



Companhia Brasileira de Alumínio

Condensed parent company and consolidated interim financial statements at and for the six-month period ended June 30, 2019 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

We have reviewed the accompanying condensed interim balance sheet of Companhia Brasileira de Alumínio (the "Company") as at June 30, 2019 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 consolidated condensed interim balance sheet of Companhia Brasileira de Alumínio and its subsidiaries ("Consolidated") as at June 30, 2019 and the related consolidated condensed statements of income and comprehensive income for the quarter and six-month period then ended, and the consolidated condensed statements of changes in equity and cash flows for the six-month period 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, of the Brazilian Accounting Pronouncements Committee (CPC), and 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

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 in 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 with 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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements referred to above are not prepared, in all material respects, in accordance with CPC 21 and IAS 34.

Curitiba, July 30, 2019


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Adriano Machado
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Condensed interim balance sheet
In thousands of Reais

Assets	Note	Parent company		Consolidated		Liabilities and equity	Note	Parent company		Consolidated	
		6/30/2019	12/31/2018	6/30/2019	12/31/2018			6/30/2019	12/31/2018	6/30/2019	12/31/2018
Current assets						Current liabilities					
Cash and cash equivalents	7	59,532	40,641	59,725	41,705	Borrowing	17	95,010	85,459	127,680	118,095
Financial investments	8	504,024	454,858	580,652	528,264	Leases	16 (b)	10,396		11,202	
Derivative financial instruments	5.3	110,281	168,312	110,281	168,312	Derivative financial instruments	5.3	14,580	57,786	14,580	57,786
Trade receivables	9	566,636	495,072	598,841	489,708	Trade payables		438,350	400,978	423,475	390,816
Inventory	10	873,312	810,240	896,423	827,467	Supplier finance program payable		387,101	256,645	387,101	256,645
Taxes recoverable	11	455,648	350,445	470,784	357,018	Salaries and social charges		100,637	116,903	102,691	118,724
Dividends receivable			1,401		416	Taxes payable		8,149	9,384	32,475	32,336
Financial instruments – firm commitment	12	44,953	116,174	44,953	116,174	Customer advances		39,952	29,021	40,073	29,049
Other assets		46,203	47,525	50,974	52,354	Dividends payable	12	41,114	10,338	67,400	12,652
						Use of public assets		39,241	39,148	42,340	44,156
		2,660,589	2,484,668	2,812,633	2,581,418	Related parties	12	147,016	223,521	146,865	223,369
						Other liabilities		5,326	31,117	23,078	48,837
								1,326,872	1,260,300	1,418,960	1,332,465
Non-current assets						Non-current liabilities					
Long-term receivables						Borrowing					
Financial investments	8	64	64	2,426	2,394	Leases	16 (b)	8,312		9,610	
Derivative financial instruments	5.3	383,779		383,779		Derivative financial instruments	5.3	477,446		477,446	
Taxes recoverable	11	639,015	656,166	639,029	656,187	Related parties	12	9,882	13,287	9,882	13,287
Deferred income tax and social contribution	18	660,516	771,755	666,015	781,710	Provisions	19	491,133	473,684	493,032	475,387
Related parties	12	22,482	531	22,479	529	Use of public assets		528,753	512,214	577,912	559,432
Judicial deposits	19	135,898	128,057	136,136	128,107	Financial instruments – firm commitment	12	49,159	82,284	49,159	82,284
Other assets		18,248	18,187	20,126	21,827	Other liabilities		48,154	50,037	52,407	53,499
		1,860,002	1,574,760	1,869,990	1,590,754			3,505,845	2,981,103	3,653,687	3,124,661
Investments	13	561,705	551,234	201,520	196,879	Total liabilities					
Property, plant and equipment	14	4,200,654	4,299,218	4,721,291	4,833,590			4,832,717	4,241,403	5,072,647	4,457,126
Intangible assets	15	396,317	395,939	500,961	501,014	Equity					
Right-of-use	16 (a)	17,854		19,878		Share capital		4,950,095	4,950,095	4,950,095	4,950,095
		7,036,532	6,821,151	7,313,640	7,122,237	Profit reserve		6,152	36,928	6,152	36,928
						Accumulated losses		(124,330)		(124,330)	
						Carrying value adjustments		32,487	77,393	32,487	77,393
						Total equity attributable to owners of the parent		4,864,404	5,064,416	4,864,404	5,064,416
						Non-controlling interests					
										189,222	182,113
						Total equity					
								4,864,404	5,064,416	5,053,626	5,246,529
Total assets		9,697,121	9,305,819	10,126,273	9,703,655	Total liabilities and equity					
								9,697,121	9,305,819	10,126,273	9,703,655

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

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

	Note	Parent company		Consolidated	
		1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Net revenue from goods sold and services rendered	21	2,661,823	2,467,781	2,693,033	2,482,083
Cost of products sold and services rendered	22	(2,343,015)	(2,031,948)	(2,295,960)	(1,997,480)
Gross profit		318,808	435,833	397,073	484,603
Operating income (expenses)					
Selling	22	(21,326)	(16,020)	(21,654)	(17,235)
General and administrative	22	(97,585)	(84,280)	(101,218)	(87,225)
Other operating income (expenses), net	24	8,730	84,830	9,303	81,857
		(110,181)	(15,470)	(113,569)	(22,603)
Operating profit before equity interest and finance result		208,627	420,363	283,504	462,000
Results from equity interest					
Equity in the results	13	33,574	(7,877)	4,641	(18,687)
		33,574	(7,877)	4,641	(18,687)
Financial results	25				
Finance income		93,076	82,445	95,983	82,199
Finance costs		(313,510)	(211,196)	(321,177)	(218,465)
Foreign exchange variations, net		(12,047)	(248,620)	(11,962)	(248,853)
		(232,481)	(377,371)	(237,156)	(385,119)
Profit before income tax and social contribution		9,720	35,115	50,989	58,194
Income tax and social contribution	18 (a)				
Current				(23,509)	(19,967)
Deferred		(134,050)	(84,603)	(137,974)	(84,425)
Loss for the six-month period		(124,330)	(49,488)	(110,494)	(46,198)
Loss for the six-month period attributable to the owners of the Company		(124,330)	(49,488)	(124,330)	(49,488)
Profit attributable to non-controlling interests				13,836	3,290
Loss for the six-month period		(124,330)	(49,488)	(110,494)	(46,198)
Weighted average number of shares - thousand		1,420,294	1,545,103	1,420,294	1,545,103
Basic and diluted losses per share (in reais)		(0.09)	(0.03)	(0.09)	(0.03)

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

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

	Parent company		Consolidated	
	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018
Net revenue from goods sold and services rendered	1,345,363	1,307,767	1,365,954	1,316,995
Cost of goods sold and services rendered	(1,189,018)	(1,068,446)	(1,176,679)	(1,050,942)
Gross profit	156,345	239,321	189,275	266,053
Operating income (expenses)				
Selling	(7,995)	(6,315)	(8,155)	(7,155)
General and administrative	(54,160)	(41,540)	(54,456)	(42,943)
Other operating income (expenses), net	23,563	81,916	24,038	80,565
	(38,592)	34,061	(38,573)	30,467
Operating profit before equity interest and financial results	117,753	273,382	150,702	296,520
Results from equity interest				
Equity in the results	19,426	(13,183)	4,992	(19,990)
	19,426	(13,183)	4,992	(19,990)
Financial results				
Finance income	81,478	23,860	83,039	22,355
Finance costs	(233,364)	(107,958)	(238,441)	(110,009)
Foreign exchange variations, net	228	(238,745)	313	(238,979)
	(151,658)	(322,843)	(155,089)	(326,633)
Profit (loss) before income tax and social contribution	(14,479)	(62,644)	605	(50,103)
Income tax and social contribution				
Current			(11,280)	(8,508)
Deferred	(129,010)	(51,472)	(129,370)	(51,387)
Loss for the quarter	(143,489)	(114,116)	(140,045)	(109,998)
Loss attributable to the owners of the Company	(143,489)	(114,116)	(143,489)	(114,116)
Profit attributable to non-controlling interests			3,444	4,118
Loss for the quarter	(143,489)	(114,116)	(140,045)	(109,998)
Weighted average number of shares - thousand	1,420,294	1,480,791	1,610,129	1,480,791
Basic and diluted loss per share (in reais)	(0.10)	(0.08)	(0.09)	(0.08)

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

Condensed interim statement of comprehensive income
Periods ended June 30
In thousands of Reais

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Loss for the six-month period	(124,330)	(49,488)	(110,494)	(46,198)
Other components of comprehensive income to be subsequently reclassified to the statement of income				
Operating hedge accounting, net of tax effects	(44,906)	5,763	(44,906)	5,763
	(44,906)	5,763	(44,906)	5,763
Total comprehensive income (loss) for the six-month period	(169,236)	(43,725)	(155,400)	(40,435)
Comprehensive income (loss) attributable to the shareholders				
Comprehensive income (loss) attributable to the owners of the parent			(169,236)	(43,725)
Comprehensive income (loss) attributable to non-controlling interests			13,836	3,290
			(155,400)	(40,435)

	Parent company		Consolidated	
	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018	4/1/2019 to 6/30/2019	4/1/2018 to 6/30/2018
Loss for the quarter	(143,489)	(114,116)	(140,045)	(109,998)
Other components of comprehensive income to be subsequently reclassified to the statement of income				
Operating hedge accounting, net of tax effects	(11,575)	(104,573)	(11,575)	(104,573)
	(11,575)	(104,573)	(11,575)	(104,573)
Total comprehensive income (loss) for the quarter	(155,064)	(218,689)	(151,620)	(214,571)
Comprehensive income (loss) attributable to the shareholders				
Comprehensive income (loss) attributable to the owners of the parent			(155,064)	(218,689)
Comprehensive income (loss) attributable to non-controlling interests			3,444	4,118
			(151,620)	(214,571)

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

Condensed interim statement of changes in equity
Six-month periods ended June 30
In thousands of Reais

	Attributable to the owners of the parent						Non-controlling interests	Total equity
	Share capital	Profit reserves			Carrying value adjustments	Total		
		Legal	Retention	Accumulated deficit				
at January 1, 2018	5,637,299	518	4,256		(94,468)	5,547,605	113,055	5,660,660
Initial adoption of IFRS 9				(792)		(792)		(792)
At January 1, 2018 after the impacts of the adoption of IFRS 9	5,637,299	518	4,256	(792)	(94,468)	5,546,813	113,055	5,659,868
Total comprehensive income (loss) for the six-month period								
Profit (loss) for the six-month 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)
Transactions with shareholders								
Capital reduction	(687,204)					(687,204)		(687,204)
Dividends							(47)	(47)
Sale of subsidiary's equity interest (Note 1.1 (a))							60,430	60,430
	(687,204)					(687,204)	60,383	(626,821)
At June 30, 2018	4,950,095	518	4,256	(50,280)	(88,705)	4,815,884	176,728	4,992,612
At January 1, 2019	4,950,095	2,678	34,250		77,393	5,064,416	182,113	5,246,529
Total comprehensive income (loss) for the six-month period								
Loss for the six-month period				(124,330)		(124,330)	13,836	(110,494)
Other comprehensive income					(44,906)	(44,906)		(44,906)
				(124,330)	(44,906)	(169,236)	13,836	(155,400)
Transactions with shareholders								
Dividends				(30,776)		(30,776)	(6,727)	(37,503)
				(30,776)		(30,776)	(6,727)	(37,503)
At June 30, 2019	4,950,095	2,678	3,474	(124,330)	32,487	4,864,404	189,222	5,053,626

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

Companhia Brasileira de Alumínio

Condensed interim statement of cash flows Six-month periods ended June 30 In thousands of Reais



	Note	Parent company		Consolidated	
		1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Cash flow from operating activities					
Profit before income tax and social contribution		9,720	35,115	50,989	58,194
Adjustments of items that do not represent changes in cash and cash equivalents					
Interest and monetary and foreign exchange variations		52,939	390,177	76,567	394,839
Equity in the results	13	(33,574)	7,877	(4,641)	18,687
Depreciation, amortization and depletion	14, 15 and 16 (a)	222,343	137,062	238,640	152,727
ACR - Realization of financial instrument – firm commitment	24	53,185	57,317	53,185	57,317
ACL - Realization of financial instrument - firm commitment	24	8,792	(3,122)	8,792	(3,122)
ACL - Recognition of financial instrument – firm commitment	24	(28,219)	4,651	(28,219)	4,651
ACR - Decrease in financial instrument volume – firm commitment	24	4,339	(11,451)	4,339	(11,451)
Net gain (loss) on sale of property, plant and equipment	24	22,627	(1,838)	22,627	(1,838)
Reversal of provision for impairment of assets	24	(9,550)	(1,912)	(9,550)	(1,912)
Investment gain	24		(111,070)		(111,070)
Recognitions (reversals) of provisions, net	9, 10 and 19	(65,961)	(91,938)	(64,106)	(92,994)
		<u>236,641</u>	<u>410,868</u>	<u>348,623</u>	<u>464,028</u>
Decrease (increase) in assets					
Financial investments		(34,784)	245,460	(35,760)	221,484
Trade receivables		(76,433)	(69,586)	(14,204)	(63,560)
Inventory		(63,093)	(115,133)	(68,977)	(112,938)
Taxes recoverable		(88,052)	70,467	(96,608)	65,865
Other receivables		85,274	(5,588)	85,980	(5,665)
Increase (decrease) in liabilities					
Trade payables		37,372	110,673	32,659	141,381
Supplier finance program payable		130,456	(10,371)	130,456	(10,371)
Salaries and social charges		(16,266)	(37,303)	(16,033)	(37,473)
Taxes payable		(1,235)	6,061	3,688	8,788
Use of public assets		7,191	7,416	7,223	7,652
Derivative financial instruments		40,453	6,503	40,453	6,503
Other liabilities		(34,420)	(65,347)	(17,264)	(67,877)
		<u>223,104</u>	<u>554,120</u>	<u>300,236</u>	<u>617,817</u>
Cash from operations		<u>223,104</u>	<u>554,120</u>	<u>300,236</u>	<u>617,817</u>
Interest paid on borrowing and use of public assets		(47,163)	(86,291)	(51,157)	(91,902)
Income tax and social contribution paid				(27,058)	(27,820)
Net cash provided by operating activities		<u>175,941</u>	<u>467,829</u>	<u>222,021</u>	<u>498,095</u>
Cash flow from investment activities					
Purchase of property, plant and equipment and intangible assets	14, 15 and 16 (a)	(117,118)	(72,171)	(118,912)	(73,027)
Capital increase in investees	13 (b)	(260)	(5,672)		(5,312)
Proceeds from sale of property, plant and equipment		(12,013)	2,315	(12,013)	2,315
Related parties			142	(21,950)	
Dividends received		24,764	28,563	416	5,311
		<u>(104,627)</u>	<u>(46,823)</u>	<u>(152,459)</u>	<u>(70,713)</u>
Net cash used in investment activities		<u>(104,627)</u>	<u>(46,823)</u>	<u>(152,459)</u>	<u>(70,713)</u>
Cash flow from financing activities					
Repayment of borrowings	17 (g) (i)	1,084,880	8,871	1,084,880	8,871
Borrowing			(205,983)		(205,983)
Lease installments paid		(8,274)		(8,400)	
Dividends paid			(12,717)	1,006	(12,764)
Repayments of borrowings	17 (c)	(1,049,119)	(71,020)	(1,049,119)	(77,714)
Related parties		(79,910)	(110,239)	(79,909)	(110,493)
		<u>(52,423)</u>	<u>(391,088)</u>	<u>(51,542)</u>	<u>(398,083)</u>
Net cash used in financing activities		<u>(52,423)</u>	<u>(391,088)</u>	<u>(51,542)</u>	<u>(398,083)</u>
Increase in cash and cash equivalents		18,891	29,918	18,020	29,299
Cash and cash equivalents at the beginning of the six-month period		40,641	18,191	41,705	18,854
Cash and cash equivalents at the end of the six-month period		<u>59,532</u>	<u>48,109</u>	<u>59,725</u>	<u>48,153</u>
Non-cash transactions					
Capital reduction			(481,221)		(481,221)

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

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019 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 located in São Paulo, State of São Paulo. It mainly extracts and processes bauxite ore in Brazil and produces and sells primary and aluminum products in the Brazilian and foreign markets, through a wide range of products, such as ingots, billets, sheets, plates, foils and extruded profiles. The Company also has control of nickel and electrolytic cobalt operations and, through Votener - Votorantim Comercializadora de Energia, sells its surplus of electricity generated in the local market.

Bauxite processed by the Company originates in two ore mining units, located in the cities of Poços de Caldas and Mirai, in the State of Minas Gerais.

The Company owns its own hydroelectric power plants and participates in consortia, which allows it to reduce the cost of electrical power consumed during the production of primary aluminum.

1.1 Main events that occurred in the first half of 2019

(a) Dividends received

On April 23, 2019, the subsidiary Metalex approved at an annual general meeting, based on the profit at December 31, 2018, the distribution of dividends in the amount of R\$ 20,000, credited to the Company's bank checking account on April 24, 2019.

(b) Distribution of dividends

On April 30, 2019, in addition to the mandatory minimum dividends recognized at December 31, 2018 in the amount of R\$ 10,259, Management approved at the annual general meeting the distribution of the remaining balance of profit at December 31, 2018, as dividends to shareholders, in the amount of R\$ 30,776, totaling a distribution of R\$ 41,034.

(c) Sale of the CBA distribution center (DC) located in Rio de Janeiro Unit

On May 31, 2019, the CBA DC located in Rio de Janeiro was sold for R\$ 25,000, to be received within 5 years. The sale value of the DC was determined in an appraisal report issued by a consulting firm considering macroeconomic assumptions. The operation generated a net loss on sale of assets of R\$ 23,747 recognized in the P&L under the “other operating income (expenses), net” account.

(d) Exclusion of ICMS from the PIS and COFINS calculation basis

During the second quarter of 2019, the courts issued a final and un-appealable decision on a Company lawsuit related to the exclusion of ICMS from the PIS and COFINS calculation basis, with recording of assets in the amount of R\$ 170,853, of which R\$ 121,888 in principal, recorded under “other operating income (expenses), net”, and R\$ 48,965 in monetary adjustment, recorded under “finance income”.

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

2 Presentation of the parent company and consolidated financial statements and summary of significant accounting policies**2.1 Basis of presentation****(a) Condensed parent company and consolidated interim financial statements**

The condensed parent company and consolidated interim 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 disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by Management in the performance of its duties.

The condensed parent company and consolidated interim financial statements as at June 30, 2019 do not contain all of the accompanying notes and disclosures required by the accounting standards for the annual financial statements 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, 2018, issued on February 25, 2019 and disclosed on April 3, 2019 on the Diário Oficial of the State of São Paulo.

The condensed parent company and consolidated interim financial statements were prepared in a manner consistent with the accounting policies disclosed in Note 2 to the financial statements at December 31, 2018.

(b) Approval of the financial statements

These financial statements were approved by the Company's Board of Directors on July 25, 2019.

3 Changes in accounting policies and disclosures**3.1 Change of applicable standards beginning on January 1, 2019****3.1.1 IFRS 16/CPC 06 – "Leases"****(i) Main points introduced by the standard – effective on January 1, 2019**

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements. The standard introduces a single model for accounting of leases in the balance sheet for lessees where lessees are required to recognize a lease liability reflecting future lease payments and a "right-of-use" of the leased asset. The nature of the expense related to these leases was changed from an operating lease expense recognized on a straight-line basis to an expense from amortization of the right-of-use and interest expense on the lease liability.

This standard replaces existing lease standards, including CPC 06 (IAS 17) - Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Complementary Aspects of Leasing Operations.

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019 In thousands of Reais, unless otherwise stated

(ii) Impacts from adoption

The Company adopted IFRS 16/CPC 06 on January 1, 2019 under the simplified cumulative effect approach in which the assets and liabilities are recorded for the same amount at the time of initial adoption without any effect on equity, and the Company and its subsidiaries recognized the amount of R\$ 28,318 referring to right-of-use assets and lease liabilities.

(a) Scope of the analysis and identification of assets

The Company analyzed all lease agreements accounted for in assets on the date of initial adoption of the standard, when leases of machinery and equipment, light and heavy vehicles and properties were identified for purposes of their initial measurement.

As allowed by the standard, the following were not included in the scope of the analysis: (i) short-term leases (lower than 12 months); and (ii) lease agreements amounting to less than USD 5 thousand (R\$ 19).

Upon the identification of right-of-use assets within the scope of identified lease agreements, the following were also not included: (i) agreements with variable payments; (ii) agreements in which the leased asset was considered as being non-identifiable; (iii) agreements in which the Company does not have the right to obtain substantially all the economic benefits arising from asset use; and (iv) agreements in which the Company does not possess substantial control to define the manner in which asset will be used.

It should be highlighted that the Company analyzed but did not identify: (i) agreements with both fixed and variable payments concurrently negotiated; (ii) agreements with both identifiable and non-identifiable assets concurrently negotiated; or (iii) service agreements in which assets within the scope of the standard were identified.

(b) Lease term

The Company analyzed, for all contracts, the lease term, considering a combination of non-cancellable term, term covered by the option of extension, term covered by the option of termination and, mainly, the intention of Management regarding the term remaining in each such agreement.

(c) Discount rate

For the purposes of initial adoption, the Company adopted the average cost of executable debts at December 31, 2018 for all contracts classified in accordance with IFRS 16.

For new contracts, renewals and amendments, the incremental rate for each lease agreement will be identified. The incremental rate should reflect the cost of acquisition of obligations with similar characteristics to those determined by the lease agreement, regarding term, amount, guarantee and economic environment.

The Company applied the future expectation of obligations at January 1, 2019 (6.94%) for all leases.

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

3.1.2 IFRIC 23/ICPC 22 – “Uncertainty Over Income Tax Treatments”

(i) Main points introduced by the standard – effective from January 1, 2019

This interpretation clarifies how to apply the recognition and measurement requirements of CPC 32 – Income Taxes, when there is uncertainty over the treatment of income taxes. In these circumstances, the Company must recognize and measure its current or deferred tax assets or liabilities applying the requirements of CPC 32 - Income Taxes, based on taxable income (tax loss), tax bases, previously unused tax losses, unused tax credits and tax rates determined in application of this interpretation.

(ii) Impacts from adoption

The Company and its subsidiaries adopted the standard as of its adoption on January 1, 2019; however, based on Management's understanding, there is no material impact on accounting for uncertain positions on income taxes due to the adoption of this new accounting standard.

3.1.3 Change in accounting estimate – Tanks for electrolytic reduction

In accordance with its accounting policy, the Company reviews the estimated useful life and consumption pattern of the future economic benefits of its property, plant and equipment on an ongoing basis. This review indicated a change in the future consumption pattern of the tanks for electrolytic reduction, recognized in the line item "Machinery, equipment and facilities".

As a result, as of the first quarter of 2019, the Company changed the specific depreciation rate for tanks for electrolytic reduction accounted for prospectively as a change in accounting estimate in accordance with CPC 23 and IAS 8 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

4 Critical accounting estimates and judgments

In the six-month period ended June 30, 2019, there were 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.

5 Financial risk management

5.1 Foreign-exchange risk

		Parent company and consolidated	
	Note	6/30/2019	12/31/2018
Assets in foreign currency			
Cash and cash equivalents	7	56,109	39,098
Derivative financial instruments	5.3	494,060	168,312
Trade receivables		187,547	170,090
		<u>737,716</u>	<u>377,500</u>
Liabilities in foreign currency			
Borrowing (i)		552,343	1,552,579
Derivative financial instruments	5.3	492,026	57,786
Trade payables		341,732	189,199
Supplier finance program payable		318,264	164,999
		<u>1,704,365</u>	<u>1,964,563</u>
Net exposure		<u>(966,649)</u>	<u>(1,587,063)</u>

(i) Borrowing costs are not being considered in this amount.

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

5.2 Liquidity risk

The table below sets out the main financial liabilities of the Company by maturity (remaining in the balance sheet until the contractual maturity date). Derivative financial instruments are included in the analysis when their contractual maturities are essential to allow understanding of the temporary cash flows. The amounts disclosed in the table are the future cash flows, which include interest to be incurred, as such, these amounts cannot be reconciled with the amounts disclosed in the balance sheet for borrowings, leases and 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, 2019						
Borrowing	244,534	447,505	858,174	1,300,362		2,850,575
Derivative financial instruments	14,580	27,336	26,201	423,909		492,026
Trade payables	423,475					423,475
Supplier finance program payable	387,101					387,101
Related parties	146,865	9,882				156,747
Use of public assets	45,302	99,581	112,202	344,243	773,662	1,374,990
Leases	11,390	6,960	2,391	71		20,812
Dividends payable	67,400					67,400
	<u>1,340,647</u>	<u>591,264</u>	<u>998,968</u>	<u>2,068,585</u>	<u>773,662</u>	<u>5,773,126</u>
At December 31, 2018						
Borrowing	218,824	412,752	262,008	1,665,804		2,559,388
Derivative financial instruments	57,786					57,786
Trade payables	390,816					390,816
Supplier finance program payable	256,645					256,645
Related parties	223,369	13,287				236,656
Use of public assets	44,509	97,450	109,841	327,749	797,891	1,377,440
Dividends payable	12,652					12,652
	<u>1,204,601</u>	<u>523,489</u>	<u>371,849</u>	<u>1,993,553</u>	<u>797,891</u>	<u>4,891,383</u>

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

5.3 Derivative financial instruments

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

The table below summarizes the derivative financial instruments and the underlying hedged items:

Programs	Principal amount		Unit	12/31/2018	Fair value				Parent company and consolidated	
	6/30/2019	12/31/2018		Total (net between assets and liabilities)	Income	Other operating income	Financial results	Other comprehensive income	Realized gain (loss)	Total (net between assets and liabilities)
Quotational period hedging										
Aluminum forward		1,000	ton	36		(1)			35	
				36		(1)			35	
Operating margin hedging										
Aluminum forward	44,000	127,750	ton	157,442	128,525			(111,336)	111,841	62,790
US dollar collar	16,000		USD thousand					330		330
US dollar forward	94,763	279,282	USD thousand	(46,952)	(28,966)			43,915	(48,000)	15,997
				110,490	99,559			(67,091)	63,841	79,117
Interest rate hedge										
Floating rate swaps in CDI x fixed rate in USD	1,084,880		BRL thousand					(76,257)		(76,257)
Floating rate swaps in IPCA x fixed rate in USD	37,050		BRL thousand					(826)		(826)
								(77,083)		(77,083)
				110,526	99,559	(1)	(77,083)	(67,091)	63,876	2,034

Programs	Parent company and consolidated									
	Fair value per maturity									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating margin hedging										
Aluminum forward	62,789									
US dollar collar	273	58								
US dollar forward	15,997									
	79,059	58								
Interest rate hedge										
Floating rate swaps in CDI x fixed rate in USD	10,887	12,132	20,054	24,149	23,598	21,067	(60,854)	(81,102)	(46,187)	
Floating rate swaps in IPCA x fixed rate in USD	204	281	145	31	(80)	(161)	(233)	(298)	(342)	(373)
	11,091	12,413	20,199	24,180	23,518	20,906	(61,087)	(81,400)	(46,529)	(373)
	90,150	12,471	20,199	24,180	23,518	20,906	(61,087)	(81,400)	(46,529)	(373)

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

5.3.1 Sensitivity analysis

We set out below 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, borrowings and derivative financial instruments. The main risk factors refer to the exposure to the volatility of the US Dollar exchange 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, 2019, are described below:

Scenario I - is based on the market forward curves and quotations at June 30, 2019, and represents a probable scenario in Management's opinion as for September 30, 2019.

Scenario II - considers a stress factor of + / - 25% applied to the market forward curves and quotations as at June 30, 2019.

Scenario III - considers a stress factor of + / - 50% applied to the market forward curves and quotations as at June 30, 2019.

														Parent company and consolidated							
														Impacts on profit (loss)				Impacts on comprehensive income (loss)			
														Scenario I		Scenarios II and III		Scenario I		Scenarios II and III	
Risk factors (i)	Cash and cash equivalents and financial investments (ii)	Borrowing (ii)	Principal of derivative financial instruments and firm commitment	Unit	Impact on curves for 6/30/2019	Results of scenario I	-25%	-50%	+25%	+50%	Results of scenario I	-25%	-50%	+25%	+50%						
Foreign exchange rate																					
USD	56,109	549,627	1,232,793	USD thousand	0.46%	(8,058)	433,717	867,434	(433,717)	(867,434)	(1,061)	62,287	126,597	(60,129)	(124,268)						
Interest rate																					
BRL - CDI	564,676	1,206,642	1,146,578	BRL thousand	0 bps	801	(710)	(2,893)	(562)	(2,222)	(54)	717	1,452	(702)	(1,388)						
USD - Libor			87,702	USD thousand	23bps	359	(765)	(1,573)	726	1,416	(109)	225	450	(224)	(448)						
Dollar coupon			393,959	USD thousand	-75 bps	(61,896)	(44,165)	(92,045)	40,882	78,846	(354)	(257)	(514)	256	512						
Price - commodities																					
Aluminum			44,000	ton	1.44%						(2,959)	51,284	102,569	(51,284)	(102,569)						
Firm commitment - Electric energy																					
Purchase and sale contract			(4,183)	BRL thousand			(1,023)	(2,085)	985	1,934											

- (i) The Company is also subject to the Libor and Dollar Coupon risks underlying financial instruments used for certain types of hedge.
- (ii) The stated balances do not reconcile with those in the accompanying notes, since the analysis performed considered only the most significant currencies.

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

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					
	6/30/2019			12/31/2018			6/30/2019			12/31/2018		
	Local rating	Global rating	Total	Local rating	Global rating	Total	Local rating	Global rating	Total	Local rating	Global rating	Total
Cash and cash equivalents												
AAA	59,381		59,381	40,438		40,438	59,565		59,565	41,495		41,495
AA+	14		14	30		30	15		15	31		31
AA	75		75	101		101	80		80	106		106
A+	2		2	1		1	2		2	1		1
No rating	60		60	71		71	63		63	72		72
	59,532		59,532	40,641		40,641	59,725		59,725	41,705		41,705
Financial investments												
AAA	476,308		476,308	424,570		424,570	533,832		533,832	488,309		488,309
AA+							11,529		11,529	8,828		8,828
AA							1,773		1,773	3,169		3,169
AA-							8,164		8,164			
No rating (i)	27,780		27,780	30,352		30,352	27,780		27,780	30,352		30,352
	504,088		504,088	454,922		454,922	583,078		583,078	530,658		530,658
Derivative financial instruments												
AAA	422,677		422,677	5,560		5,560	422,677		422,677	5,560		5,560
AA+												
AA					43,266	43,266					43,266	43,266
AA-	8,594		8,594	5,274		5,274	8,594		8,594	5,274		5,274
A+		49,515	49,515		114,212	114,212		49,515	49,515		114,212	114,212
BBB+		13,274	13,274					13,274	13,274			
	431,271	62,789	494,060	10,834	157,478	168,312	431,271	62,789	494,060	5,274	157,478	168,312
	994,891	62,789	1,057,680	506,397	157,478	663,875	1,074,074	62,789	1,136,863	577,637	157,478	740,675

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

- (i) Refers mainly to the Receivables Investments Fund (“FIDC”) exclusive of the Votorantim Group, which has no rating with rating agencies.

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

7 Cash and cash equivalents

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Local currency				
Cash and banks	3,423	1,543	3,616	2,607
Foreign currency				
Cash and banks	56,109	39,098	56,109	39,098
	<u>59,532</u>	<u>40,641</u>	<u>59,725</u>	<u>41,705</u>

Cash and cash equivalents in local and foreign currencies include cash available in bank checking accounts.

8 Financial investments

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Local currency				
Investment fund quotas (i)	138,741	105,449	182,396	160,387
Repurchase agreements - Federal securities	8,174	29,940	8,174	29,940
Bank Deposit Certificate ("CDB")	109,362		142,334	19,240
Credit Rights Investment Fund ("FIDC")	27,717	30,288	27,717	30,288
Financial Treasury Bills ("LFT")	220,030	289,181	220,030	289,181
Other	64	64	2,427	1,622
	<u>504,088</u>	<u>454,922</u>	<u>583,078</u>	<u>530,658</u>
Current	504,024	454,858	580,652	528,264
Non-current	64	64	2,426	2,394
	<u>504,088</u>	<u>454,922</u>	<u>583,078</u>	<u>530,658</u>

(i) The Company has investment fund quotas in an exclusive fund of Votorantim Group:

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Financial investments				
Repurchase agreements - Federal securities	102,225	75,106	122,333	111,296
Financial Treasury Bills ("LFT")	36,516	30,343	60,063	49,091
	<u>138,741</u>	<u>105,449</u>	<u>182,396</u>	<u>160,387</u>

9 Trade receivables

(a) Breakdown

	Note	Parent company		Consolidated	
		6/30/2019	12/31/2018	6/30/2019	12/31/2018
Domestic		256,107	233,544	303,019	243,849
Foreign		187,412	169,957	187,412	169,957
Related parties	12	157,351	120,936	142,846	105,267
		<u>600,870</u>	<u>524,437</u>	<u>633,277</u>	<u>519,073</u>
Impairment of trade receivables		(34,234)	(29,365)	(34,436)	(29,365)
		<u>566,636</u>	<u>495,072</u>	<u>598,841</u>	<u>489,708</u>

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

(b) Changes in estimated loss on doubtful accounts

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
At the beginning of the six-month period	(29,365)	(35,376)	(29,365)	(35,376)
Reversals (provisions), net of additions	(4,869)	4,257	(5,071)	4,257
Trade receivables written off during the six-month period as uncollectible		(792)		(792)
At the end of the six-month period	(34,234)	(31,911)	(34,436)	(31,911)

(c) Aging list

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
To fall due	535,536	440,438	567,943	435,074
Up to 3 months past due	4,575	8,339	4,575	8,339
3 to 6 months past due	1,431	2,008	1,431	2,008
Over 6 months past due (i)	59,328	73,652	59,328	73,652
	600,870	524,437	633,277	519,073

- (i) At June 30, 2019, the amount of R\$ 48,545 (December 31, 2018 – R\$ 46,942) referred to a trade receivable balance which is guaranteed by liens on Company's assets backing up the negotiation of the overdue receivables.

10 Inventory

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Finished products	293,227	271,124	298,111	271,844
Semi-finished products	438,023	414,223	438,645	415,002
Raw materials	58,855	61,524	75,712	76,629
Auxiliary and consumption materials	110,708	89,955	111,398	90,545
Imports in transit	27,759	28,429	27,759	28,429
Others	4,436	4,745	4,494	4,778
Provision for losses	(59,696)	(59,760)	(59,696)	(59,760)
	873,312	810,240	896,423	827,467

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

11 Taxes recoverable

Breakdown

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Value-added Tax on Sales and Services (ICMS)	473,992	489,243	479,231	492,909
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL)	204,882	254,531	212,399	256,473
Social Contribution on Revenue (COFINS)	306,168	176,194	307,414	176,594
Social Integration Program (PIS)	66,852	38,473	67,122	38,561
ICMS on property, plant and equipment	16,677	16,723	16,677	16,723
Others	26,092	31,447	26,970	31,945
	1,094,663	1,006,611	1,109,813	1,013,205
Current	455,648	350,445	470,784	357,018
Non-current	639,015	656,166	639,029	656,187
	1,094,663	1,006,611	1,109,813	1,013,205

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

12 Related parties

(a) Parent company

	Statement of income															
	Trade receivables		Current and non-current assets		Trade payables		Current and non-current liabilities		Dividends payable		Purchase	Sale		Finance costs		
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018		1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018		1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Parent company																
Votorantim S.A.									41,035	10,336						
Subsidiaries																
BAESA - Energética Barra Grande S.A.					5,789	6,253		87			3,923	3,698				
ENERCAN - Campos Novos Energia S.A.					28,772	26,682					34,054	17,169				
Metalex Ltda.	21,868	16,273											129,764	11,723	2,841	
Associates																
Votener - Votorantim Comercializadora de Energia Ltda. (i)	122,813	96,821	44,953	116,174	93,932	96,251	202,829	315,681			577,124	451,423	577,124	540,671	(45,312)	(45,312)
Votorantim Cimentos S.A.	5,262	273	21,950		480	583		3					276	460	94	
Votorantim Geração de Energia S.A.					1,206	348										
Nexa Recursos Minerais S.A	1,539	1,275			348	373					45		23,894	21,578		
Others	5,869	6,294	532	531	3,542	628	3,228	3,321	79	2						(4,789)
	<u>157,351</u>	<u>120,936</u>	<u>67,435</u>	<u>116,705</u>	<u>134,069</u>	<u>130,770</u>	<u>206,057</u>	<u>319,092</u>	<u>41,114</u>	<u>10,338</u>	<u>615,101</u>	<u>472,335</u>	<u>731,058</u>	<u>574,432</u>	<u>(45,218)</u>	<u>(47,260)</u>
Current	157,351	120,936	44,953	116,174	134,069	130,770	147,016	223,521	41,114	10,338						
Non-current			22,482	531			59,041	95,571								
	<u>157,351</u>	<u>120,936</u>	<u>67,435</u>	<u>116,705</u>	<u>134,069</u>	<u>130,770</u>	<u>206,057</u>	<u>319,092</u>	<u>41,114</u>	<u>10,338</u>						

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

(b) Consolidated

	Statement of income															
	Trade receivables		Current and non-current assets		Trade payables		Current and non-current liabilities		Dividends payable		Purchase	Sale	Finance costs			
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018			1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Parent company																
Votorantim S.A.									41,035	10,336						
Associates																
Votener - Votorantim Comercializadora de Energia Ltda. (i)	122,813	96,821	44,953	116,174	93,932	96,251	202,829	315,681			577,124	451,423	577,124	540,671	(45,312)	(45,312)
Votorantim Cimentos S.A.	5,262	273	21,950		480	583	3	3					276	460		94
Votorantim Geração de Energia S.A.							1,206									
Nexa Recursos Minerais S.A.	8,370	1,275			348	373					45		23,894	21,578		
CBA Energia Participações S.A.										2,312						
Pollarix S.A.									7,235							
Others	6,401	6,898	529	529	3,029	546	3,074	3,256		4						(4,789)
	<u>142,846</u>	<u>105,267</u>	<u>67,432</u>	<u>116,703</u>	<u>98,995</u>	<u>97,753</u>	<u>205,906</u>	<u>318,940</u>	<u>48,270</u>	<u>12,652</u>	<u>577,124</u>	<u>451,468</u>	<u>601,294</u>	<u>562,709</u>	<u>(45,218)</u>	<u>(50,101)</u>
Total non-controlling interests									19,130							
Current	142,846	105,267	44,953	116,174	98,995	97,753	146,865	223,369	67,400	12,652						
Non-current			22,479	529			59,041	95,571								
	<u>142,846</u>	<u>105,267</u>	<u>67,432</u>	<u>116,703</u>	<u>98,995</u>	<u>97,753</u>	<u>205,906</u>	<u>318,940</u>	<u>67,400</u>	<u>12,652</u>						

- (i) The balance of current and non-current assets refers to the financial instrument - firm commitment for the sale of surplus energy. The balance of current and non-current liabilities refers to prepayments that occurred in 2014 and 2015 for the rights of the electric power commercialization contract in the free market. Purchases and sales refer to the commercialization of third party energy in the open market, whereby Votener acts as the final marketer. Finance costs refer to interest to be recorded from the sale of energy supply until December 2019, and interest is recognized on a pro rata basis in the statement of income during the term of the agreement.

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(c) Debts of the Company guaranteed by related parties

Instrument	Guarantor	6/30/2019	12/31/2018
BNDES	VSA	284,708	315,476
Development promotion agency (BRL)	VSA	32,812	35,997
Eurobonds - USD (Voto 24) (i)	VSA	552,343	1,552,579
		<u>869,863</u>	<u>1,904,052</u>

- (i) In April 2019, the Company announced the tender offer of its bonds maturing in 2024, as described in Note 17 (g) (ii).

(d) Debts of related parties guaranteed by the Company

Instrument	Debtor	Guarantor	Percentage guaranteed by the Company	6/30/2019		12/31/2018	
				Debt	Amount guaranteed	Debt	Amount guaranteed
Eurobonds - USD (Voto 19) (i)	VSA	VSA (100%), VCSA (50%) and CBA (50%)	50%			814,375	407,188
Eurobonds - USD (Voto 21)	VSA	VSA (100%), VCSA (50%) and CBA (50%)	50%	<u>934,628</u>	<u>467,314</u>	<u>945,017</u>	<u>472,509</u>
				<u>934,628</u>	<u>467,314</u>	<u>1,759,393</u>	<u>879,696</u>

- (ii) On January 23, 2019, the parent company VSA early settled all of the principal plus interest of its bonds, maturing in 2019, which had 50% of the debt guaranteed by the Company.

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13 Investments

(a) Breakdown

	Parent company							
	Information on investees at June 30, 2019				Equity in the results		Investment balance	
	Equity	Profit for the six-month period	Voting ownership interest total (%)	Voting ownership interest (%)	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	6/30/2019	12/31/2018
Investments accounted for under the equity method								
Subsidiaries								
Metalex Ltda.	56,240	10,780	100.00	100.00	10,780	13,400	56,240	65,461
CBA Energia Participações S.A. (i)	283,833	20,754	33.33	100.00	6,603	975	94,041	90,801
CBA Machadinho Geração de Energia Ltda.	160,507	11,550	100.00	100.00	11,550	(3,565)	160,507	148,697
Associates								
Alunorte - Alumina do Norte S.A.	3,563,582	47,552	3.03	3.52	1,443	(13,369)	108,133	106,690
Mineração Rio do Norte S.A.	933,096	31,983	10.00	12.50	3,198	(5,318)	93,310	90,111
Others							44	44
Goodwill								
Metalex Ltda.							49,430	49,430
					<u>33,574</u>	<u>(7,877)</u>	<u>561,705</u>	<u>551,234</u>

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

	Consolidated							
	Information on investees at June 30, 2019				Equity in the results		Investment balance	
	Equity	Profit for the six-month period	Voting ownership interest total (%)	Voting ownership interest (%)	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	6/30/2019	12/31/2018
Investments accounted for under the equity method								
Associates								
Alunorte - Alumina do Norte S.A.	3,563,582	47,552	3.03	3.52	1,443	(13,369)	108,133	106,690
Mineração Rio do Norte S.A.	933,096	31,983	10.00	12.50	3,198	(5,318)	93,310	90,111
Others							77	78
					<u>4,641</u>	<u>(18,687)</u>	<u>201,520</u>	<u>196,879</u>

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(b) Changes in investments

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
At the beginning of the six-month period	551,234	638,100	196,879	218,695
Equity in the results	33,574	(7,877)	4,641	(18,687)
Capital increase in investees	260			
Write-off of investment		(60,430)		
Increase in equity interest		5,672		5,312
Dividends approved	(23,363)	(23,602)		(416)
At the end of the six-month period	<u>561,705</u>	<u>551,863</u>	<u>201,520</u>	<u>204,904</u>

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14 Property, plant and equipment

(a) Breakdown and changes

									Parent company	
									1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	ARO	Other	Total	Total
At the beginning of the six-month period										
Cost	109,411	2,470,627	5,821,952	111,837	31,467	486,543	161,637	286,184	9,479,658	9,224,252
Accumulated depreciation	(2,007)	(917,964)	(3,781,800)	(101,589)	(21,481)		(82,562)	(273,037)	(5,180,440)	(4,952,860)
Net balance	107,404	1,552,663	2,040,152	10,248	9,986	486,543	79,075	13,147	4,299,218	4,271,392
Purchases		194	6,023	807	81	109,951			117,056	72,168
Disposals	(18)	(853)	(9,567)	(61)	(96)			(19)	(10,614)	(477)
Depreciation	(114)	(26,824)	(172,534)	(1,438)	(1,112)		(4,473)	(125)	(206,620)	(129,877)
Reversal for impairment of assets			9,550						9,550	1,926
Transfers	92	13,858	122,289	2,112	216	(146,491)		(12)	(7,936)	(1,985)
At the end of the six-month period	107,364	1,539,038	1,995,913	11,668	9,075	450,003	74,602	12,991	4,200,654	4,213,147
Cost	109,484	2,481,640	5,887,892	114,358	31,531	450,003	161,637	285,796	9,522,341	9,310,938
Accumulated depreciation	(2,120)	(942,602)	(3,891,979)	(102,690)	(22,456)		(87,035)	(272,805)	(5,321,687)	(5,097,791)
Net balance at the end of the six-month period	107,364	1,539,038	1,995,913	11,668	9,075	450,003	74,602	12,991	4,200,654	4,213,147
Annual average depreciation rate - %		2	5	18	10		6			

									Consolidated	
									1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	ARO	Other	Total	Total
At the beginning of the six-month period										
Cost	123,668	2,955,148	6,114,802	111,888	31,801	491,760	161,637	286,184	10,276,888	10,036,130
Accumulated depreciation	(4,721)	(1,080,054)	(3,879,576)	(101,611)	(21,737)		(82,562)	(273,037)	(5,443,298)	(5,205,152)
Net balance	118,947	1,875,094	2,235,226	10,277	10,064	491,760	79,075	13,147	4,833,590	4,830,978
Purchases		194	6,147	807	81	111,620		1	118,850	73,024
Disposals	(18)	(853)	(9,567)	(61)	(96)			(19)	(10,614)	(477)
Depreciation	(258)	(35,881)	(178,843)	(1,441)	(1,119)		(4,473)	(125)	(222,140)	(145,100)
Reversal for impairment of assets			9,550						9,550	1,926
Transfers	91	14,680	124,762	2,112	216	(149,793)		(13)	(7,945)	(1,986)
At the end of the six-month period	118,762	1,853,234	2,187,275	11,694	9,146	453,587	74,602	12,991	4,721,291	4,758,365
Cost	123,741	2,966,983	6,183,338	114,409	31,865	453,587	161,637	285,796	10,321,356	10,103,804
Accumulated depreciation	(4,979)	(1,113,749)	(3,996,063)	(102,715)	(22,719)		(87,035)	(272,805)	(5,600,065)	(5,345,439)
Net balance at the end of the six-month period	118,762	1,853,234	2,187,275	11,694	9,146	453,587	74,602	12,991	4,721,291	4,758,365
Annual average depreciation rate - %		2	5	18	10		6			

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(b) Construction in progress

	6/30/2019			Consolidated 12/31/2018		
	Gross balance	Provision for asset impairment	Net balance	Gross balance	Provision for asset impairment	Net balance
Ferro Níquel Project	569,605	(569,605)		569,605	(569,605)	
Bauxita Rondon Project	116,118		116,118	113,911		113,911
Calcination furnace	92,096	(92,096)		92,096	(92,096)	
Renovation of furnaces	91,148		91,148	130,807		130,807
Tijuco Alto Project	52,374	(52,374)		52,374	(52,374)	
Revitalization and adaptation of plant	49,799		49,799	48,060		48,060
Alumina Factory Project	36,243	(12,587)	23,656	42,426	(12,587)	29,839
Modernization of Automation System	30,142		30,142	29,148		29,148
Furnace Room Projects	26,329		26,329	22,216		22,216
Plastic Transformation and Casting Projects	23,021		23,021	28,824		28,824
Casting Projects	18,053		18,053	18,276		18,276
Mining Projects	15,006		15,006	8,226		8,226
Safety, Health and Environment Projects	7,201		7,201	17,139		17,139
Other	76,168	(23,054)	53,114	68,368	(23,054)	45,314
	1,203,303	(749,716)	453,587	1,241,476	(749,716)	491,760

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15 Intangible assets

(a) Breakdown and changes

						Parent company	
	Goodwill	Rights over natural resources	Software	Use of public assets	Other	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
At the beginning of the six-month period						Total	Total
Cost	79,722	143,899	29,656	281,829	9,632	544,738	568,826
Accumulated amortization		(37,711)	(20,837)	(88,337)	(1,914)	(148,799)	(133,697)
Net balance	79,722	106,188	8,819	193,492	7,718	395,939	435,129
Purchases					63	63	3
Disposals					(1)	(1)	
Amortization and depletion		(95)	(2,124)	(5,401)		(7,620)	(7,185)
Recognition of impairment of assets							(14)
Transfers			7,936			7,936	1,985
At the end of the six-month period	79,722	106,093	14,631	188,091	7,780	396,317	429,918
Cost	79,722	143,899	37,588	281,829	9,694	552,732	570,777
Accumulated amortization		(37,806)	(22,957)	(93,738)	(1,914)	(156,415)	(140,859)
Net balance at the end of the six-month period	79,722	106,093	14,631	188,091	7,780	396,317	429,918
Annual average amortization and depletion rate - %		3	20	3			

						Consolidated	
	Goodwill	Rights over natural resources	Software	Use of public assets	Other	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
At the beginning of the six-month period						Total	Total
Cost	166,265	143,899	29,889	303,774	38,788	682,615	706,724
Accumulated amortization		(37,711)	(21,064)	(95,199)	(27,627)	(181,601)	(165,637)
Net balance	166,265	106,188	8,825	208,575	11,161	501,014	541,087
Purchases					63	63	3
Disposals					(1)	(1)	
Amortization and depletion		(95)	(2,126)	(5,838)	(1)	(8,060)	(7,627)
Recognition of impairment of assets							(14)
Transfers			7,945			7,945	1,986
At the end of the six-month period	166,265	106,093	14,644	202,737	11,222	500,961	535,435
Cost	166,265	143,899	37,834	303,774	38,851	690,623	708,655
Accumulated amortization		(37,806)	(23,190)	(101,037)	(27,629)	(189,662)	(173,220)
Net balance at the end of the six-month period	166,265	106,093	14,644	202,737	11,222	500,961	535,435
Annual average amortization and depletion rate - %		3	20	3			

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16 Lease

(a) Right-of-use

	Consolidated				
	6/30/2019				
	Buildings and constructions	Vehicles	Machinery and equipment	Others	Total
Initial adoption	8,612	5,006	13,819	881	28,318
Amortization	(1,412)	(1,128)	(5,606)	(294)	(8,440)
At the end of the six-month period	<u>7,200</u>	<u>3,878</u>	<u>8,213</u>	<u>587</u>	<u>19,878</u>
Annual average amortization rate - %	23	44	61	67	

(b) Leases

	Consolidated
	6/30/2019
Initial adoption	28,318
Settlement	(8,400)
Adjustment at present value	894
At the end of the six-month period	<u>20,812</u>
Current	11,202
Non-current	<u>9,610</u>
	<u>20,812</u>

(c) Profile

	Consolidated						
	2019	2020	2021	2022	2023	2024 Onwards	Total
Local currency							
Real	6,790	7,520	3,024	2,255	1,157	66	20,812
	<u>6,790</u>	<u>7,520</u>	<u>3,024</u>	<u>2,255</u>	<u>1,157</u>	<u>66</u>	<u>20,812</u>

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17 Borrowing

(a) Breakdown and fair value

Categories	Annual average charges (i)	Parent company							
		Current		Non-current		Total		Fair value	
		6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Local currency									
BNDES	TJLP + 2.23% / SELIC + 2.56% / IPCA + 4.87%	65,597	65,204	218,078	249,043	283,675	314,247	254,866	305,510
FINAME	Fixed 4.69% BRL	1,015	1,016	2,988	3,492	4,003	4,508	3,788	4,155
Export credit notes - NCE	112.70% of CDI	10,121		1,077,716		1,087,837		1,038,959	4,155
Development agency	Fixed 10.00% BRL	6,550	6,584	26,262	29,413	32,812	35,997	34,360	36,727
FINEP	TJLP + 0.62%	11,454	11,440	18,011	23,628	29,465	35,068	29,401	34,957
Other				597	598	597	598	598	598
		94,737	84,244	1,343,652	306,174	1,438,389	390,418	1,361,972	386,102
Foreign currency									
Eurobonds - USD	Fixed 4.75% USD	273	1,215	549,354	1,543,423	549,627	1,544,638	572,670	1,493,770
		273	1,215	549,354	1,543,423	549,627	1,544,638	572,670	1,493,770
		95,010	85,459	1,893,006	1,849,597	1,988,016	1,935,056	1,934,642	1,879,872
Interest on borrowing		13,029	3,891						
Current portion of long-term borrowing		81,981	81,568						
		95,010	85,459						

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Categories	Annual average charges (i)	Current		Non-current		Total		Consolidated	
		2019	2018	2019	2018	2019	2018	2019	Fair value 2018
Local currency									
BNDES	TJLP + 2.23% / SELIC + 2.56% / IPCA + 4.87%	65,597	65,204	218,078	249,043	283,675	314,247	254,866	305,510
FINAME	Fixed 4.69% BRL	1,015	1,016	2,988	3,492	4,003	4,508	3,788	4,155
Debentures	107.50% of CDI	32,670	32,636	91,232	91,175	123,902	123,811	122,832	124,132
Export credit notes - NCE	112.70% of CDI	10,121		1,077,716		1,087,837		1,038,959	124,132
Development agency	Fixed 10.00% BRL	6,550	6,584	26,262	29,413	32,812	35,997	34,360	36,727
FINEP	TJLP + 0.62%	11,454	11,440	18,011	23,628	29,465	35,068	29,401	34,957
Other				598	598	598	598	598	598
		<u>127,407</u>	<u>116,880</u>	<u>1,434,885</u>	<u>397,349</u>	<u>1,562,292</u>	<u>514,229</u>	<u>1,484,804</u>	<u>630,211</u>
Foreign currency									
Eurobonds - USD	Fixed 4.75% USD	273	1,215	549,354	1,543,423	549,627	1,544,638	572,670	1,493,770
		<u>273</u>	<u>1,215</u>	<u>549,354</u>	<u>1,543,423</u>	<u>549,627</u>	<u>1,544,638</u>	<u>572,670</u>	<u>1,493,770</u>
		<u>127,680</u>	<u>118,095</u>	<u>1,984,239</u>	<u>1,940,772</u>	<u>2,111,919</u>	<u>2,058,867</u>	<u>2,057,474</u>	<u>2,123,981</u>
Interest on borrowing		15,371	6,200						
Current portion of long-term borrowing		<u>112,309</u>	<u>111,895</u>						
		<u>127,680</u>	<u>118,095</u>						

(i) The average annual charges are presented only for agreements that represent a large share of the total debt amount.

BNDES	Brazilian Economic and Social Development Bank.
BRL	Brazilian currency (Real).
CDI	Interbank Deposit Certificate.
IPCA	Brazilian Consumer Price Index.
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 31, 2017, the TJLP was BNDES basic cost of financing. As of January 2018, the TJLP became BNDES main cost of financing.
USD	US Dollar.

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(b) Aging list

	2026 Parent company										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Local currency											
BNDES	33,155	64,883	62,768	33,501	21,499	21,499	21,499	17,097	3,888	3,886	283,675
FINAME	511	982	872	781	781	76					4,003
Export credit notes - NCE (i)	10,643	(1,045)	(1,045)	(1,045)	(1,045)	(1,046)	432,907	432,907	216,606		1,087,837
Development agency	3,399	6,303	6,303	6,303	6,303	4,201					32,812
FINEP	5,767	11,376	11,376	946							29,465
Other		597									597
	53,475	83,096	80,274	40,486	27,538	24,730	454,406	450,004	220,494	3,886	1,438,389
	3.72%	5.78%	5.58%	2.81%	1.91%	1.72%	31.59%	31.29%	15.33%	0.27%	100.00%
Foreign currency											
Eurobonds - USD (i)	545	(543)	(543)	(543)	(543)	551,254					549,627
	545	(543)	(543)	(543)	(543)	551,254					549,627
	0.10%	-0.10%	-0.10%	-0.10%	-0.10%	100.30%					100.00%
	54,020	82,553	79,731	39,943	26,995	575,984	454,406	450,004	220,494	3,886	1,988,016
	2.72%	4.15%	4.01%	2.01%	1.36%	28.97%	22.86%	22.64%	11.09%	0.19%	100.00%
Consolidated											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Local currency											
BNDES	33,155	64,883	62,768	33,501	21,499	21,499	21,499	17,097	3,888	3,886	283,675
FINAME	511	982	872	781	781	76					4,003
Export credit notes - NCE (i)	10,643	(1,045)	(1,045)	(1,045)	(1,045)	(1,045)	432,907	432,907	216,605		1,087,837
Debentures	32,727	30,347	30,409	30,419							123,902
Development agency	3,399	6,303	6,303	6,303	6,303	4,201					32,812
FINEP	5,767	11,376	11,376	946							29,465
Other		598									598
	86,202	113,444	110,683	70,905	27,538	24,731	454,406	450,004	220,493	3,886	1,562,292
	5.52%	7.26%	7.08%	4.54%	1.76%	1.58%	29.09%	28.80%	14.11%	0.26%	100.00%
Foreign currency											
Eurobonds - USD (i)	545	(543)	(543)	(543)	(543)	551,254					549,627
	545	(543)	(543)	(543)	(543)	551,254					549,627
	0.10%	-0.10%	-0.10%	-0.10%	-0.10%	100.30%	0.00%	0%			100.00%
	86,747	112,901	110,140	70,362	26,995	575,985	454,406	450,004	220,493	3,886	2,111,919
	4.11%	5.35%	5.22%	3.33%	1.28%	27.26%	21.52%	21.31%	10.44%	0.18%	100.00%

(ii) The negative balances relate to borrowing costs amortized on a straight-line basis.

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In thousands of Reais, unless otherwise stated

(c) Changes

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
At the beginning of the six-month period	1,935,056	2,653,192	2,058,867	2,817,485
Borrowing (Note 17 (g) (i))	1,084,880	8,871	1,084,880	8,871
Addition of borrowing costs, net of amortization	(2,759)	757	(2,702)	815
Foreign exchange variation	9,382	263,517	9,383	263,719
Accrued interest	56,474	71,461	60,502	76,945
Interest paid	(45,898)	(85,110)	(49,892)	(90,626)
Repayment (i)	(1,049,119)	(907,361)	(1,049,119)	(914,055)
At the end of the six-month period	1,988,016	2,005,327	2,111,919	2,163,154

(i) Substantially refers to the operation described in Note 17 (g) (ii).

(d) Breakdown by currency

	Parent company					
	Current		Non-current		Total	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Real	94,737	84,244	1,343,652	306,174	1,438,389	390,418
US Dollar	273	1,215	549,354	1,543,423	549,627	1,544,638
	95,010	85,459	1,893,006	1,849,597	1,988,016	1,935,056

	Consolidated					
	Current		Non-current		Total	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Real	127,407	116,880	1,434,885	397,349	1,562,292	514,229
US Dollar	273	1,215	549,354	1,543,423	549,627	1,544,638
	127,680	118,095	1,984,239	1,940,772	2,111,919	2,058,867

(e) Breakdown by index

	Parent company					
	Current		Non-current		Total	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Local currency						
TJLP	59,428	65,971	183,733	241,865	243,161	307,836
Fixed rate	7,565	1,016	29,848	4,090	37,413	5,106
Export credit notes - NCE	10,121		1,077,716		1,087,837	
IPCA	3,964	3,942	33,044	34,767	37,008	38,709
Selic	13,659	13,315	19,311	25,452	32,970	38,767
	94,737	84,244	1,343,652	306,174	1,438,389	390,418
Foreign currency						
Fixed rate	273	1,215	549,354	1,543,423	549,627	1,544,638
	95,010	85,459	1,893,006	1,849,597	1,988,016	1,935,056

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
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	Current		Non-current		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Local currency						
TJLP	59,428	65,971	183,733	241,865	243,161	307,836
Fixed rate	7,565	1,016	29,848	4,090	37,413	5,106
Export credit notes - NCE	42,790	32,636	1,168,948	91,175	1,211,738	123,811
IPCA	3,964	3,942	33,044	34,767	37,008	38,709
Selic	13,660	13,315	19,312	25,452	32,972	38,767
	<u>127,407</u>	<u>116,880</u>	<u>1,434,885</u>	<u>397,349</u>	<u>1,562,292</u>	<u>514,229</u>
Foreign currency						
Fixed rate	273	1,215	549,354	1,543,423	549,627	1,544,638
	<u>127,680</u>	<u>118,095</u>	<u>1,984,239</u>	<u>1,940,772</u>	<u>2,111,919</u>	<u>2,058,867</u>

(f) Collateral

As at June 30, 2019, R\$ 869,863 (December 31, 2018 - R\$ 1,904,051) of the borrowings was guaranteed by sureties (Note 12 (c)), R\$ 189,473 (December 31, 2018 - R\$ 207,007) by liens on Company's assets and R\$ 29,616 (December 31, 2018 - R\$ 35,068) by bank guarantee.

(g) New borrowings and repayments

(i) Export financing

In April and May 2019, the Company entered into loan agreements (Export Credit Note - NCE) to finance its exports in the amount of R\$ 1,085 million, with final maturity in April and May 2027, respectively.

These transactions have swap agreements (derivative financial instrument), which aim to exchange exposure to the CDI floating rate in Reais for a fixed rate in US Dollars, resulting in a weighted average cost of 5% p.a.. These swaps were contracted in conjunction with the financing and with the same financial institution.

(ii) Bonds tender offer

In April 2019, the Company announced the tender offer of its bonds with maturity in 2024. The settlement in the amount of USD 256 million (R\$ 1,007 million) occurred on May 10, 2019.

18 Current and deferred income tax and social contribution

(a) Reconciliation of income tax and social contribution expenses

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

Income tax and social contribution amounts presented in the statement of income for the six-month period ended in June 30 are reconciled to their Brazilian standard rates as follows:

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In thousands of Reais, unless otherwise stated

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Profit before income tax and social contribution	9,720	35,115	50,989	58,194
Statutory rates	34%	34%	34%	34%
IRPJ and CSLL at the statutory rates	(3,305)	(11,939)	(17,336)	(19,786)
Adjustments for the calculation of the effective IRPJ and CSLL				
Equity in the results	11,415	(2,678)	1,578	(6,354)
Non-recognition of deferred tax on tax losses (i)	(139,611)	(66,706)	(142,891)	(74,907)
Other permanent additions, net	(2,549)	(3,280)	(2,834)	(3,345)
Calculated IRPJ and CSLL	(134,050)	(84,603)	(161,483)	(104,392)
Current			(23,509)	(19,967)
Deferred	(134,050)	(84,603)	(137,974)	(84,425)
IRPJ and CSLL in the statement of income	(134,050)	(84,603)	(161,483)	(104,392)

- (i) Deferred tax assets arising from income tax and social contribution losses are recognized only to the extent that their realization is probable, based on the Company's history of profitability and projections of future income. At the beginning of 2019, the Company reassessed the recovery of the amount of tax losses determined by its tax calculation, the technical study carried out shows that it is not possible to fully utilize the balance. Accordingly, a deferred tax asset of R\$ 139,611 was not recorded, mainly due to the realization of the deferred exchange variation arising from the repurchase of bonds during the second quarter of 2019, in the amount of R\$ 147,084.

(b) Breakdown of deferred tax balances

	Parent company		Consolidated	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Tax credits on income tax and social contribution losses	367,378	367,370	367,378	371,030
Tax credits on temporary differences				
Provisions (impairment and others)	668,638	678,569	668,638	678,569
Foreign exchange variation - taxation on a cash basis	76,376	220,525	76,376	220,525
Tax, civil, labor and environmental provisions	88,055	114,474	94,086	120,768
Use of public assets	70,402	71,418	70,402	71,418
CPC 25 - Asset retirement obligation	58,473	56,059	58,473	56,059
Provision for inventory losses	20,296	20,318	20,296	20,318
Provision for profit sharing	10,609	21,230	10,609	21,230
Environmental liabilities	12,444	14,714	12,444	14,714
Provision for impairment of trade receivables	16,293	13,473	16,293	13,473
Tax debits on temporary differences				
Adjusted useful lives of PP&E (depreciation)	(667,756)	(694,709)	(667,756)	(694,709)
Deferred losses on derivative agreements	(692)	(37,579)	(692)	(37,579)
CPC 20 - Capitalized interest	(25,787)	(24,350)	(25,787)	(24,350)
CPC 12 - Adjustment to present value	(15,189)	(15,721)	(15,189)	(15,721)
Financial instruments – firm commitment		(11,523)		(11,523)
Other	(19,024)	(22,513)	(19,556)	(22,512)
	660,516	771,755	666,015	781,710

Notes to the condensed parent company and consolidated interim financial statements at June 30, 2019
In thousands of Reais, unless otherwise stated

(c) Effects of deferred income tax and social contribution on profit for the six-month period and comprehensive income

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
At the beginning of the six-month period	771,755	911,791	781,710	917,715
Effects on the results	(134,050)	(84,603)	(137,974)	(84,425)
Effects on other components of comprehensive income - Hedge accounting	22,811	(2,982)	22,811	(2,982)
Other			(532)	
At the end of the six-month period	660,516	824,206	666,015	830,308

19 Provision

Breakdown and changes

	Parent company						
	1/1/2019 to 6/30/2019						1/1/2018 to 6/30/2018
	Legal process						Total
	ARO	Tax	Labor	Civil	Environment	Total	
At the beginning of the six-month period	243,955	173,929	1,909	52,909	982	473,684	459,537
Additions		5,191	18,008	3,039	2,575	28,813	25,336
Reversals		(144)	(70,670)	(28,762)	(88)	(99,664)	(118,191)
Judicial deposits, net of write-offs		282	91,850	(600)		91,532	92,271
Settlement	(3,554)	(2,452)	(10,945)	(696)	(30)	(17,677)	(14,443)
Monetary adjustments		4,374	1,791	2,018	81	8,264	25,696
Adjustment to present value	6,181					6,181	5,611
At the end of the six-month period	246,582	181,180	31,943	27,908	3,520	491,133	475,817

	Consolidated						
	1/1/2019 to 6/30/2019						1/1/2018 to 6/30/2018
	Legal process						Total
	ARO	Tax	Labor	Civil	Environment	Total	
At the beginning of the six-month period	243,955	175,173	1,759	53,518	982	475,387	460,535
Additions		5,233	19,616	3,039	2,575	30,463	25,337
Reversals		(144)	(70,670)	(28,759)	(88)	(99,661)	(118,456)
Judicial deposits, net of write-offs		282	90,392	(600)		90,074	93,354
Settlement	(3,554)	(2,451)	(10,945)	(696)	(30)	(17,676)	(14,443)
Monetary adjustments		4,374	1,791	2,018	81	8,264	25,696
Adjustment to present value	6,181					6,181	5,611
At the end of the six-month period	246,582	182,467	31,943	28,520	3,520	493,032	477,634

20 Equity

Share capital

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

At June 30, 2019 and December 31, 2018, the Company's fully subscribed and paid-up capital amounted to R\$ 4,950,095, consisting of 1,420,294,211 registered common shares.

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21 Revenue

Reconciliation of revenue

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Gross sales revenue				
Domestic sales	2,097,323	2,110,285	2,146,041	2,162,041
Foreign sales	385,439	272,638	385,439	272,638
Electricity sales	577,124	540,671	597,312	540,753
	<u>3,059,886</u>	<u>2,923,594</u>	<u>3,128,792</u>	<u>2,975,432</u>
Taxes on sales and other deductions	(398,063)	(455,813)	(435,759)	(493,349)
Net revenue f	<u>2,661,823</u>	<u>2,467,781</u>	<u>2,693,033</u>	<u>2,482,083</u>

22 Expenses by nature

	Consolidated			
	1/1/2019 to 6/30/2019			
	Cost of goods sold and services rendered (i)	Selling	General and administrative	Total
Raw materials, inputs and consumables	1,618,529	613	595	1,619,737
Employee benefits	261,870	9,580	48,288	319,738
Depreciation, amortization and depletion	228,917	108	9,615	238,640
Outsourced services	80,811	1,153	31,907	113,871
Freight expenses	46,009	85	1	46,095
Other expenses	59,824	10,115	10,812	80,751
	<u>2,295,960</u>	<u>21,654</u>	<u>101,218</u>	<u>2,418,832</u>

	Consolidated			
	1/1/2018 to 6/30/2018			
	Cost of goods sold and services rendered (i)	Selling	General and administrative	Total
Raw materials, inputs and consumables	1,439,374	52	839	1,440,265
Employee benefits	249,940	10,509	41,499	301,948
Depreciation, amortization and depletion	150,640	122	1,965	152,727
Outsourced services	78,545	567	25,536	104,648
Freight expenses	41,058	64	24	41,146
Other expenses	37,923	5,921	17,362	61,206
	<u>1,997,480</u>	<u>17,235</u>	<u>87,225</u>	<u>2,101,940</u>

- (i) During the six-month period ended June 30, 2019, the Company recorded the amount of R\$ 15,317 (June 30, 2018 – R\$ 14,970) related to the idle production costs of Niquelândia and São Miguel Paulista plants located in the city of Niquelândia in the State of Goiás and in the city of São Paulo, State of São Paulo, respectively.

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23 Employee benefit expenses

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Salaries and bonuses	166,941	158,670	170,851	162,328
Social charges	99,666	95,182	101,762	97,004
Social benefits	45,891	41,748	47,125	42,616
	<u>312,498</u>	<u>295,600</u>	<u>319,738</u>	<u>301,948</u>

24 Other operating income (expenses), net

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
ACR - Realization of financial instrument – firm commitment (i)	(53,185)	(57,317)	(53,185)	(57,317)
ACL - Realization of financial instrument - firm commitment (i)	(8,792)	(4,651)	(8,792)	(4,651)
ACL - Recognition of financial instrument – firm commitment (ii)	28,219	11,451	28,219	11,451
ACR - Decrease in financial instrument volume – firm commitment (iii)	(4,339)	3,122	(4,339)	3,122
Recognition of taxes recoverable (Note 1.1 (d))	121,888		121,888	
Net gain (loss) on sale of assets (iv)	(22,627)	1,838	(22,627)	1,838
Reversal for impairment of assets (Note 14 and 15)	9,550	1,912	9,550	1,912
Gain on sale of investment (v)		111,070		111,070
Expenses with non-activatable projects	(21,456)	(27,599)	(21,456)	(27,599)
Reversals (recognitions) of judicial provisions, net	(42,763)	48,925	(42,763)	48,925
Recognition of provision for obsolete and slow-moving inventories (Note 13)	(36)	(4,382)	(36)	(4,382)
Other operating income (expenses), net	<u>2,271</u>	<u>461</u>	<u>2,844</u>	<u>(2,512)</u>
	<u>8,730</u>	<u>84,830</u>	<u>9,303</u>	<u>81,857</u>

- (i) The realization of the financial instrument is recognized against revenue from energy sales, according to the physical delivery of energy.
- (ii) The Company made purchases of energy under a firm commitment. These transactions resulted in gain on the surplus energy (excess), which was recognized at its fair value.
- (iii) The volume reduction was caused by the exit of distributors from the regulated trade environment, which migrated to the open market environment.
- (iv) The change refers substantially to the net loss of the assets related to the Rio de Janeiro distribution center, as described in Note 1.1 (c).
- (v) The change refers to the sale of preferred shares of investee CBA Energia Participações S.A., in April 2018.

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25 Financial results

	Parent company		Consolidated	
	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018	1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
Finance income				
Reversal of monetary adjustment of provisions	20,740	42,804	20,740	42,804
Gains of financial investments	14,382	25,000	16,660	26,991
Interest on financial assets (i)	50,710	4,756	50,782	4,840
Monetary adjustment of assets	7,093	6,801	7,094	7,268
Interest on related parties operations (Note 12)	94	2,841	94	
Other finance income	57	243	613	296
	<u>93,076</u>	<u>82,445</u>	<u>95,983</u>	<u>82,199</u>
Finance costs				
Interest on borrowing	(49,786)	(64,152)	(53,814)	(69,656)
Interest on prepayment of receivables with related parties (Note 12)	(45,312)	(45,312)	(45,312)	(45,312)
Derivative financial instruments (ii)	(77,083)		(77,083)	
Premium paid on the repurchase of bonds (Note 17 (g) (ii))	(40,290)		(40,290)	
Monetary adjustment of provisions	(15,631)	(30,563)	(15,631)	(30,563)
Interest and monetary adjustment - Use of public assets	(29,389)	(35,394)	(31,981)	(38,958)
Adjustment to present value - CPC 12	(13,371)	(13,027)	(13,371)	(13,027)
Income tax on remittances of interest abroad	(12,150)	(9,646)	(12,150)	(9,646)
Borrowing costs	(14,866)	(2,217)	(14,866)	(2,217)
Interest on related parties operations (Note 12)		(4,789)		(4,789)
PIS and COFINS on finance results	(3,319)	(2,056)	(3,369)	(2,109)
Other finance costs	(12,313)	(4,040)	(13,310)	(2,188)
	<u>(313,510)</u>	<u>(211,196)</u>	<u>(321,177)</u>	<u>(218,465)</u>
Foreign exchange variations, net	(12,047)	(248,620)	(11,962)	(248,853)
	<u>(232,481)</u>	<u>(377,371)</u>	<u>(237,156)</u>	<u>(385,119)</u>

- (i) Substantially refers to the monetary restatement of PIS and COFINS credits, as described in Note 1.1. (d)
- (ii) Mainly refers to the mark to market (MtM) of the swap contracted together with the Export Credit Note (NCE) borrowing, as described in Note 17 (g) (i).

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26 Supplementary information

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to consistently provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce the cost of capital.

This supplementary information is not required by Brazilian and international accounting standards, but the Company uses adjusted EBITDA as an indicator of its operating performance. Adjusted EBITDA is calculated from profit plus/minus financial results, plus income tax and social contribution, plus depreciation, amortization and depletion, less equity in the results of investees, 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 dated October 4, 2012.

	Consolidated			
	June 30, 2019		December 31, 2018	
Borrowings	2,111,919		2,058,867	
Cash and cash equivalents	(59,725)		(41,705)	
Derivative financial instruments	(2,034)		(110,526)	
Leases (i)	20,812			
Financial investments	(583,078)		(530,658)	
Net debt - (A)	1,487,894		1,375,978	

	Consolidated			
	Six-month period ended	Six-month period ended	Twelve-month period ended	Twelve-month period ended
	June 30, 2019	June 30, 2018	June 30, 2019	December 31, 2018
Loss for the period	(110,494)	(46,198)	(10,231)	54,065
Income tax and social contribution	161,483	104,392	131,177	74,086
Profit before taxes	50,989	58,194	120,946	128,151
Equity in the results	(4,641)	18,687	3,709	27,037
Depreciation, amortization and depletion	238,640	152,727	389,115	303,202
Finance income, net	237,156	385,119	377,866	525,829
EBITDA	522,144	614,727	891,636	984,219
Exceptional items				
Net gain on sale of investments		(111,070)		(111,070)
Net loss on sale of assets to related parties	23,747		23,747	
Reversal for impairment of property, plant and equipment	(9,550)	(1,912)	(48,365)	(40,727)
Adjusted EBITDA (B)	536,341	501,745	867,018	832,422
Gearing ratio - (A/B)			1.72	1.65

(i) Refers to the application of IFRS 16, as detailed in Note 3.1.1.