consortium, enabling it to reduce the cost of the electrical power consumed during the aluminum production process.

#### 1.1 Main events which occurred in the first half of 2018.

##### (a) Sale of Pollarix CBA Energia Participações S.A. preferred shares

On April 1, 2018, the Company sold to Votorantim Geração de Energia S.A. 35% of the preferred shares of the investee CBA Energia Participações S.A., which represented 23.34% of this investee, for the amount of R\$ 171,500. This operation generated a net gain of R\$ 111,070, recorded under "Other operating income (expenses), Net".

##### (b) Capital reduction

On April 30, 2018, according to the minutes of the Extraordinary General Meeting, the share capital was reduced by the amount of R\$ 687,204. This reduction became effective 60 days after the publication date of the meeting's minutes.

The counterpart for this capital reduction was paid to the parent company VSA as follows: (a) transfer of the assets balance of related parties in the amount of R\$ 1,392,652; (b) payment in local currency, in the amount of R\$ 205,983; (c) transfer of the liabilities balance of related parties in the amount of R\$ 75,090; (d) transfer of Eurobonds maturing in 2021 in the amount of R \$ 836,341 (USD 241,187).

| <u>Assets</u>   |                       |
|---|-----------------------|
| Trade receivables with Votorantim Cimentos S.A.           | 122,813               |
| Trade receivables with Votorantim Geração de Energia S.A. | 910,000               |
| Trade receivables with com Votorantim Energia Ltda.       | 1,499                 |
| Trade receivables with Votorantim S.A.                    | 357,859               |
| Trade receivables with Votorantim Empreendimentos Ltda.   | 481                   |
| Cash in local currency                                    | 205,983               |
|   | <u>1,598,635</u>      |
| <u>Liabilities</u>  |                       |
| Trade payables with Votorantim S.A.                       | (75,090)              |
| Eurobond maturing 2021                                    | (836,341)             |
|   | <u>(911,431)</u>      |
| <b>Total of capital reduction</b>                         | <b><u>687,204</u></b> |

## Notes to the condensed consolidated interim financial statements at June 30, 2018 In thousands of Reais, unless otherwise stated

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### **2 Presentation of the parent company and consolidated financial statements**

#### **2.1 Basis of presentation**

##### **(a) Interim parent company and consolidated condensed financial statements**

The financial statements have been prepared and are being presented in accordance with Technical Pronouncement CPC 21 - (R1) Interim Financial Reporting, and with the international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB") and show all relevant information pertinent to the interim financial statements, which is consistent with that used by Management.

The interim parent company and consolidated condensed financial statements as at June 30, 2018 do not contain all of the accompanying notes and disclosures required at the annual financial statements by the accounting standards, since their purpose is to provide an update on the significant activities, events and circumstances compared to the annual financial statements. Therefore, they should be read together with the financial statements at December 31, 2017, approved on March 6, 2018 and publicly disclosed on April 6, 2018 on the Diário Oficial of the State of São Paulo.

The interim parent company and consolidated condensed financial statements were prepared in a manner consistent with the accounting policies disclosed in Note 2 to the financial statements as of December 31, 2017.

##### **(a) Approval of the financial statements**

The Board of Directors approved these consolidated interim financial statements for issue on July 31, 2018.

### **3 Change in accounting policies and disclosures**

In the semester ended June 30, 2018, there were no new standards, amendments to and interpretations of standards other than those mentioned in the last annual financial statements.

#### **3.1 Adoptions of standards**

##### **3.1.1 IFRS 9 / CPC 48 – Financial instruments**

###### **(i) Classification and measurement**

The changes in accounting policies arising from the adoption of IFRS 9/CPC 48 were applied from January 1, 2018 and did not generate effects on the measurement of the Company's financial assets and liabilities.

IFRS 9 has changed the categories for classification of financial assets, eliminating the categories held-to-maturity, loans and receivables and available-for-sale. The Company's financial assets will be classified in one of the following categories: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

**Notes to the condensed consolidated interim financial statements  
at June 30, 2018  
In thousands of Reais, unless otherwise stated**

|                                  |  |   | Consolidated<br>June 30, 2018               |  |
|----------------------------------|--|---|---|--|
| Financial assets                 | Classification under IAS 39              | New classification under IFRS 9   | Original carrying<br>amount under IAS<br>39 | Net carrying<br>amount under<br>IFRS 9 |
| Cash and cash equivalents        | Loans and receivables                    | Fair value through profit or loss   | 48,153                                      | 48,153                                 |
| Financial investments            | Assets held for trading                  | Fair value through profit or loss   | 780,226                                     | 780,226                                |
| Derivative financial instruments | Assets held for trading/Used for hedging | Fair value through profit or loss/<br>Fair value through other comprehensive income | 29,911                                      | 29,911                                 |
| Trade accounts receivable        | Loans and receivables                    | Fair value through profit or loss / Amortized cost                                  | 450,743                                     | 450,743                                |
| Related parties                  | Loans and receivables                    | Fair value through profit or loss / Amortized cost                                  | 923   | 923                                    |

**(ii) Impairment**

The Company and its subsidiaries adopted the new standard from January 1, 2018 and applied the simplified approach to recognizing the expected credit losses on trade receivables. The method adopted to calculate the provision for impairment is based on a risk matrix, which was recognized based on the history of losses for all aging list and prospective data, including the receivables still to fall due. The initial impact of the adoption was R\$ 792 in the parent company and in the consolidated from January 1, 2018, recognized in equity.

**(i) Hedge accounting**

The Company analyzed the economic relationship of its current net investment hedge operations and concluded that they still qualified for hedge accounting following the adoption of IFRS 9/CPC 48. As the standard does not change the general accounting principles for effective hedges, there was no significant impact resulting from the adoption of IFRS 9/CPC 48.

**3.1.2 CPC 47/IFRS 15 – “Revenue from contracts with customers”**

The Company and its subsidiaries adopted the new accounting standard as of January 1, 2018, resulting in changes in accounting practices linked to the performance obligation related to the freight delivery of products to customers and, consequently, changes in comparative balances. According to the standard, the Company and its subsidiaries made the changes retrospectively in the balances originally presented. On June 30, 2018, the amount of freight reclassified to the cost of the service rendered was R\$ 25,014 (June 30, 2017 - R \$ 22,492).

**3.1.3 IFRS 16 / CPC 06 – Leases**

The Company and its subsidiaries will apply IFRS 16/CPC 06 on January 1, 2019 and expect to disclose the quantitative effect of the adoption and their transition approach before that date.

**4 Critical accounting estimates and judgments**

In the first semester of 2018, there have been no changes in estimates and assumptions that present a significant risk, with probability of causing a material adjustment to the carrying amounts of assets and liabilities for the current fiscal year, compared to those detailed in Note 4 to the latest annual financial statements.

Notes to the condensed consolidated interim financial statements  
at June 30, 2018  
In thousands of Reais, unless otherwise stated

5 Financial risk management

5.1 Foreign Exchange risk

|                                  | Parent company     |                    | Consolidated       |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                  | 6/30/2018          | 12/31/2017         | 6/30/2018          | 12/31/2017         |
| Assets in foreign currency       |                    |                    |                    |                    |
| Cash and cash equivalents        | 47,159             | 14,971             | 47,159             | 14,971             |
| Derivative financial instruments | 29,122             | 19,713             | 29,122             | 19,713             |
| Trade receivables                | 106,496            | 49,585             | 106,496            | 49,585             |
|                                  | <u>182,777</u>     | <u>84,269</u>      | <u>182,777</u>     | <u>84,269</u>      |
| Liabilities in foreign currency  |                    |                    |                    |                    |
| Borrowing (i)                    | 1,555,822          | 2,148,028          | 1,557,181          | 2,151,041          |
| Derivative financial instruments | 182,923            | 175,989            | 182,923            | 175,989            |
| Trade payables                   | 191,709            | 101,609            | 191,709            | 101,609            |
| Customer down payment            | 54,860             | 230,520            | 54,860             | 230,520            |
|                                  | <u>1,985,314</u>   | <u>2,656,146</u>   | <u>1,986,673</u>   | <u>2,659,159</u>   |
| Net exposure                     | <u>(1,802,537)</u> | <u>(2,571,877)</u> | <u>(1,803,896)</u> | <u>(2,574,890)</u> |

(i) Funding costs are not considered in these amounts.

5.2 Liquidity risk

The table below presents the Company's main financial liabilities maturity (the remaining period from the balance sheet up to the contractual maturity date). Derivative financial liabilities are included if their contractual maturities are essential to understanding the timing of cash flows. The amounts disclosed in the table represent the undiscounted cash flows, which include interest to be incurred, therefore do not reconcile directly with the amounts in the balance sheet for borrowing and the Use of Public Assets.

|                                  |                  |                |                  |                  |                | Consolidated     |
|----------------------------------|------------------|----------------|------------------|------------------|----------------|------------------|
|                                  | Up to 1 year     | 1 to 3 years   | 3 to 5 years     | 5 to 10 years    | Over 10 years  | Total            |
| At June 30, 2018                 |                  |                |                  |                  |                |                  |
| Borrowing                        | 296,387          | 416,580        | 307,880          | 1,686,741        |                | 2,707,588        |
| Derivative financial instruments | 180,791          | 2,132          |                  |                  |                | 182,923          |
| Trade payables                   | 564,044          |                |                  |                  |                | 564,044          |
| Confirming payable               | 28,062           |                |                  |                  |                | 28,062           |
| Related parties                  | 250,206          | 127,246        |                  |                  |                | 377,452          |
| Use of public assets             | 42,692           | 93,288         | 105,148          | 322,944          | 844,045        | 1,408,117        |
| Dividends payable                | 79               |                |                  |                  |                | 79               |
|                                  | <u>1,362,261</u> | <u>639,246</u> | <u>413,028</u>   | <u>2,009,685</u> | <u>844,045</u> | <u>5,268,265</u> |
| At December 31, 2017             |                  |                |                  |                  |                |                  |
| Borrowing                        | 369,948          | 524,262        | 1,134,105        | 1,502,850        |                | 3,531,165        |
| Derivative financial instruments | 165,240          | 10,749         |                  |                  |                | 175,989          |
| Trade payables                   | 422,663          |                |                  |                  |                | 422,663          |
| Confirming payable               | 38,433           |                |                  |                  |                | 38,433           |
| Related parties                  | 261,575          | 313,874        |                  |                  |                | 575,449          |
| Use of public assets             | 42,103           | 91,907         | 103,593          | 318,284          | 863,145        | 1,419,032        |
| Dividends payable                | 12,796           |                |                  |                  |                | 12,796           |
|                                  | <u>1,312,758</u> | <u>940,792</u> | <u>1,237,698</u> | <u>1,821,134</u> | <u>863,145</u> | <u>6,175,527</u> |



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5.3 Derivative financial instruments

(a) Effects of the derivative financial instruments in the balance sheet

The table below summarizes the derivative financial instruments and the object protected by them:

| Program  | Principal amount |            | Unit       | Purchase/<br>Sale | Average<br>rate/FWD | Average period<br>(days) | Average<br>period (days) | Current<br>assets | Current<br>liabilities | Parent company and consolidated                  |  |            |
|--|------------------|------------|------------|-------------------|---------------------|--------------------------|--------------------------|-------------------|------------------------|--|--|------------|
|  | 6/30/2018        | 12/31/2017 |            |                   |                     |                          |                          |                   |                        | Fair value                                       | 6/30/2018  | 12/31/2017 |
|  |                  |            |            |                   |                     |                          |                          |                   |                        | Total (net<br>between assets<br>and liabilities) | Total (net<br>between assets<br>and liabilities) |            |
| <b>Hedging for mismatches of quotation periods</b> |                  |            |            |                   |                     |                          |                          |                   |                        |  |  |            |
| Aluminum forward                                   | 10,595           | 6,850      | metric ton | P/S               |                     | 89                       | 112                      | 2,991             |                        | 2,991  | (219)  |            |
|  |                  |            |            |                   |                     |                          |                          | 2,991             |                        | 2,991  | (219)  |            |
| <b>Hedging for the operating margin of metals</b>  |                  |            |            |                   |                     |                          |                          |                   |                        |  |  |            |
| Aluminum forward                                   | 13,750           | 18,970     | metric ton | S                 | 2014 USD/ton        | 2                        | 363                      |                   | (11,986)               | (11,986)   | (21,860)   |            |
| US dollar forward                                  | 27,695           | 32,674     | USD        | S                 | 3,40 R\$/USD        | 2                        | 362                      |                   | (10,443)               | (10,443)   | 8,937  |            |
|  |                  |            |            |                   |                     |                          |                          |                   | (22,429)               | (22,429)   | (12,923)   |            |
| <b>Hedging for debts</b>                           |                  |            |            |                   |                     |                          |                          |                   |                        |  |  |            |
| TJLP vs. CDI floating rate swaps                   | 28,000           | 28,000     | BRL/USD    |                   | 97% CDI             | 17                       | 700                      | 789               |                        | 789  | 1,035  |            |
|  |                  |            |            |                   |                     |                          |                          | 789               |                        | 789  | 1,035  |            |
|  |                  |            |            |                   |                     |                          |                          | 3,780             | (22,429)               | (18,649)   | (12,107)   |            |

The table below summarizes the hedge accounting:

| Program   | Principal amount |            | Unit | Purchase/<br>Sale | Average<br>rate/FWD | Average period (days)                               |   | Current<br>assets | Current<br>liabilities | Parent company and consolidated |           |            |
|---|------------------|------------|------|-------------------|---------------------|---|---|-------------------|------------------------|---------------------------------|-----------|------------|
|   | 6/30/2018        | 12/31/2017 |      |                   |                     | Remaining   | Original of<br>contracts                            |                   |                        | Fair value                      | 6/30/2018 | 12/31/2017 |
|   |                  |            |      |                   |                     | Total (net<br>between<br>assets and<br>liabilities) | Total (net<br>between<br>assets and<br>liabilities) |                   |                        |                                 |           |            |
| <b>Hedge accounting - cash flow hedge</b>       |                  |            |      |                   |                     |   |   |                   |                        |                                 |           |            |
| <b>Protection of Metal's operational result</b> |                  |            |      |                   |                     |   |   |                   |                        |                                 |           |            |
| Aluminum forward                                | 148,500          | 165,175    | ton  | S                 | 2147 US\$/ton       | 185   | 392   | 26,131            | (23,684)               | 2,447                           | (143,204) |            |
| US dollar forward                               | 318,840          | 333,501    | USD  | S                 | 3,49 R\$/US\$       | 189   | 391   |                   | (136,810)              | (136,810)                       | 70        |            |
|   |                  |            |      |                   |                     |   |   | 26,131            | (160,494)              | (134,363)                       | (143,134) |            |

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(b) Maturity profile

| Programs  | Parent company and consolidated |                |           |
|---|---------------------------------|----------------|-----------|
|   | 2018                            | Fair value per |           |
|   |                                 | 2019           | Total     |
| <b>Hedging for mismatches of quotation period</b> |                                 |                |           |
| Aluminum forward                                  | 2,952                           | 39             | 2,991     |
|   | 2,952                           | 39             | 2,991     |
| <b>Hedging for the operating margin of metals</b> |                                 |                |           |
| Aluminum forward                                  | (11,986)                        |                | (11,986)  |
| US dollar forward                                 | (10,443)                        |                | (10,443)  |
|   | (22,429)                        |                | (22,429)  |
| <b>Hedging for debts</b>                          |                                 |                |           |
| TJLP vs. CDI floating rate swaps                  | 789                             |                | 789       |
|   | 789                             |                | 789       |
|   | (18,688)                        | 39             | (18,649)  |
| <b>Hedge accounting - cash flow hedge</b>         |                                 |                |           |
| Aluminum forward                                  | (21,162)                        | 23,609         | 2,447     |
| US dollar forward                                 | (73,200)                        | (63,610)       | (136,810) |
|   | (94,362)                        | (40,001)       | (134,363) |
|   | (113,050)                       | (39,962)       | (153,012) |

(c) Effect of derivative financial instruments on financial results and cash flow

| Program   | Unit       | 1/1/2018 to 6/30/2018 |                       |                      |          | Parent company and consolidated<br>1/1/2017 to 6/30/2017 |                       |                      |          |
|---|------------|-----------------------|-----------------------|----------------------|----------|--|-----------------------|----------------------|----------|
|   |            | Principal amount      | Fair value adjustment | Realized gain (loss) | Total    | Principal amount   | Fair value adjustment | Realized gain (loss) | Total    |
| <b>Hedging for mismatches of quotation period</b> |            |                       |                       |                      |          |  |                       |                      |          |
| Aluminum forward                                  | metric ton | 10,595                | 3,210                 | 59                   | 3,269    | 5,245  | 190                   | (1,138)              | (948)    |
|   |            |                       | 3,210                 | 59                   | 3,269    |  | 190                   | (1,138)              | (948)    |
| <b>Hedging for the operating margin of metals</b> |            |                       |                       |                      |          |  |                       |                      |          |
| Aluminum forward                                  | metric ton | 13,750                | 9,874                 | (77,832)             | (67,958) | 18,750   | (11,410)              | (65,078)             | (76,488) |
| US dollar forward                                 | USD        | 27,695                | (19,380)              | 10,817               | (8,563)  | 31,339   | 2,762                 | 63,671               | 66,433   |
|   |            |                       | (9,506)               | (67,015)             | (76,521) |  | (8,648)               | (1,407)              | (10,055) |
| <b>Hedging for debts</b>                          |            |                       |                       |                      |          |  |                       |                      |          |
| Fixed rate in reais vs. CDI floating rate swaps   | BRL/USD    |                       | (245)                 | 457                  | 212      | 28,000   | 1,041                 | (875)                | 166      |
| TJLP vs. CDI floating rate swaps                  | BRL/USD    | 28,000                | (245)                 | 457                  | 212      |  | 157                   | (338)                | (181)    |
|   |            |                       | (245)                 | 457                  | 212      |  | 1,198                 | (1,213)              | (15)     |
|   |            |                       | (6,541)               | (66,498)             | (73,039) |  | (7,260)               | (3,758)              | (11,018) |

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**5.3.1 Sensitivity analysis**

Presented below is a sensitivity analysis of the main risk factors that affect the pricing of the outstanding financial instruments relating to cash and cash equivalents, financial investments, borrowing, and derivative financial instruments. The main risk factors are exposure to the fluctuations of the US Dollar exchanges rates, CDI interest rates and commodity prices. The scenarios for these factors were prepared using market and specialized sources, following the Company's governance.

The scenarios at June 30, 2018, are described below:

**Scenario I** - is based on the market forward curves and quotations at June 30, 2018, and represents a probable scenario in Management's opinion as at September 30, 2018.

**Scenario II** - considers a stress factor of + / - 25% applied to the market forward curves and quotations as at June 30, 2018.

**Scenario III** - considers a stress factor of + / - 50% applied to the market forward curves and quotations as at June 30, 2018.

| Risk factors                      | Cash and cash equivalents | Borrowing | Derivative financial instruments | Unit | Impact on curves for 6/30/2016 | Parent company and consolidated |         |                    |           |  |          |                    |         |           |           |
|-----------------------------------|---------------------------|-----------|----------------------------------|------|--------------------------------|---------------------------------|---------|--------------------|-----------|--|----------|--------------------|---------|-----------|-----------|
|                                   |                           |           |                                  |      |                                | Impacts on profit (loss)        |         |                    |           | Impacts on comprehensive income (loss) |          |                    |         |           |           |
|                                   |                           |           |                                  |      |                                | Scenario I                      |         | Scenarios II & III |           | Scenario I                             |          | Scenarios II & III |         |           |           |
|                                   |                           |           |                                  |      | Results of Scenario I          | -25%                            | -50%    | +25%               | +50%      | Results of Scenario I                  | -25%     | -50%               | +25%    | +50%      |           |
| Foreign exchange rate             |                           |           |                                  |      |                                |                                 |         |                    |           |  |          |                    |         |           |           |
| USD                               | 47,159                    | 1,548,519 | 346,535                          | USD  | -5.99%                         | 88,262                          | 368,630 | 737,261            | (368,630) | (737,261)                              | 74,393   | 310,705            | 621,410 | (310,705) | (621,410) |
| Interest rate                     |                           |           |                                  |      |                                |                                 |         |                    |           |  |          |                    |         |           |           |
| BRL - CDI                         | 755,435                   | 152,202   | 1,364,169                        | BRL  | 0 bps                          |                                 | (9,637) | (19,273)           | 9,637     | 19,273                                 | 8,421    | 17,093             | (8,182) | (16,136)  |           |
| Price - commodities               |                           |           |                                  |      |                                |                                 |         |                    |           |  |          |                    |         |           |           |
| Aluminum                          |                           |           | 172,845                          | ton  | -3.57%                         | (337)                           | 9,135   | 18,271             | (9,135)   | (18,271)                               | (11,180) | 302,808            | 605,615 | (302,808) | (605,615) |
| Firm commitment - Electric energy |                           |           |                                  |      |                                |                                 |         |                    |           |  |          |                    |         |           |           |
| Purchase and sale contract        |                           |           | 133,010                          | BRL  |                                |                                 | 575     | 1,149              | (576)     | (1,152)                                |          |                    |         |           |           |

The Company also incurs on Libor and Dollar Coupon risk factors that are intrinsic to the financial instruments used to perform the hedge.

The balances presented do not reconcile with the accompanying notes, since the analysis carried out contemplates only the most significant currencies.

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**6 Credit quality of financial assets**

The table below summarizes the credit quality of issuers and counterparties in transactions involving cash and cash equivalents, financial investments and derivatives:

|                                  | Parent company |               |                |                |               |                | Consolidated   |               |                |                  |               |                  |
|----------------------------------|----------------|---------------|----------------|----------------|---------------|----------------|----------------|---------------|----------------|------------------|---------------|------------------|
|                                  | 6/30/2018      |               |                | 12/31/2017     |               |                | 6/30/2018      |               |                | 12/31/2017       |               |                  |
|                                  | Local rating   | Global rating | Total          | Local rating   | Global rating | Total          | Local rating   | Global rating | Total          | Local rating     | Global rating | Total            |
| Cash and cash equivalents        |                |               |                |                |               |                |                |               |                |                  |               |                  |
| AA+                              | 47,991         |               | 47,991         | 18,069         |               | 18,069         | 48,021         |               | 48,021         | 18,672           |               | 18,672           |
| AAA                              | 1              |               | 1              |                |               |                | 1              |               | 1              |                  |               |                  |
| AA                               | 18             |               | 18             |                |               |                | 20             |               | 20             |                  |               |                  |
| AA-                              | 23             |               | 23             | 45             |               | 45             | 34             |               | 34             | 100              |               | 100              |
| A+                               | 4              |               | 4              | 4              |               | 4              | 4              |               | 4              | 4                |               | 4                |
| No rating                        | 72             |               | 72             | 73             |               | 73             | 73             |               | 73             | 78               |               | 78               |
|                                  | <u>48,109</u>  |               | <u>48,109</u>  | <u>18,191</u>  |               | <u>18,191</u>  | <u>48,153</u>  |               | <u>48,153</u>  | <u>18,854</u>    |               | <u>18,854</u>    |
| Financial investments            |                |               |                |                |               |                |                |               |                |                  |               |                  |
| AAA                              |                |               |                |                |               |                |                |               |                |                  |               |                  |
| AA+                              |                |               |                | 7,198          |               | 7,198          | 26,643         |               | 26,643         | 45,955           |               | 45,955           |
| AA                               | 7,247          |               | 7,247          |                |               |                | 13,769         |               | 13,769         |                  |               |                  |
| AA-                              | 668,294        |               | 668,294        | 860,006        |               | 860,006        | 713,402        |               | 713,402        | 873,556          |               | 873,556          |
| No rating (i)                    | 26,411         |               | 26,411         | 55,208         |               | 55,208         | 26,412         |               | 26,412         | 55,208           |               | 55,208           |
|                                  | <u>701,952</u> |               | <u>701,952</u> | <u>922,412</u> |               | <u>922,412</u> | <u>780,226</u> |               | <u>780,226</u> | <u>974,719</u>   |               | <u>974,719</u>   |
| Derivative financial instruments |                |               |                |                |               |                |                |               |                |                  |               |                  |
| AA+                              |                |               |                | 6,900          |               | 6,900          |                |               |                | 6,900            |               | 6,900            |
| AA-                              | 789            | 7,494         | 8,283          | 13,729         | 19            | 13,748         | 789            | 7,494         | 8,283          | 13,729           | 19            | 13,748           |
| A+                               |                | 19,590        | 19,590         |                | 98            | 98             |                | 19,590        | 19,590         |                  | 98            | 98               |
| A-                               |                | 2,038         | 2,038          |                | 2             | 2              |                | 2,038         | 2,038          |                  | 2             | 2                |
|                                  | <u>789</u>     | <u>29,122</u> | <u>29,911</u>  | <u>20,629</u>  | <u>119</u>    | <u>20,748</u>  | <u>789</u>     | <u>29,122</u> | <u>29,911</u>  | <u>20,629</u>    | <u>119</u>    | <u>20,748</u>    |
|                                  | <u>750,850</u> | <u>29,122</u> | <u>779,972</u> | <u>961,232</u> | <u>119</u>    | <u>961,351</u> | <u>829,168</u> | <u>29,122</u> | <u>858,290</u> | <u>1,014,202</u> | <u>119</u>    | <u>1,014,321</u> |

The local and global ratings were obtained from ratings agencies (Standard&Poor's, Moody's and Fitch). The Company considered the ratings of S&P and Fitch for presentation purposes.

- (i) Refers mainly to the Credit Rights Investments Fund ("FIDC") exclusive to the Votorantim Group that has no rating with rating agencies.

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**7 Cash and cash equivalents**

|                  | Parent company |            | Consolidated |            |
|------------------|----------------|------------|--------------|------------|
|                  | 6/30/2018      | 12/31/2017 | 6/30/2018    | 12/31/2017 |
| Local currency   |                |            |              |            |
| Cash and banks   | 950            | 3,220      | 994          | 3,883      |
|                  | 950            | 3,220      | 994          | 3,883      |
| Foreign currency |                |            |              |            |
| Cash and banks   | 47,159         | 14,971     | 47,159       | 14,971     |
|                  | 48,109         | 18,191     | 48,153       | 18,854     |

Cash and cash equivalents in local currency and in foreign currency comprise current account deposits with banks.

**8 Financial investments**

|  | Parent company |            | Consolidated |            |
|--|----------------|------------|--------------|------------|
|  | 6/30/2018      | 12/31/2017 | 6/30/2018    | 12/31/2017 |
| Held for trading                           |                |            |              |            |
| Investment fund quotas (i)                 | 172,637        | 150,671    | 221,697      | 182,800    |
| Repurchase agreements - federal securities | 35,139         | 54,374     | 35,139       | 54,374     |
| Repurchase agreements - private securities |                | 93,246     |              | 93,246     |
| Bank Deposit Certificate ("CDB")           | 37,552         | 634        | 66,766       | 14,924     |
| Credit Rights Investment Fund ("FIDC")     | 26,347         | 55,144     | 26,347       | 55,144     |
| Financial Treasury Bills ("LFT")           | 430,213        | 568,279    | 430,213      | 574,167    |
| Others                                     | 64             | 64         | 64           | 64         |
|  | 701,952        | 922,412    | 780,226      | 974,719    |
| Current                                    | 701,888        | 922,348    | 777,809      | 968,767    |
| Non-current                                | 64             | 64         | 2,417        | 5,952      |
|  | 701,952        | 922,412    | 780,226      | 974,719    |

- (i) The Company has investment fund quotas in an exclusive fund of Votorantim Group, as described below:

|  | Parent company |            | Consolidated |            |
|--|----------------|------------|--------------|------------|
|  | 6/30/2018      | 12/31/2017 | 6/30/2018    | 12/31/2017 |
| Financial investments                      |                |            |              |            |
| Repurchase agreements - Federal securities | 164,985        | 142,958    | 211,409      | 173,466    |
| Financial Treasury Bills ("LFT")           | 405            | 1,150      | 494          | 1,393      |
| Repurchase agreements                      |                | 6,563      | 193          | 7,941      |
| Bank Deposit Certificate ("CDB")           | 7,247          |            | 9,601        |            |
|  | 172,637        | 150,671    | 221,697      | 182,800    |

**9 Trade receivables**

|                                 | Parent company |            | Consolidated |            |
|---------------------------------|----------------|------------|--------------|------------|
|                                 | 6/30/2018      | 12/31/2017 | 6/30/2018    | 12/31/2017 |
| Domestic                        | 242,335        | 241,531    | 257,566      | 224,104    |
| Foreign                         | 106,496        | 49,473     | 106,496      | 49,473     |
| Related parties (Note 12)       | 136,756        | 125,789    | 118,592      | 145,517    |
|                                 | 485,587        | 416,793    | 482,654      | 419,094    |
| Impairment of trade receivables | (31,911)       | (35,376)   | (31,911)     | (35,376)   |
|                                 | 453,676        | 381,417    | 450,743      | 383,718    |

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**10 Inventory**

|                                     | Parent company |                | Consolidated   |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 6/30/2018      | 12/31/2017     | 6/30/2018      | 12/31/2017     |
| Finished products                   | 325,515        | 198,596        | 331,805        | 204,846        |
| Semi-finished products              | 327,879        | 341,060        | 328,172        | 341,515        |
| Raw materials                       | 47,711         | 26,116         | 59,180         | 39,779         |
| Auxiliary and consumption materials | 83,273         | 88,752         | 83,723         | 89,074         |
| Imports in transit                  | 26,404         | 38,769         | 26,404         | 38,769         |
| Other                               | 4,128          | 6,484          | 4,162          | 6,525          |
| Provision for losses (i)            | (65,304)       | (60,922)       | (65,304)       | (60,922)       |
|                                     | <u>749,606</u> | <u>638,855</u> | <u>768,142</u> | <u>659,586</u> |

The Company had no inventory pledged as collateral for any of its liabilities

- (i) Provision for losses is mainly related to the obsolescence of inventory and to the slow-moving materials.

**11 Taxes recoverable**

**Breakdown**

|  | Parent company |                | Consolidated   |                  |
|--|----------------|----------------|----------------|------------------|
|  | 6/30/2018      | 12/31/2017     | 6/30/2018      | 12/31/2017       |
| Income tax and social contribution           | 286,868        | 395,408        | 293,197        | 395,516          |
| Value-added Tax on Sales and Services (ICMS) | 408,968        | 380,317        | 411,393        | 381,528          |
| Social Contribution on Revenue (COFINS)      | 150,149        | 144,080        | 150,475        | 144,952          |
| Social Integration Program (PIS)             | 32,683         | 31,373         | 32,754         | 31,562           |
| ICMS on property, plant and equipment        | 15,083         | 17,792         | 15,083         | 17,792           |
| Others                                       | 30,724         | 25,972         | 31,362         | 28,779           |
|  | <u>924,475</u> | <u>994,942</u> | <u>934,264</u> | <u>1,000,129</u> |
| Current                                      | 387,305        | 428,568        | 397,065        | 433,698          |
| Non-current                                  | 537,170        | 566,374        | 537,199        | 566,431          |
|  | <u>924,475</u> | <u>994,942</u> | <u>934,264</u> | <u>1,000,129</u> |

## Notes to the condensed consolidated interim financial statements at June 30, 2018 In thousands of Reais, unless otherwise stated

### 12 Related parties

#### (a) Parent company

|   | Statement of operations |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
|---|-------------------------|----------------|----------------------|--------------|--------------------------------|------------------|----------------|----------------|-------------------------------------|----------------|-------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-----------------------|---------|
|   | Trade receivables       |                | Dividends receivable |              | Current and non-current assets |                  | Trade payables |                | Current and non-current liabilities |                | Dividends payable |               | Sales                 |                       | Purchase              |                       | Finance income and costs |                       |         |
|   | 6/30/2018               | 12/31/2017     | 6/30/2018            | 12/31/2017   | 6/30/2018                      | 12/31/2017       | 6/30/2018      | 12/31/2017     | 6/30/2018                           | 12/31/2017     | 6/30/2018         | 12/31/2017    | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017 | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017 | 1/1/2018 to 6/30/2018    | 1/1/2017 to 6/30/2017 |         |
| <b>Parent company</b>                                       |                         |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
| Votorantim S.A. (i)   | 3,678                   | 4,331          |                      |              | 357,859                        |                  | 1,501          | 1,371          |                                     | 75,090         |                   | 11            | 12,717                |                       |                       |                       |                          |                       |         |
| <b>Subsidiaries</b>   |                         |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
| BAESA - Energética Barra Grande S.A.                        |                         |                | 66                   |              |                                |                  | 4,780          | 11,378         | 152                                 | 152            |                   |               | 3,698                 | 3,070                 |                       |                       |                          |                       |         |
| ENERSCAN - Campos Novos Energia S.A.                        |                         |                |                      |              |                                |                  | 24,510         | 25,197         |                                     |                |                   |               | 17,169                | 30,751                |                       |                       |                          |                       |         |
| Metalex Ltda.   | 18,772                  | 7,049          |                      |              |                                |                  | 54             |                |                                     |                |                   |               |                       |                       | 11,723                | 7,399                 | 2,841                    |                       |         |
| <b>Associates</b>   |                         |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
| Alumina do Norte do Brasil S.A.                             |                         |                | 416                  |              |                                |                  |                |                |                                     |                |                   |               |                       |                       | 7,922                 |                       |                          |                       |         |
| CBA Energia Participações S.A.                              |                         |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
| Mineração Rio do Norte S.A.                                 |                         |                |                      | 5,311        |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
| Votener - Votorantim Comercializadora de Energia Ltda. (ii) | 110,403                 | 111,874        |                      |              | 180,402                        | 233,790          | 74,157         | 76,334         | 421,579                             | 537,948        |                   |               | 451,423               | 411,111               | 540,671               | 572,473               | (45,312)                 | (45,312)              |         |
| Votorantim Cimentos S.A. (i)                                | 353                     | 813            |                      |              |                                | 122,813          |                |                | 3                                   | 3              |                   |               |                       | 460                   | 3,555                 |                       |                          |                       |         |
| Votorantim Energia Ltda.                                    |                         |                |                      |              |                                | 1,499            |                |                |                                     |                |                   |               |                       | 74                    |                       |                       |                          |                       |         |
| Votorantim Finco GmbH                                       |                         |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       | (6,637) |
| Votorantim Geração de Energia S.A. (i)                      |                         |                |                      |              |                                | 738,500          |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       | (810)   |
| Nexa Resources S.A.   |                         |                |                      |              |                                |                  |                |                |                                     |                |                   |               |                       |                       |                       |                       |                          |                       |         |
| Nexa Recursos Minerais S.A.                                 | 3,418                   | 684            |                      |              | 925                            | 1,548            | 384            | 576            | 5                                   | 5              |                   |               | 45                    |                       | 21,578                | 90,958                |                          |                       |         |
| Outros  | 132                     | 1,038          |                      |              |                                |                  | 260            | 1,501          | 3,576                               | 3,439          | 68                | 79            |                       |                       |                       |                       | (4,789)                  |                       |         |
|   | <u>136,756</u>          | <u>125,789</u> | <u>416</u>           | <u>5,377</u> | <u>181,327</u>                 | <u>1,456,009</u> | <u>105,646</u> | <u>116,357</u> | <u>425,315</u>                      | <u>616,637</u> | <u>79</u>         | <u>12,796</u> | <u>472,335</u>        | <u>445,006</u>        | <u>582,354</u>        | <u>674,385</u>        | <u>(47,260)</u>          | <u>(52,759)</u>       |         |
| Current   | 136,756                 | 125,789        | 416                  | 5,377        | 124,696                        | 114,885          | 105,646        | 116,357        | 250,677                             | 249,378        | 79                | 12,796        |                       |                       |                       |                       |                          |                       |         |
| Non-current   |                         |                |                      |              | 56,631                         | 1,341,124        |                |                | 174,638                             | 367,259        |                   |               |                       |                       |                       |                       |                          |                       |         |
|   | <u>136,756</u>          | <u>125,789</u> | <u>416</u>           | <u>5,377</u> | <u>181,327</u>                 | <u>1,456,009</u> | <u>105,646</u> | <u>116,357</u> | <u>425,315</u>                      | <u>616,637</u> | <u>79</u>         | <u>12,796</u> |                       |                       |                       |                       |                          |                       |         |



## Notes to the condensed consolidated interim financial statements at June 30, 2018 In thousands of Reais, unless otherwise stated

### (b) Consolidated

|   | Trade receivables |                | Dividends receivable |              | Current and non-current assets |                  | Trade payables |               | Current and non-current liabilities |                | Dividends payable |               | Statement of operations |                       |                       |                       |                          |                       |                       |
|---|-------------------|----------------|----------------------|--------------|--------------------------------|------------------|----------------|---------------|-------------------------------------|----------------|-------------------|---------------|-------------------------|-----------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|
|   | 6/30/2018         | 12/31/2017     | 6/30/2018            | 12/31/2017   | 6/30/2018                      | 12/31/2017       | 6/30/2018      | 12/31/2017    | 6/30/2018                           | 12/31/2017     | 6/30/2018         | 12/31/2017    | Sales                   |                       | Purchase              |                       | Finance income and costs |                       |                       |
|   |                   |                |                      |              |                                |                  |                |               |                                     |                |                   |               |                         | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017 | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017    | 1/1/2018 to 6/30/2018 | 1/1/2017 to 6/30/2017 |
| <b>Parent company</b>                                       |                   |                |                      |              |                                |                  |                |               |                                     |                |                   |               |                         |                       |                       |                       |                          |                       |                       |
| Votorantim S.A. (i)   | 3,678             | 4,331          |                      |              | 357,859                        |                  | 1,501          | 1,371         |                                     | 75,090         |                   | 12,717        |                         |                       |                       |                       |                          |                       |                       |
| <b>Associates</b>   |                   |                |                      |              |                                |                  |                |               |                                     |                |                   |               |                         |                       |                       |                       |                          |                       |                       |
| Alumina do Norte do Brasil S.A.                             |                   |                | 416                  |              |                                |                  |                |               |                                     |                |                   |               |                         |                       |                       |                       | 7,922                    |                       |                       |
| Mineração Rio do Norte S.A.                                 |                   |                |                      | 5,311        |                                |                  |                |               |                                     |                |                   |               |                         |                       |                       |                       |                          |                       |                       |
| Votener - Votorantim Comercializadora de Energia Ltda. (ii) | 110,403           | 111,874        |                      |              | 180,402                        | 233,790          | 74,157         | 76,334        | 421,579                             | 537,948        |                   |               | 451,423                 | 411,111               | 540,671               | 572,473               | (45,312)                 | (45,312)              |                       |
| Votorantim Cimentos S.A. (i)                                | 353               | 813            |                      |              |                                | 122,813          |                |               | 3                                   | 3              |                   |               |                         |                       | 460                   | 3,555                 |                          |                       |                       |
| Votorantim Energia Ltda. (i)                                |                   |                |                      |              |                                | 1,499            |                |               |                                     |                |                   |               |                         | 74                    |                       |                       |                          |                       |                       |
| Votorantim Finco GmbH                                       |                   |                |                      |              |                                |                  |                |               |                                     |                |                   |               |                         |                       |                       |                       |                          |                       | (6,637)               |
| Votorantim Geração de Energia S.A. (i)                      |                   |                |                      |              | 738,500                        |                  |                |               |                                     |                |                   |               |                         |                       |                       |                       |                          |                       |                       |
| Nexa Recursos S.A.  |                   | 26,877         |                      |              |                                |                  | 384            | 576           | 5                                   | 5              |                   |               | 45                      |                       | 21,578                | 90,958                |                          |                       | (810)                 |
| Nexa Recursos Minerais S.A.                                 |                   |                |                      |              |                                |                  | 923            | 1,403         | 259                                 | 1,502          | 3,257             | 3,374         | 79                      | 79                    |                       |                       |                          |                       | (4,789)               |
| Outros  | 4,158             | 1,622          | 416                  | 5,311        | 181,325                        | 1,455,864        | 76,301         | 79,783        | 424,844                             | 616,420        | 79                | 12,796        | 451,468                 | 411,185               | 570,631               | 666,986               | (50,101)                 | (52,759)              |                       |
| <b>Current</b>  | <b>118,592</b>    | <b>145,517</b> | <b>416</b>           | <b>5,311</b> | <b>124,696</b>                 | <b>114,885</b>   | <b>76,301</b>  | <b>79,783</b> | <b>250,206</b>                      | <b>249,161</b> | <b>79</b>         | <b>12,796</b> |                         |                       |                       |                       |                          |                       |                       |
| <b>Non-current</b>  |                   |                |                      |              | <b>56,629</b>                  | <b>1,340,979</b> |                |               | <b>174,638</b>                      | <b>367,259</b> |                   |               |                         |                       |                       |                       |                          |                       |                       |
|   | <b>118,592</b>    | <b>145,517</b> | <b>416</b>           | <b>5,311</b> | <b>181,325</b>                 | <b>1,455,864</b> | <b>76,301</b>  | <b>79,783</b> | <b>424,844</b>                      | <b>616,420</b> | <b>79</b>         | <b>12,796</b> |                         |                       |                       |                       |                          |                       |                       |

- (i) Transfer of related parties balances to the parent company VSA, through capital reduction, as per Note 1.1 (b).
- (ii) Current and non-current assets refers to the financial instrument - firm commitment to the sale of surplus energy. Current and non-current liabilities refers to advanced payments related to electric power trading contract in the free market, occurred in 2014 and 2015. Purchases and sales refers to the commercialization of third party energy in the free market environment, where Votener acts as the final marketer both in the free market environment and in the regulated market. Financial expenses refers to interest to be accrued from the assignment of energy sales agreement until December 2019, and interest is recognized pro rata as per the result during the term of the agreement.

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(c) Guarantees over Company's indebtedness, granted by related parties

| Instrument                    | Guarantor               | 6/30/2018        | 12/31/2017       |
|-------------------------------|-------------------------|------------------|------------------|
| BNDES                         | Hejoassu S.A./VSA       | 346,762          | 408,923          |
| Development agencies BRL      | VSA (100%)              | 39,163           | 42,350           |
| Eurobonds - USD (Voto 21) (i) | VSA (100%) e VCSA (50%) |                  | 806,781          |
| Eurobonds - USD (Voto 24)     | VSA (100%)              | 1,544,966        | 1,325,470        |
|                               |                         | <u>1,930,891</u> | <u>2,583,523</u> |

(d) Guarantees over related parties' indebtedness granted by the Company

| Instrument                | Debtor | Guarantor                          | Percentage guaranteed by the Company | 6/30/2018 |                   | 12/31/2017 |                   |
|---------------------------|--------|------------------------------------|--------------------------------------|-----------|-------------------|------------|-------------------|
|                           |        |                                    |                                      | Debt      | Amount guaranteed | Debt       | Amount guaranteed |
| Eurobonds - USD (Voto 19) | VSA    | VSA (100%), VCSA (50%) e CBA (50%) | 50%                                  | 810,382   | 405,191           |            | 347,636           |
| Eurobonds - USD (Voto 21) | VSA    | CBA (100%), VCSA (50%)             | 100%                                 | 940,383   | 940,383           |            |                   |
|                           |        |                                    |                                      |           | <u>1,345,574</u>  |            | <u>347,636</u>    |

**Notes to the condensed consolidated interim financial statements  
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**13 Investments**

**(a) Breakdown**

|  | Information on investees at June 30, 2018 |                                   |  | Equity in the results |             | Parent company<br>Investment balance |            |
|--|---|-----------------------------------|--|-----------------------|-------------|--------------------------------------|------------|
|  | Equity                                    | Profit (loss) for<br>the semester | Voting ownership<br>interest and total (%) | 1/1/2018 to           | 1/1/2017 to | 6/30/2018                            | 12/31/2017 |
|  |   |                                   |  | 6/30/2018             | 6/30/2017   |                                      |            |
| Investments valued under the equity method |   |                                   |  |                       |             |                                      |            |
| Subsidiaries                               |   |                                   |  |                       |             |                                      |            |
| Metalex Ltda.                              | 60,972                                    | 13,400                            | 100.00                                     | 13,400                | 12,933      | 60,972                               | 70,732     |
| CBA Energia Participações S.A. (i)         | 265,092                                   | 4,266                             | 33.33                                      | 975                   | (39)        | 88,363                               | 147,844    |
| CBA Machadinho Geração de Energia Ltda.    | 148,226                                   | (3,565)                           | 100.00                                     | (3,565)               |             | 148,226                              | 151,431    |
| Associates                                 |   |                                   |  |                       |             |                                      |            |
| Alunorte - Alumina do Norte S.A.           | 4,008,040                                 | (440,576)                         | 3.03                                       | (13,369)              | 964         | 121,620                              | 135,405    |
| Mineração Rio do Norte S.A.                | 832,068                                   | (53,178)                          | 10.00                                      | (5,318)               | 529         | 83,207                               | 83,213     |
| Others                                     |   |                                   |  |                       |             | 45                                   | 45         |
| Joint operations                           |   |                                   |  |                       |             |                                      |            |
| ENERCAN - Campos Novos Energia S.A.        |   |                                   |  |                       | 56,925      |                                      |            |
| BAESA - Energética Barra Grande S.A.       |   |                                   |  |                       | 2,050       |                                      |            |
| Goodwill                                   |   |                                   |  |                       |             |                                      |            |
| Metalex Ltda.                              |   |                                   |  |                       |             | 49,430                               | 49,430     |
|  |   |                                   |  | (7,877)               | 73,362      | 551,863                              | 638,100    |

(i) The investment in CBA Energia Participações S.A. of 33.33%, represents 100% of the common shares, thus obtaining control of this investee.

|  | Information on investees at June 30, 2018 |                                   |  | Equity in the results |             | Consolidated<br>Investment balance |            |
|--|---|-----------------------------------|--|-----------------------|-------------|------------------------------------|------------|
|  | Equity                                    | Profit (loss) for<br>the semester | Voting ownership<br>interest and total (%) | 1/1/2018 to           | 1/1/2017 to | 6/30/2018                          | 12/31/2017 |
|  |   |                                   |  | 6/30/2018             | 6/30/2017   |                                    |            |
| Investments valued under the equity method |   |                                   |  |                       |             |                                    |            |
| Subsidiaries                               |   |                                   |  |                       |             |                                    |            |
| Alunorte - Alumina do Norte S.A.           | 4,008,040                                 | (440,576)                         | 3.03                                       | (13,369)              | 964         | 121,620                            | 135,405    |
| Mineração Rio do Norte S.A.                | 832,068                                   | (53,178)                          | 10.00                                      | (5,318)               | 529         | 83,207                             | 83,213     |
| Others                                     |   |                                   |  |                       |             | 77                                 | 77         |
|  |   |                                   |  | (18,687)              | 1,493       | 204,904                            | 218,695    |

**Notes to the condensed consolidated interim financial statements  
at June 30, 2018  
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**(b) Changes in investments**

|  | Parent company           |                          | Consolidated             |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| At the beginning of the semester               | 638,100                  | 1,091,795                | 218,695                  | 257,176                  |
| Equity in the results                          | (7,877)                  | 73,362                   | (18,687)                 | 1,493                    |
| Transfer of assets classified as held for sale |                          | (204,017)                |                          | (185,011)                |
| Investment write-off (i)                       | (60,430)                 | (101,989)                |                          | (92,487)                 |
| Increase interest                              | 5,672                    |                          | 5,312                    |                          |
| Dividends received and receivable              | (23,602)                 | (69,920)                 | (416)                    | (43,914)                 |
| Increase capital                               |                          | 50                       |                          | 277,460                  |
| At the end of the semester                     | <u>551,863</u>           | <u>789,281</u>           | <u>204,904</u>           | <u>214,717</u>           |

- (i) The investment write-off balance for the first half of 2018 and 2017 refers to the sale of 35% of of the investee CBA Energia Participações S.A. preferred shares and 33.33% of Pollarix S.A. common shares, respectively.

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**14 Property, plant and equipment**

**(a) Breakdown and changes**

|   |                          |                                |   |           |                           |                             |          | Parent company           |                          |             |
|---|--------------------------|--------------------------------|---|-----------|---------------------------|-----------------------------|----------|--------------------------|--------------------------|-------------|
|   |                          |                                |   |           |                           |                             |          | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |             |
|   | Land and<br>improvements | Buildings and<br>constructions | Machinery,<br>equipment and<br>facilities | Vehicles  | Furniture and<br>fittings | Construction<br>in progress | ARO (i)  | Other                    | Total                    | Total       |
| At the beginning of the semester                    |                          |                                |   |           |                           |                             |          |                          |                          |             |
| Cost  | 98,480                   | 2,449,228                      | 5,716,429                                 | 106,379   | 25,374                    | 366,319                     | 135,395  | 326,648                  | 9,224,252                | 9,208,587   |
| Accumulated depreciation                            | (1,781)                  | (871,309)                      | (3,608,064)                               | (100,182) | (16,006)                  |                             | (74,425) | (281,093)                | (4,952,860)              | (4,788,233) |
| Net balance   | 96,699                   | 1,577,919                      | 2,108,365                                 | 6,197     | 9,368                     | 366,319                     | 60,970   | 45,555                   | 4,271,392                | 4,420,354   |
| Purchases   |                          | 74                             | 3,992                                     | 18        | 6                         | 68,078                      |          |                          | 72,168                   | 74,975      |
| Disposals   |                          |                                | (376)                                     | (7)       | (3)                       |                             |          | (91)                     | (477)                    | (19,661)    |
| Depreciation  |                          | (24,606)                       | (98,871)                                  | (1,187)   | (1,062)                   |                             | (4,030)  | (121)                    | (129,877)                | (150,912)   |
| Payment in kind                                     |                          |                                |   |           |                           |                             |          |                          |                          | (9,487)     |
| Reversal (provision) for impairment of fixed assets |                          | 148                            | 1,625                                     | 8         | 10                        | 43                          |          | 92                       | 1,926                    | 21,980      |
| Revision of cash flow                               |                          |                                |   |           |                           |                             |          |                          |                          | 459         |
| Transfers   | 6,279                    | 6,109                          | 20,793                                    | 275       | 1,139                     | (30,156)                    |          | (6,424)                  | (1,985)                  | (2,999)     |
| At the end of the semester                          | 102,978                  | 1,559,644                      | 2,035,528                                 | 5,304     | 9,458                     | 404,284                     | 56,940   | 39,011                   | 4,213,147                | 4,334,709   |
| Cost  | 104,759                  | 2,453,964                      | 5,760,282                                 | 105,928   | 29,885                    | 404,284                     | 135,395  | 316,441                  | 9,310,938                | 9,242,211   |
| Accumulated depreciation                            | (1,781)                  | (894,320)                      | (3,724,754)                               | (100,624) | (20,427)                  |                             | (78,455) | (277,430)                | (5,097,791)              | (4,907,502) |
| Net balance at the end of the semester              | 102,978                  | 1,559,644                      | 2,035,528                                 | 5,304     | 9,458                     | 404,284                     | 56,940   | 39,011                   | 4,213,147                | 4,334,709   |
| Annual average depreciation rate - %                |                          | 2                              | 4   | 18        | 10                        |                             | 6        |                          |                          |             |

  

|   |                          |                                |   |           |                           |                             |          | Consolidated             |                          |             |
|---|--------------------------|--------------------------------|---|-----------|---------------------------|-----------------------------|----------|--------------------------|--------------------------|-------------|
|   |                          |                                |   |           |                           |                             |          | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |             |
|   | Land and<br>improvements | Buildings and<br>constructions | Machinery,<br>equipment and<br>facilities | Vehicles  | Furniture and<br>fittings | Construction<br>in progress | ARO (i)  | Other                    | Total                    | Total       |
| At the beginning of the semester                        |                          |                                |   |           |                           |                             |          |                          |                          |             |
| Cost  | 112,737                  | 2,934,356                      | 6,026,737                                 | 106,430   | 25,707                    | 368,120                     | 135,395  | 326,648                  | 10,036,130               | 10,135,575  |
| Accumulated depreciation                                | (2,437)                  | (1,017,755)                    | (3,712,997)                               | (100,197) | (16,248)                  |                             | (74,425) | (281,093)                | (5,205,152)              | (5,065,764) |
| Net balance   | 110,300                  | 1,916,601                      | 2,313,740                                 | 6,233     | 9,459                     | 368,120                     | 60,970   | 45,555                   | 4,830,978                | 5,069,811   |
| Purchases   |                          | 74                             | 4,087                                     | 18        | 6                         | 68,839                      |          |                          | 73,024                   | 76,371      |
| Disposals   |                          |                                | (376)                                     | (7)       | (3)                       | (3)                         |          | (88)                     | (477)                    | (19,730)    |
| Depreciation  | (1,913)                  | (31,847)                       | (104,929)                                 | (1,190)   | (1,069)                   |                             | (4,030)  | (122)                    | (145,100)                | (168,918)   |
| Payment in kind   |                          |                                |   |           |                           |                             |          |                          |                          | (9,487)     |
| Reversal (provision) for impairment of fixed assets     |                          | 148                            | 1,625                                     | 8         | 10                        | 43                          |          | 92                       | 1,926                    | 21,980      |
| Participation of subsidiary excluded from consolidation |                          |                                |   |           |                           |                             |          |                          |                          | (215,090)   |
| Revision of cash flow                                   |                          |                                |   |           |                           |                             |          |                          |                          | 459         |
| Transfers   | 6,278                    | 6,109                          | 23,353                                    | 274       | 1,141                     | (32,715)                    |          | (6,426)                  | (1,986)                  | (2,999)     |
| At the end of the semester                              | 114,665                  | 1,891,085                      | 2,237,500                                 | 5,336     | 9,544                     | 404,284                     | 56,940   | 39,011                   | 4,758,365                | 4,752,397   |
| Cost  | 119,015                  | 2,938,481                      | 6,053,989                                 | 105,979   | 30,220                    | 404,284                     | 135,395  | 316,441                  | 10,103,804               | 10,019,927  |
| Accumulated depreciation                                | (4,350)                  | (1,047,396)                    | (3,816,489)                               | (100,643) | (20,676)                  |                             | (78,455) | (277,430)                | (5,345,439)              | (5,267,530) |
| Net balance at the end of the semester                  | 114,665                  | 1,891,085                      | 2,237,500                                 | 5,336     | 9,544                     | 404,284                     | 56,940   | 39,011                   | 4,758,365                | 4,752,397   |
| Annual average depreciation rate - %                    |                          | 2                              | 4   | 18        | 10                        |                             | 6        |                          |                          |             |

**(i) Asset Retirement Obligation**

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**(b) Construction in progress**

Construction in progress balance consisted mainly of the expansion and optimization projects of the Company's industrial units, as follows:

|  | 6/30/2018        |                                      |                | Consolidated<br>12/31/2017 |                                      |                |
|--|------------------|--------------------------------------|----------------|----------------------------|--------------------------------------|----------------|
|  | Gross<br>balance | Provision for<br>asset<br>impairment | Net balance    | Gross<br>balance           | Provision for<br>asset<br>impairment | Net<br>balance |
| Ferro Níquel Project                   | 569,605          | (569,605)                            |                | 569,605                    | (569,605)                            |                |
| Bauxita Rondon Project                 | 112,331          |                                      | 112,331        | 110,916                    |                                      | 110,916        |
| Furnace of calcination                 | 92,096           | (92,096)                             |                | 92,096                     | (92,096)                             |                |
| Pot Recovery                           | 95,293           | (441)                                | 94,852         | 74,984                     | (441)                                | 74,543         |
| Tijuco Alto Project                    | 52,374           | (52,374)                             |                | 52,374                     | (52,374)                             |                |
| Revitalization and adaptation of plant | 47,171           |                                      | 47,171         | 50,952                     |                                      | 50,952         |
| Alumina Factory Project                | 38,586           | (12,587)                             | 25,999         | 37,924                     | (12,587)                             | 25,337         |
| Modernization of Automation System     | 32,221           |                                      | 32,221         | 32,221                     |                                      | 32,221         |
| Downstream and casting projects        | 23,929           |                                      | 23,929         | 25,781                     |                                      | 25,781         |
| Pot Room Projects                      | 22,597           |                                      | 22,597         | 17,760                     |                                      | 17,760         |
| Other                                  | 70,281           | (25,097)                             | 45,184         | 55,750                     | (25,140)                             | 30,610         |
|  | <u>1,156,484</u> | <u>(752,200)</u>                     | <u>404,284</u> | <u>1,120,363</u>           | <u>(752,243)</u>                     | <u>368,120</u> |

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at June 30, 2018  
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15 Intangible assets

(a) Breakdown and changes

|   |          |                                  |           |                         |         | Parent company           |                          |
|---|----------|----------------------------------|-----------|-------------------------|---------|--------------------------|--------------------------|
|   |          |                                  |           |                         |         | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
|   | Goodwill | Rights over natural<br>resources | Softwares | Use of public<br>assets | Other   | Total                    | Total                    |
| At the beginning of the semester                    |          |                                  |           |                         |         |                          |                          |
| Cost  | 79,722   | 172,486                          | 25,253    | 281,829                 | 9,536   | 568,826                  | 639,493                  |
| Accumulated amortization                            |          | (36,953)                         | (17,312)  | (77,533)                | (1,899) | (133,697)                | (163,027)                |
| Net balance   | 79,722   | 135,533                          | 7,941     | 204,296                 | 7,637   | 435,129                  | 476,466                  |
| Addition  |          |                                  | 3         |                         |         | 3                        | 19                       |
| Amortization and depletion                          |          | (153)                            | (1,628)   | (5,400)                 | (4)     | (7,185)                  | (7,458)                  |
| Payment in kind                                     |          |                                  |           |                         |         |                          | (2,268)                  |
| Reversal (provision) for impairment of fixed assets |          |                                  | (14)      |                         |         | (14)                     | 4                        |
| Transfers   |          |                                  | 1,968     |                         | 17      | 1,985                    | 2,999                    |
| At the end of the semester                          | 79,722   | 135,380                          | 8,270     | 198,896                 | 7,650   | 429,918                  | 469,762                  |
| Cost  | 79,722   | 172,486                          | 27,206    | 281,829                 | 9,534   | 570,777                  | 596,437                  |
| Accumulated amortization                            |          | (37,106)                         | (18,936)  | (82,933)                | (1,884) | (140,859)                | (126,675)                |
| Net balance at the end of the semester              | 79,722   | 135,380                          | 8,270     | 198,896                 | 7,650   | 429,918                  | 469,762                  |
| Annual average amortization rate - %                |          | 1                                | 20        | 3                       |         |                          |                          |

  

|   |          |                                  |           |                         |          | Consolidated             |                          |
|---|----------|----------------------------------|-----------|-------------------------|----------|--------------------------|--------------------------|
|   |          |                                  |           |                         |          | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
|   | Goodwill | Rights over natural<br>resources | Softwares | Use of public<br>assets | Other    | Total                    | Total                    |
| At the beginning of the semester                        |          |                                  |           |                         |          |                          |                          |
| Cost  | 166,265  | 172,485                          | 25,486    | 303,774                 | 38,714   | 706,724                  | 811,161                  |
| Accumulated amortization                                |          | (36,953)                         | (17,535)  | (83,519)                | (27,630) | (165,637)                | (197,019)                |
| Net balance   | 166,265  | 135,532                          | 7,951     | 220,255                 | 11,084   | 541,087                  | 614,142                  |
| Addition  |          |                                  | 3         |                         |          | 3                        | 22                       |
| Amortization and depletion                              |          | (153)                            | (1,631)   | (5,837)                 | (6)      | (7,627)                  | (8,023)                  |
| Payment in kind   |          |                                  |           |                         |          |                          | (2,268)                  |
| Participation of subsidiary excluded from consolidation |          |                                  |           |                         |          |                          | (2,201)                  |
| Transfer of assets classified as held for sale          |          |                                  |           |                         |          |                          | (19,005)                 |
| Goodwill write-off                                      |          |                                  |           |                         |          |                          | (9,502)                  |
| Reversal (provision) for impairment of fixed assets     |          |                                  | (14)      |                         |          | (14)                     | 4                        |
| Transfers   |          | 1                                | 1,968     |                         | 17       | 1,986                    | 2,999                    |
| At the end of the semester                              | 166,265  | 135,380                          | 8,277     | 214,418                 | 11,095   | 535,435                  | 576,168                  |
| Cost  | 166,265  | 172,486                          | 27,439    | 303,774                 | 38,691   | 708,655                  | 738,063                  |
| Accumulated amortization                                |          | (37,106)                         | (19,162)  | (89,356)                | (27,596) | (173,220)                | (161,895)                |
| Net balance at the end of the semester                  | 166,265  | 135,380                          | 8,277     | 214,418                 | 11,095   | 535,435                  | 576,168                  |
| Annual average amortization rate - %                    |          | 1                                | 20        | 3                       |          |                          |                          |



**Companhia Brasileira de Alumínio**  
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**16 Borrowings**

**(a) Breakdown and fair value**

| Categories                             | Annual average charges (i)                     | Parent company |            |             |            |           |            |            |            |
|--|--|----------------|------------|-------------|------------|-----------|------------|------------|------------|
|  |  | Current        |            | Non-current |            | Total     |            | Fair value |            |
|  |  | 6/30/2018      | 12/31/2017 | 6/30/2018   | 12/31/2017 | 6/30/2018 | 12/31/2017 | 6/30/2018  | 12/31/2017 |
| <b>Local currency</b>                  |  |                |            |             |            |           |            |            |            |
| BNDES                                  | TJLP + 2,41% / 5,67% Fixed BRL / SELIC + 2,90% | 130,718        | 145,763    | 247,683     | 289,172    | 378,401   | 434,935    | 355,122    | 417,221    |
| FINAME                                 | 4,75% Fixed BRL                                | 1,018          | 1,312      | 3,996       | 5,155      | 5,014     | 6,467      | 4,368      | 5,828      |
| Development agencies                   | 10,0% Fixed BRL / TJLP + 0,57%                 | 16,429         | 14,098     | 57,724      | 58,450     | 74,153    | 72,548     | 71,138     | 71,359     |
| Other                                  |  |                |            | 599         | 598        | 599       | 598        | 584        | 598        |
|  |  | 148,165        | 161,173    | 310,002     | 353,375    | 458,167   | 514,548    | 431,212    | 495,006    |
| <b>Foreign currency</b>                |  |                |            |             |            |           |            |            |            |
| BNDES                                  | UMBNDES + 2,46%                                | 7,735          | 11,170     | 3,122       | 4,607      | 10,857    | 15,777     | 11,116     | 16,305     |
| Eurobonds - USD (ii)                   | 4,75% Fixed USD                                | 1,202          | 13,482     | 1,535,101   | 2,109,385  | 1,536,303 | 2,122,867  | 1,451,371  | 2,213,727  |
|  |  | 8,937          | 24,652     | 1,538,223   | 2,113,992  | 1,547,160 | 2,138,644  | 1,462,487  | 2,230,032  |
|  |  | 157,102        | 185,825    | 1,848,225   | 2,467,367  | 2,005,327 | 2,653,192  | 1,893,699  | 2,725,038  |
| Interest on borrowing                  |  | 4,743          | 17,318     |             |            |           |            |            |            |
| Current portion of long-term borrowing |  | 152,359        | 168,507    |             |            |           |            |            |            |
|  |  | 157,102        | 185,825    |             |            |           |            |            |            |

**Companhia Brasileira de Alumínio**  
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| Categories                             | Annual average charges (i)                     |                |                |                  |                  |                  |                  | Consolidated     |                  |
|--|--|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |  | Current        |                | Non-current      |                  | Total            |                  | Fair value       |                  |
|  |  | 6/30/2018      | 12/31/2017     | 6/30/2018        | 12/31/2017       | 6/30/2018        | 12/31/2017       | 6/30/2018        | 12/31/2017       |
| <b>Local currency</b>                  |  |                |                |                  |                  |                  |                  |                  |                  |
| BNDES                                  | TJLP + 2,42% / 5,67% Fixed BRL / SELIC + 2,90% | 132,338        | 152,222        | 247,683          | 289,172          | 380,021          | 441,394          | 356,707          | 423,739          |
| FINAME                                 | 4,75% Fixed BRL                                | 1,018          | 1,312          | 3,996            | 5,155            | 5,014            | 6,467            | 4,368            | 5,828            |
| Debentures                             | 107,50% CDI                                    | 33,297         | 33,318         | 121,552          | 121,502          | 154,849          | 154,820          | 153,219          | 155,224          |
| Development agencies                   | 10,0% Fixed BRL / TJLP + 0,57%                 | 16,429         | 14,098         | 57,724           | 58,450           | 74,153           | 72,548           | 71,138           | 71,359           |
| Other                                  |  |                |                | 598              | 598              | 598              | 598              | 584              | 598              |
|  |  | <u>183,082</u> | <u>200,950</u> | <u>431,553</u>   | <u>474,877</u>   | <u>614,635</u>   | <u>675,827</u>   | <u>586,016</u>   | <u>656,748</u>   |
| <b>Foreign currency</b>                |  |                |                |                  |                  |                  |                  |                  |                  |
| BNDES                                  | UMBNDDES + 2,53%                               | 9,093          | 14,184         | 3,122            | 4,607            | 12,215           | 18,791           | 12,525           | 19,338           |
| Eurobonds - USD (ii)                   | 4,75% Fixed USD                                | 1,202          | 13,482         | 1,535,102        | 2,109,385        | 1,536,304        | 2,122,867        | 1,451,371        | 2,213,727        |
|  |  | <u>10,295</u>  | <u>27,666</u>  | <u>1,538,224</u> | <u>2,113,992</u> | <u>1,548,519</u> | <u>2,141,658</u> | <u>1,463,896</u> | <u>2,233,065</u> |
|  |  | <u>193,377</u> | <u>228,616</u> | <u>1,969,777</u> | <u>2,588,869</u> | <u>2,163,154</u> | <u>2,817,485</u> | <u>2,049,912</u> | <u>2,889,813</u> |
| Interest on borrowing                  |  | 7,726          | 20,345         |                  |                  |                  |                  |                  |                  |
| Current portion of long-term borrowing |  | <u>185,651</u> | <u>208,271</u> |                  |                  |                  |                  |                  |                  |
|  |  | <u>193,377</u> | <u>228,616</u> |                  |                  |                  |                  |                  |                  |

- (i) The average annual charges are presented only for agreements that represent a large share of the total debt amount.  
(ii) Transfer of Eurobonds to VSA, through a capital reduction, as per note 1.1 (b).

|          |  |
|----------|--|
| BNDES    | Brazilian Economic and Social Development Bank.  |
| BRL      | Brazilian currency (Real).   |
| CDI      | Interbank Deposit Certificate.   |
| FINAME   | Financing of new machinery and equipment manufactured in Brazil through subsidized rates.  |
| SELIC    | Special System for Clearance and Custody.  |
| TJLP     | Long Term Interest Rate set by the National Monetary Council. Until December 2017, the TJLP was the basic cost of BNDES financing. As of January 2018, the Long Term Rate (TLP) became the main financial cost of BNDES financing. |
| UMBNDDES | Monetary unit of the BNDES reflecting the weighted basket of currencies of foreign currency debt obligations. At June 30, 2018, 99% of the basket comprised US Dollars.  |
| USD      | US Dollar.   |



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**(c) Changes**

|   | Parent company           |                          | Consolidated             |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| At the beginning of the semester                        | 2,653,192                | 2,820,301                | 2,817,485                | 2,950,525                |
| New borrowing   | 8,871                    | 9,923                    | 8,871                    | 9,923                    |
| Addition of borrowing fees, net of amortization         | 757                      | 678                      | 815                      | 686                      |
| Foreign exchange variation                              | 263,517                  | 32,281                   | 263,719                  | 32,308                   |
| Participation of subsidiary excluded from consolidation |                          | -                        |                          | (41,792)                 |
| Provision for interest                                  | 71,461                   | 87,774                   | 76,945                   | 94,241                   |
| Interest paid   | (85,110)                 | (83,183)                 | (90,626)                 | (89,313)                 |
| Repayment (i)   | (907,361)                | (166,914)                | (914,055)                | (192,285)                |
| At the end of the semester                              | <u>2,005,327</u>         | <u>2,700,860</u>         | <u>2,163,154</u>         | <u>2,764,293</u>         |

- (i) Transfer of Eurobonds maturing in 2021, in the amount of R\$ 836,341, to the parent company VSA, through capital reduction, as per Note 1.1 (b).

**(d) Breakdown by currency**

|                 | Parent company |                |                  |                  |                  |                  |
|-----------------|----------------|----------------|------------------|------------------|------------------|------------------|
|                 | Current        |                | Non-current      |                  | Total            |                  |
|                 | 6/30/2018      | 12/31/2017     | 6/30/2018        | 12/31/2017       | 6/30/2018        | 12/31/2017       |
| Real            | 148,165        | 161,173        | 310,002          | 353,375          | 458,167          | 514,548          |
| US Dollar       | 8,937          | 24,385         | 1,538,223        | 2,113,992        | 1,547,160        | 2,138,377        |
| Currency basket |                | 267            |                  |                  |                  | 267              |
|                 | <u>157,102</u> | <u>185,825</u> | <u>1,848,225</u> | <u>2,467,367</u> | <u>2,005,327</u> | <u>2,653,192</u> |

  

|                 | Consolidated   |                |                  |                  |                  |                  |
|-----------------|----------------|----------------|------------------|------------------|------------------|------------------|
|                 | Current        |                | Non-current      |                  | Total            |                  |
|                 | 6/30/2018      | 12/31/2017     | 6/30/2018        | 12/31/2017       | 6/30/2018        | 12/31/2017       |
| Real            | 183,082        | 200,950        | 431,553          | 474,877          | 614,635          | 675,827          |
| US Dollar       | 8,937          | 24,385         | 1,538,224        | 2,113,992        | 1,547,161        | 2,138,377        |
| Currency basket | 1,358          | 3,281          |                  |                  | 1,358            | 3,281            |
|                 | <u>193,377</u> | <u>228,616</u> | <u>1,969,777</u> | <u>2,588,869</u> | <u>2,163,154</u> | <u>2,817,485</u> |



**Notes to the condensed consolidated interim financial statements  
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**17 Current and deferred income tax and social contribution**

**(a) Reconciliation of income tax and social contribution expenses**

The current amounts are calculated based on the current rates levied on taxable income, adjusted upwards or downwards by the respective additions and exclusions.

The income tax and social contribution amounts presented in the statements of income for the years ending on June 30 are reconciled to their Brazilian standard rates as follows:

|  | Parent company           |                          | Consolidated             |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| Profit before income tax and social contribution               | 35,115                   | 173,835                  | 58,194                   | 211,142                  |
| Statutory rates  | 34%                      | 34%                      | 34%                      | 34%                      |
| IRPJ and CSLL at the statutory rates                           | (11,939)                 | (59,104)                 | (19,786)                 | (71,788)                 |
| Adjustments for the calculation of the effective IRPJ and CSLL |                          |                          |                          |                          |
| Equity in the results  | (2,678)                  | 24,943                   | (6,354)                  | 508                      |
| Non-recognition of deferred tax on tax losses                  | (66,706)                 | (168,137)                | (74,907)                 | (168,137)                |
| Other permanent deductions, net                                | (3,280)                  | (7,762)                  | (3,345)                  | (7,950)                  |
| Calculated IRPJ and CSLL                                       | (84,603)                 | (210,060)                | (104,392)                | (247,367)                |
| Current  |                          | 62,749                   | (19,967)                 | 25,374                   |
| Deferred   | (84,603)                 | (272,809)                | (84,425)                 | (272,741)                |
| IRPJ and CSLL in the statement of operations                   | (84,603)                 | (210,060)                | (104,392)                | (247,367)                |

**(b) Breakdown of deferred tax balances**

|  | Parent company |            | Consolidated |            |
|--|----------------|------------|--------------|------------|
|  | 6/30/2018      | 12/31/2017 | 6/30/2018    | 12/31/2017 |
| <b>Assets (Liabilities)</b>                              |                |            |              |            |
| Tax credits on income tax and social contribution losses | 347,488        | 354,413    | 347,488      | 354,413    |
| Temporary differences                                    |                |            |              |            |
| Foreign exchange variation                               | 233,907        | 272,864    | 233,907      | 272,864    |
| Provisions (impairment and others)                       | 698,110        | 702,735    | 698,110      | 702,735    |
| Use of public assets                                     | 72,393         | 73,333     | 72,393       | 73,333     |
| Tax, civil, labor and environmental provisions           | 109,384        | 134,255    | 115,485      | 140,179    |
| Asset retirement obligation                              | 54,192         | 50,540     | 54,192       | 50,540     |
| Provision for inventory losses                           | 22,203         | 20,794     | 22,203       | 20,794     |
| Environmental liabilities                                | 18,610         | 20,249     | 18,610       | 20,249     |
| Provision for profit sharing                             | 10,153         | 32,278     | 10,153       | 32,278     |
| Provision for impairment of trade receivables            | 11,936         | 10,716     | 11,936       | 10,716     |
| Capitalized interest                                     | (22,409)       | (28,181)   | (22,409)     | (28,181)   |
| Adjustment to present value                              | (16,257)       | (16,665)   | (16,257)     | (16,665)   |
| Deferred gains (loss) on derivative agreements           | 52,024         | 52,782     | 52,024       | 52,782     |
| Financial instruments - firm commitment                  | (45,223)       | (61,338)   | (45,223)     | (61,338)   |
| Adjusted useful lives of PP&E (depreciation)             | (695,322)      | (685,232)  | (695,322)    | (685,232)  |
| Other  | (26,983)       | (21,752)   | (26,982)     | (21,752)   |
| Net (assets - liabilities)                               | 824,206        | 911,791    | 830,308      | 917,715    |

**Notes to the condensed consolidated interim financial statements  
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**(c) Effects of deferred income tax and social contribution on profit for the year and comprehensive income**

|   | Parent company           |                          | Consolidated             |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| At the beginning of the semester  | 911,791                  | 968,286                  | 917,715                  | 973,309                  |
| Effects on the results  | (84,603)                 | (272,809)                | (84,425)                 | (272,741)                |
| Effects of other components of comprehensive income - <i>Hedge accounting</i> | (2,982)                  | 33,091                   | (2,982)                  | 33,091                   |
| Other   |                          |                          |                          | (2,386)                  |
| At the end of the semester  | <u>824,206</u>           | <u>728,568</u>           | <u>830,308</u>           | <u>731,273</u>           |

**18 Provision**

**Breakdown and changes**

|   | Parent company           |                |              |               |                                |                |                          |
|---|--------------------------|----------------|--------------|---------------|--------------------------------|----------------|--------------------------|
|   | 1/1/2018 to<br>6/30/2018 |                |              |               |                                |                | 1/1/2017 to<br>6/30/2017 |
|   | ARO (i)                  | Tax            | Labor        | Civil         | Legal process<br>Environmental | Total          | Total                    |
| At the beginning of the semester          | 246,931                  | 164,343        | (2,431)      | 49,801        | 893                            | 459,537        | 613,981                  |
| Additions                                 |                          | 1,641          | 23,303       | 58            | 334                            | 25,336         | 53,625                   |
| Reversals (ii)                            |                          |                | (14,292)     | (103,899)     |                                | (118,191)      | (54,486)                 |
| Judicial deposits, net of write-offs (ii) |                          | 1,268          | (9,178)      | 100,522       | (341)                          | 92,271         | (140,584)                |
| Settlement with cash                      | (2,890)                  | (1,492)        | (9,578)      | (483)         |                                | (14,443)       | (24,477)                 |
| Monetary adjustments                      |                          | 3,933          | 18,339       | 3,395         | 29                             | 25,696         | 18,983                   |
| Adjustment to present value               | 5,611                    |                |              |               |                                | 5,611          | 8,462                    |
| Reclassification to related liability     |                          |                |              |               |                                |                | (17,536)                 |
| Revision of cash flow                     |                          |                |              |               |                                |                | 459                      |
| At the end of the semester                | <u>249,652</u>           | <u>169,693</u> | <u>6,163</u> | <u>49,394</u> | <u>915</u>                     | <u>475,817</u> | <u>458,427</u>           |

  

|                                       | Consolidated             |                |              |               |                                |                |                          |
|---------------------------------------|--------------------------|----------------|--------------|---------------|--------------------------------|----------------|--------------------------|
|                                       | 1/1/2018 to<br>6/30/2018 |                |              |               |                                |                | 1/1/2017 to<br>6/30/2017 |
|                                       | ARO (i)                  | Tax            | Labor        | Civil         | Legal process<br>Environmental | Total          | Total                    |
| At the beginning of the semester      | 246,931                  | 164,343        | (2,431)      | 50,799        | 893                            | 460,535        | 614,069                  |
| Additions                             |                          | 1,642          | 23,303       | 58            | 334                            | 25,337         | 53,719                   |
| Reversals                             |                          |                | (14,292)     | (104,164)     |                                | (118,456)      | (54,486)                 |
| Judicial deposits, net of write-offs  |                          | 2,351          | (9,178)      | 100,522       | (341)                          | 93,354         | (140,584)                |
| Settlement with cash                  | (2,890)                  | (1,492)        | (9,578)      | (483)         |                                | (14,443)       | (24,477)                 |
| Monetary adjustments                  |                          | 3,933          | 18,339       | 3,395         | 29                             | 25,696         | 18,983                   |
| Adjustment to present value           | 5,611                    |                |              |               |                                | 5,611          | 8,462                    |
| Reclassification to related liability |                          |                |              |               |                                |                | (16,618)                 |
| Revision of cash flow                 |                          |                |              |               |                                |                | 459                      |
| At the end of the semester            | <u>249,652</u>           | <u>170,777</u> | <u>6,163</u> | <u>50,127</u> | <u>915</u>                     | <u>477,634</u> | <u>459,527</u>           |

**(i) Asset Retirement Obligation**

(ii) The civil court claims value variation refers substantially to a claim that Parties discussed their contractual conditions. This claim was deemed groundless, but the respective decision was reversed by the appeal court, due recent precedent that has supported CBA's petition. The loss classification was changed from "Probable" to "Remote", resulting in a civil judicial provision reversal of R\$ 103,545, of which R\$ 65,726 refers to the claim's principal amount and R\$ 37,819 refers to its monetary adjustment. The claim is in progress, and as of June 30, 2018, CBA has judicial deposits amounting to R\$ 104,648.



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**19 Equity**

**Share capital**

This is represented exclusively by common shares that are classified in shareholders' equity

On April 30, 2018, was approved a capital reduction of R\$ 687,204, with the cancellation of 189,835,324 common shares, as described in Note 1.1 (b).

At June 30, 2018, the Company's fully subscribed and paid-up capital of R \$ 4,950,095 (December 31, 2017 - R \$ 5,637,299), counted with 1,420,294,211 (December 31, 2017 - 1,610, 129,535) of registered common shares.

**20 Revenue**

**(a) Reconciliation of revenue**

|                                     | Parent company           |                          | Consolidated             |                          |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                     | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| Gross sales revenue                 |                          |                          |                          |                          |
| Domestic sales                      | 2,110,285                | 1,671,030                | 2,162,041                | 1,820,049                |
| Foreign sales                       | 272,638                  | 200,081                  | 272,638                  | 200,081                  |
| Electricity sales                   | 540,671                  | 651,646                  | 616,733                  | 746,629                  |
|                                     | <u>2,923,594</u>         | <u>2,522,757</u>         | <u>3,051,412</u>         | <u>2,766,759</u>         |
| Taxes on sales and other deductions | (455,813)                | (385,878)                | (493,349)                | (417,031)                |
| Net revenue                         | <u>2,467,781</u>         | <u>2,136,879</u>         | <u>2,558,063</u>         | <u>2,349,728</u>         |

**21 Expenses by nature**

|  |   |               |                               | 1/1/2018 a<br>30/6/2018 | Consolidated<br>1/1/2017 a<br>30/6/2017 |
|--|---|---------------|-------------------------------|-------------------------|---|
|  | Cost of products<br>sold and services<br>rendered | Selling       | General and<br>administrative | Total                   | Total                                   |
| Raw materials, inputs and consumables    | 1,395,739   | 52            | 839                           | 1,396,630               | 1,297,426                               |
| Employee benefit expenses                | 249,940   | 10,509        | 41,499                        | 301,948                 | 297,570                                 |
| Depreciation, amortization and depletion | 150,640   | 122           | 1,965                         | 152,727                 | 176,941                                 |
| Outsourced services                      | 78,545  | 567           | 25,536                        | 104,648                 | 81,342                                  |
| Transportation expenses                  | 41,058  | 64            | 24                            | 41,146                  | 38,047                                  |
| Other expenses                           | 157,538   | 5,921         | 17,362                        | 180,821                 | 199,525                                 |
|  | <u>2,073,460</u>                                  | <u>17,235</u> | <u>87,225</u>                 | <u>2,177,920</u>        | <u>2,090,851</u>                        |

- (i) In the Company's accumulated balance as of June 30, 2018, the Company recorded the amount of R\$ 14,970 (June, 30, 2017 – R\$ 12,805) related to the idle production costs of Niquelândia and São Miguel Paulista plants located in Niquelândia (State of Goiás) and São Paulo (State of São Paulo), respectively.

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**22 Employee profit sharing**

|                      | Parent company           |                          | Consolidated             |                          |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                      | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| Salaries and bonuses | 158,670                  | 158,927                  | 162,328                  | 162,907                  |
| Social charges       | 95,182                   | 93,947                   | 97,004                   | 95,859                   |
| Social benefits      | 41,748                   | 37,851                   | 42,616                   | 38,804                   |
|                      | <u>295,600</u>           | <u>290,725</u>           | <u>301,948</u>           | <u>297,570</u>           |

**23 Other operating income, net**

|  | Parent company           |                          | Consolidated             |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| ACR - Realization financial instruments – firm commitment (i)                      | (57,317)                 | (59,874)                 | (57,317)                 | (59,874)                 |
| ACR - Increase (decrease) of volume of financial instrument - firm commitment (ii) | 3,122                    | (99,283)                 | 3,122                    | (99,283)                 |
| ACL - Realization financial instruments – firm commitment (i)                      | (4,651)                  | (4,989)                  | (4,651)                  | (4,989)                  |
| ACL - Recognition financial instruments – firm commitment (iii)                    | 11,451                   | (4,692)                  | 11,451                   | (4,692)                  |
| Reversal for asset impairment (note 14 and 15)                                     | 1,912                    | 21,984                   | 1,912                    | 21,984                   |
| Gain with investment ( note 1.1 (a))   | 111,070                  | 168,011                  | 111,070                  | 168,011                  |
| Provision for obsolete and slow-moving inventories (note 10)                       | (4,382)                  | (406)                    | (4,382)                  | (406)                    |
| Net gain (loss) on sale of property, plant and equipment                           | 1,838                    | (1,358)                  | 1,838                    | (1,358)                  |
| Judicial provisions (reversals) (iv)   | 48,925                   | 861                      | 48,925                   | 767                      |
| Expenditures with non-activatable projects   | (27,599)                 | (3,240)                  | (27,599)                 | (3,240)                  |
| Other expenses, net  | 461                      | 10,571                   | (2,512)                  | 10,648                   |
|  | <u>84,830</u>            | <u>27,585</u>            | <u>81,857</u>            | <u>27,568</u>            |

- (i) The realization of the financial instrument is recognized against revenue from energy sales, according to the physical delivery of energy.
- (ii) The reduction in volume due to exit of distributors from the regulated trade market, which migrated to the free trade market.
- (iii) The Company purchased energy according to its consumption through firm commitments. These agreements resulted in gains due to the surplus of energy, which were recognized at their fair value.
- (iv) Refers substantially to the favorable decision in a civil lawsuit that discussed contractual conditions, as described in Note 18 (ii).

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**24 Finance results, net**

|  | Parent company           |                          | Consolidated             |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 | 1/1/2018 to<br>6/30/2018 | 1/1/2017 to<br>6/30/2017 |
| Finance income   |                          |                          |                          |                          |
| Gains on financial investments                                       | 25,000                   | 43,555                   | 26,991                   | 56,003                   |
| Monetary adjustment to assets  | 6,801                    | 24,222                   | 7,268                    | 24,246                   |
| Interest on transactions with related parties (Note 12)              | 2,841                    |                          |                          |                          |
| Interest and monetary adjustment - Use of public assets              |                          | 12,746                   |                          | 12,746                   |
| Interest on taxes and financial assets                               | 4,756                    | 19,198                   | 4,840                    | 19,252                   |
| Reversal of monetary adjustment of provisions                        | 42,804                   |                          | 42,804                   |                          |
| Other finance income, net  | 31                       | 1,119                    | 84                       | 2,088                    |
|  | <u>82,233</u>            | <u>100,840</u>           | <u>81,987</u>            | <u>114,335</u>           |
| Finance cost   |                          |                          |                          |                          |
| Interest on borrowing  | (64,152)                 | (87,774)                 | (69,656)                 | (94,267)                 |
| Interest on prepayment of receivables with related parties (Note 12) | (45,312)                 | (45,312)                 | (45,312)                 | (45,312)                 |
| Monetary adjustment of provisions                                    | (30,563)                 | (18,983)                 | (30,563)                 | (18,983)                 |
| Adjustment to present value CPC 12                                   | (13,027)                 | (16,078)                 | (13,027)                 | (16,078)                 |
| Interest and monetary adjustment - Use of public assets              | (35,394)                 |                          | (38,958)                 | (2,137)                  |
| New borrowing expenses   | (2,217)                  | (2,068)                  | (2,217)                  | (2,068)                  |
| Interest on transactions with related parties (Note 12)              | (4,789)                  | (7,447)                  | (4,789)                  | (7,447)                  |
| Income tax on remittances of interest abroad                         | (9,646)                  | (8,722)                  | (9,646)                  | (8,722)                  |
| PIS and COFINS on financial results                                  | (2,056)                  | (3,139)                  | (2,109)                  | (3,142)                  |
| Other finance costs, net   | (4,040)                  | (6,407)                  | (2,188)                  | (7,934)                  |
|  | <u>(211,196)</u>         | <u>(195,930)</u>         | <u>(218,465)</u>         | <u>(206,090)</u>         |
| Derivative financial instruments                                     |                          |                          |                          |                          |
| Income   | 212                      | 158                      | 212                      | 158                      |
| Expenses   |                          | (173)                    |                          | (173)                    |
|  | <u>212</u>               | <u>(15)</u>              | <u>212</u>               | <u>(15)</u>              |
| Foreign exchange and monetary variations, net                        | (248,620)                | 14,979                   | (248,853)                | 14,974                   |
|  | <u>(377,371)</u>         | <u>(80,126)</u>          | <u>(385,119)</u>         | <u>(76,796)</u>          |

- (i) In the second quarter of 2017, the Company recognized a monetary restatement revenue of BP - Use of Public Property, as a result of the index used for updating (IGP-M "General Market Price Index") to be negative.
- (ii) Refers substantially to the favorable decision in a civil lawsuit that discusses contractual conditions, as described in Note 18 (ii).

**25 Insurance**

The Company contracts different types of insurance policies, such as operational risk insurance and civil liability, providing protection related to possible losses with interruption in production, damages to third parties and assets. The Company and its subsidiaries maintain civil liability insurance for their operations in Brazil, whose coverage limits and conditions are considered by Management to be appropriate to the inherent risks. In addition to the previous coverage limits, the Company maintains in force the civil liability policies for executives and directors in amounts considered adequate by Management.

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**26 Supplementary information**

**Capital management**

The Company's goals in managing its capital are to safeguard the ability to provide, consistently, shareholder returns and benefits to other stakeholders and maintain an optimal capital structure.

This supplementary information is not defined by Brazilian and international accounting standards, however, the Company uses adjusted EBITDA as an indicator of its operational performance. Adjusted EBITDA is calculated from net income plus/minus financial income, plus income and social contribution taxes, plus depreciation, amortization and depletion, less income from equity investments, plus dividends received from investees and less exceptional non-cash items ( non-cash items considered by Management to be exceptional are excluded from the adjusted EBITDA measurement), in accordance with CVM Instruction 527 of October 4, 2012.

|                                  | Consolidated     |                      |
|----------------------------------|------------------|----------------------|
|                                  | At June 30, 2018 | At December 31, 2017 |
| Borrowings                       | 2,163,154        | 2,817,485            |
| Cash and cash equivalents        | (48,153)         | (18,854)             |
| Derivative financial instruments | 153,012          | 155,241              |
| Financial investments            | (780,226)        | (974,719)            |
| Net debt - (A)                   | <b>1,487,787</b> | <b>1,979,153</b>     |

|                                    | Consolidado            |                        |                           |                           |
|------------------------------------|------------------------|------------------------|---------------------------|---------------------------|
|                                    | Six-month period ended | Six-month period ended | Twelve-month period ended | Twelve-month period ended |
|                                    | At June 30, 2018       | At June 30, 2017       | At June 30, 2018          | At December 31, 2017      |
| Profit (loss) for the period       | (46,198)               | (36,225)               | 507,791                   | 517,764                   |
| Income tax and social contribution | 104,392                | 247,367                | (157,351)                 | (14,376)                  |
| Income before taxes                | <b>58,194</b>          | <b>211,142</b>         | <b>350,440</b>            | <b>503,388</b>            |
| Equity in the results              | 18,687                 | (1,493)                | 7,800                     | (12,380)                  |
| Depreciation and amortization      | 152,727                | 176,941                | 293,983                   | 318,197                   |
| Finance income and costs           | 385,119                | 76,796                 | 518,239                   | 209,916                   |
| EBITDA                             | <b>614,727</b>         | <b>463,386</b>         | <b>1,170,462</b>          | <b>1,019,121</b>          |
| Exceptional items                  |                        |                        |                           |                           |
| Net gain with investment           | (111,070)              | (168,011)              | (532,411)                 | (589,352)                 |
| Dividends received                 |                        | 24,616                 | 26,384                    | 51,000                    |
| Reversal for asset impairment      | (1,912)                | (21,984)               | (11,700)                  | (31,772)                  |
| Adjusted EBITDA (B)                | <b>501,745</b>         | <b>298,007</b>         | <b>652,735</b>            | <b>448,997</b>            |
| Financial leverage ratio - (A/B)   |                        |                        | <b>2.28</b>               | <b>4.41</b>               |