Companhia Brasileira de Alumínio

Parent company and consolidated condensed interim financial statements at September 30, 2019 and report on review.

Report on review of parent company and consolidated 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 September 30, 2019 and the related condensed interim statements of income and comprehensive income for the quarter and nine-month period then ended, and the condensed interim statements of changes in equity and cash flows for the nine-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 September 30, 2019 and the related consolidated condensed interim statements of income and comprehensive income for the quarter and nine-month period then ended, and the consolidated condensed interim statements of changes in equity and cash flows for the nine-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.

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, October 30, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Adriano Machado
Contador CRC PR 042584/O-7

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Parent company and consolidated condensed interim financial statements

Explanatory notes to the individual and consolidated condensed financial statements

Companhia Brasileira de Alumínio

Condensed interim balance sheet
In thousands of Brazilian Reais

Assets	Note	Parent company 9/30/2019	Parent company 12/31/2018	Consolidated 9/30/2019	Consolidated 12/31/2018
Current					
Cash and cash equivalents	7	87,432	40,641	87,718	41,705
Financial investments	8	542,696	454,858	631,475	528,264
Derivative financial instruments	5.2	65,639	168,312	65,639	168,312
Accounts receivable from customers	9	486,840	495,072	501,789	489,708
Inventory	10	911,207	810,240	930,609	827,467
Recoverable taxes	11	406,553	350,445	422,835	357,018
Dividends receivable	12		1,401	23,782	416
Financial instruments – firm commitment	12	15,019	116,174	15,019	116,174
Other assets		46,904	47,525	50,674	52,354
		2,562,290	2,484,668	2,729,540	2,581,418
Non-current assets					
Long-term receivables					
Financial investments	8	64	64	2,371	2,394
Derivative financial instruments	5.2	383,779		383,779	
Recoverable taxes	11	687,119	656,166	687,128	656,187
Deferred income tax and social contribution	18	747,351	771,755	752,203	781,710
Related parties	12	27,794	531	27,790	529
Judicial deposits		119,688	128,057	120,468	128,107
Other assets		18,284	18,187	14,430	21,827
		1,984,079	1,574,760	1,988,169	1,590,754
Investments	13	565,745	551,234	203,481	196,879
Property, plant and equipment	14	4,200,033	4,299,218	4,714,073	4,833,590
Intangible assets	15	391,998	395,939	496,422	501,014
Right to use	16 (a)	15,457		17,194	
		7,157,312	6,821,151	7,419,339	7,122,237
Total assets		9,719,602	9,305,819	10,148,879	9,703,655

Liabilities and shareholders' equity	Note	Parent company 9/30/2019	Parent company 12/31/2018	Consolidated 9/30/2019	Consolidated 12/31/2018
Current					
Loans and financing	17	121,607	85,459	152,145	118,095
Leases	16 (b)	7,314		7,706	
Derivative financial instruments	5.2	21,599	57,786	21,599	57,786
Suppliers		432,141	400,978	424,268	390,816
Supplier finance programs		360,328	256,645	360,328	256,645
Wages and social charges		122,501	116,903	124,592	118,724
Taxes payable		10,124	9,384	42,602	32,336
Advances from customers		36,908	29,021	37,034	29,049
Dividends payable	12	41,114	10,338	72,370	12,652
Use of public assets – UBP		39,259	39,148	42,433	44,156
Related parties	12	83,279	223,521	83,192	223,369
Other liabilities		23,816	31,117	45,147	48,837
		1,299,990	1,260,300	1,413,416	1,332,465
Non-current assets					
Loans and financing	17	2,009,007	1,849,597	2,069,825	1,940,772
Leases	16 (b)	6,656		7,985	
Derivative financial instruments	5.2	573,489		573,489	
Related parties	12	2,330	13,287	2,330	13,287
Provisions	19	497,628	473,684	499,544	475,387
Use of public assets – UBP		520,354	512,214	569,902	559,432
Financial instruments – firm commitment	12	42,274	82,284	42,274	82,284
Other liabilities		48,222	50,037	52,722	53,499
		3,699,960	2,981,103	3,818,071	3,124,661
Total liabilities		4,999,950	4,241,403	5,231,487	4,457,126
Shareholders' equity	20				
Share capital		4,950,095	4,950,095	4,950,095	4,950,095
Profit reserves		6,152	36,928	6,152	36,928
Accumulated losses		(181,494)		(181,494)	
Carrying valuation adjustments		(55,101)	77,393	(55,101)	77,393
Shareholders' equity assigned to controlling shareholders		4,719,652	5,064,416	4,719,652	5,064,416
Share of non-controlling shareholders				197,740	182,113
Total shareholders' equity		4,719,652	5,064,416	4,917,392	5,246,529
Total liabilities and shareholders' equity		9,719,602	9,305,819	10,148,879	9,703,655

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

Condensed interim statements of income
Nine-month periods ended September 30
In thousands of Brazilian Reais, except when indicated otherwise

		Parent company		Consolidated	
	Note	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Net revenue of products sold and services rendered	21	3,950,686	3,899,029	4,006,265	3,920,919
Cost of products sold and services rendered	22	(3,514,405)	(3,210,408)	(3,467,894)	(3,170,804)
Gross profit		436,281	688,621	538,371	750,115
Operating revenue (expenses)					
Selling	22	(27,780)	(24,556)	(28,212)	(26,128)
General and administrative	22	(147,275)	(132,163)	(152,793)	(136,964)
Other operating revenue (expenses), net	24	(58,210)	33,463	(56,795)	29,942
		(233,265)	(123,256)	(237,800)	(133,150)
Operating profit before holdings interest and financial results		203,016	565,365	300,571	616,965
Equity income					
Equity	13	37,613	(12,294)	6,602	(27,016)
		37,613	(12,294)	6,602	(27,016)
Net financial result	25				
Financial revenue		124,185	98,437	128,836	99,663
Financial expenses		(385,647)	(301,081)	(397,655)	(314,257)
Exchange variations, net		(68,325)	(329,985)	(68,163)	(330,232)
		(329,787)	(532,629)	(336,982)	(544,826)
Profit (loss) before income tax and social contribution		(89,158)	20,442	(29,809)	45,123
Income tax and social contribution	18 (a)				
Current				(32,471)	(26,745)
Deferred		(92,336)	(32,603)	(96,862)	(29,290)
Loss in the period		(181,494)	(12,161)	(159,142)	(10,912)
Loss in the period attributable to the owners of the Company		(181,494)	(12,161)	(181,494)	(12,161)
Net income assigned to non-controlling shareholders				22,352	1,249
Loss in the period		(181,494)	(12,161)	(159,142)	(10,912)
Weighted average number of shares, in thousands		1,420,294	1,503,347	1,420,294	1,503,347
Basic and diluted loss per share in Brazilian reais		(0.13)	(0.01)	(0.13)	(0.01)

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

Condensed interim statements of income
Three-month periods ended September 30
In thousands of Brazilian Reais, except when indicated otherwise

	Parent company		Consolidated	
	1/7/2019 to 9/30/2019	1/7/2018 to 9/30/2018	1/7/2019 to 9/30/2019	1/7/2018 to 9/30/2018
Net revenue of products sold and services rendered	1,288,863	1,431,248	1,313,232	1,438,837
Cost of products sold and services rendered	(1,171,390)	(1,178,460)	(1,171,934)	(1,173,325)
Gross profit	117,473	252,788	141,298	265,512
Operating revenue (expenses)				
Selling	(6,454)	(8,536)	(6,558)	(8,893)
General and administrative	(49,690)	(47,883)	(51,575)	(49,739)
Other operating expenses	(66,940)	(51,366)	(66,097)	(51,913)
	(123,084)	(107,785)	(124,230)	(110,545)
Operating profit (loss) before holdings interest and financial results	(5,611)	145,003	17,068	154,967
Equity income				
Equity	4,039	(4,417)	1,961	(8,329)
	4,039	(4,417)	1,961	(8,329)
Net financial result				
Financial revenue	31,109	15,992	32,853	17,464
Financial expenses	(72,137)	(89,885)	(76,478)	(95,792)
Exchange variations, net	(56,278)	(81,365)	(56,202)	(81,379)
	(97,306)	(155,258)	(99,827)	(159,707)
Loss before income tax and social contribution	(98,878)	(14,672)	(80,798)	(13,069)
Income tax and social contribution				
Current			(8,962)	(6,777)
Deferred	41,714	52,000	41,112	55,134
Profit (loss) for the quarter	(57,164)	37,328	(48,648)	35,288
Profit (loss) for the quarter attributable to the owners of the Company	(57,164)	37,328	(57,164)	37,328
Net income (loss) assigned to non-controlling shareholders			8,516	(2,040)
Profit (loss) for the quarter	(57,164)	37,328	(48,648)	35,288
Weighted average number of shares, in thousands	1,420,294	1,420,294	1,420,294	1,420,294
Basic and diluted loss per share in Brazilian reais	(0.04)	0.03	(0.04)	0.03

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

Condensed interim statements of comprehensive income
Periods ended September 30
In thousands of Brazilian Reais

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Loss in the period	(181,494)	(12,161)	(159,142)	(10,912)
Other components of comprehensive income to be subsequently reclassified to the result				
Operational hedge accounting, before taxes	(132,494)	40,492	(132,494)	40,492
	(132,494)	40,492	(132,494)	40,492
Total comprehensive income (loss) for the period	(313,988)	28,331	(291,636)	29,580
Comprehensive income (loss) attributable to shareholders				
Controlling			(313,988)	28,331
Non-controlling			22,352	1,249
			(291,636)	29,580

	Parent company		Consolidated	
	1/7/2019 to 9/30/2019	1/7/2018 to 9/30/2018	1/7/2019 to 9/30/2019	1/7/2018 to 9/30/2018
Profit (loss) for the quarter	(57,164)	37,328	(48,648)	35,288
Other components of comprehensive income to be subsequently reclassified to the result				
Operational hedge accounting, before taxes	(87,588)	34,729	(87,588)	34,729
	(87,588)	34,729	(87,588)	34,729
Total comprehensive income (loss) total for the quarter	(144,752)	72,057	(136,236)	70,017
Comprehensive income (loss) attributable to shareholders				
Controlling			(144,752)	72,057
Non-controlling			8,516	(2,040)
			(136,236)	70,017

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

In thousands of Brazilian Reais

	Attributable to controlling shareholders							
		Profit reserves						
	Social capital	Legal	Retention	Accrued losses	Equity valuation adjustments	Total	Share of non-controlling shareholders	Shareholders' equity
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 adopting 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 period								
Net profit (loss) for the period				(12,161)		(12,161)	1,249	(10,912)
Other components of comprehensive income					40,492	40,492		40,492
				(12,161)	40,492	28,331	1,249	29,580
Shareholder transactions								
Capital reduction	(687,204)					(687,204)		(687,204)
Sale of subsidiary's equity interested							60,430	60,430
	(687,204)	-	-	-	-	(687,204)	60,430	(626,774)
At September 30, 2018	4,950,095	518	4,256	(12,953)	(53,976)	4,887,940	174,734	5,062,674
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 period								
Net profit (loss) for the period				(181,494)		(181,494)	22,352	(159,142)
Other components of comprehensive income					(132,494)	(132,494)		(132,494)
	-	-	-	(181,494)	(132,494)	(313,988)	22,352	(291,636)
Shareholder transactions								
Dividends			(30,776)			(30,776)	(6,725)	(37,501)
	-	-	(30,776)	-	-	(30,776)	(6,725)	(37,501)
At September 30, 2019	4,950,095	2,678	3,474	(181,494)	(55,101)	4,719,652	197,740	4,917,392

Companhia Brasileira de Alumínio

Condensed interim statements of cash flow
Periods ended September 30
In thousands of Brazilian Reais

		Parent company		Consolidated	
	Note	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Cash flow from operational activities					
Profit (loss) before income tax and social contribution		(89,158)	20,442	(29,809)	45,123
Adjustments to items that do not represent changes in cash and cash equivalents					
Interest, monetary and exchange variations		123,408	552,013	153,473	557,362
Equity	13	(37,613)	12,294	(6,602)	27,016
Depreciation, amortization and depletion	14, 15 and 16 (a)	303,345	204,012	328,372	227,522
ACR – Financial instrument realization – firm commitment	24	79,050	86,893	79,050	86,893
ACL – Financial instrument realization – firm commitment	24	11,689	7,548	11,689	7,548
ACL – Financial instrument recognition – firm commitment	24	(34,575)	(3,008)	(34,575)	(3,008)
ACR – Financial instrument volume reduction – firm commitment	24	4,982	(23,554)	4,982	(23,554)
Loss in asset sales	24	22,627	186	22,628	186
Reversal provision for impairment of assets	24	(10,182)	(2,876)	(10,182)	(2,876)
Investment gain	24		(111,070)		(111,070)
Recognition of credit arising from the exclusion of ICMS from the calculation base for PIS/COFINS		(170,853)		(170,853)	
Constitutions (reversals) of provisions, net	9, 10 and 19	(81,471)	(93,205)	(79,150)	(93,470)
		121,249	649,675	269,023	717,672
Decrease (increase) in assets					
Financial investments		(65,528)	467,379	(77,188)	458,260
Accounts receivable from customers		4,980	(162,545)	(15,983)	(141,922)
Inventory		(99,531)	(270,347)	(101,706)	(270,395)
Recoverable taxes		83,792	38,167	74,095	27,511
Other credits and other assets		82,631	(29,822)	89,150	(29,095)
Increase (decrease) in liabilities					
Suppliers		31,163	86,096	33,452	111,195
Supplier finance programs		103,683	120,185	103,683	120,185
Wages and social charges		5,598	(10,659)	5,868	(10,830)
Advances from customers		740	14,909	9,036	14,896
Taxes payable		4,011	(14,237)	4,011	19,915
Payments of tax, civil and labor proceedings		(11,909)	(18,599)	(11,909)	(18,599)
Derivative financial instruments		(62,835)	121,844	(62,835)	121,844
Other obligations and other liabilities		(1,228)	(42,126)	3,519	(38,439)
Cash from operating activities		196,816	949,920	322,216	1,082,198
Interest paid on loans, financing and use of public assets – UBP		(53,935)	(110,514)	(62,043)	(121,299)
Income tax and social contribution paid				(31,241)	(32,627)
Net cash from operating activities		142,881	839,406	228,932	928,272
Cash flow from investment activities					
Purchase of property, plant and equipment and intangible assets	14, 15 and 16 (a)	(192,021)	(141,890)	(195,018)	(143,712)
Capital reduction in invested assets	13 (b)	(260)	(5,894)		(5,315)
Receipt for sale of property, plant and equipment		12,867	2,499	12,867	2,499
Related parties				(27,261)	
Dividends received		24,763	28,563		5,311
Net cash applied to investment activities		(154,651)	(116,722)	(209,412)	(141,217)
Cash flow from financing activities					
Fundraising	17 (c)	1,174,880	34,951	1,174,880	34,951
Amortization of loans and financing	17 (c)	(1,070,151)	(147,578)	(1,100,594)	(187,700)
Derivative financial instruments		118,282	(113,769)	118,282	(113,769)
Capital reduction			(205,983)		(205,983)
Lease stallments paid		(13,251)		(13,792)	
Dividends paid			(12,717)	(1,149)	(12,717)
Related parties		(151,199)	(263,879)	(151,134)	(288,647)
Net cash applied to financing activities		58,561	(708,975)	26,493	(773,865)
Increase in cash and cash equivalents		46,791	13,709	46,013	13,190
Cash and cash equivalents at the beginning of the period		40,641	18,191	41,705	18,854
Cash and cash equivalents at the end of the period		87,432	31,900	87,718	32,044
Non-cash transactions					
Capital reduction			(481,221)		(481,221)

1 General considerations

Companhia Brasileira de Alumínio (the "Company" or "CBA") is controlled by Votorantim S.A. ("VSA"), headquartered in the city of São Paulo, whose main activities are the exploration of bauxite minings in the national territory, producing and/or trading bauxite, alumina, primary aluminum and processed products in Brazil and abroad, having a wide range of products, such as ingots, billets, plates, coils, sheets and extruded products. The Company also controls electrolytic cobalt and nickel operations, in addition to trading of surplus electricity generated on the local market through Votener – Votorantim Comercializadora de Energia.

The bauxite processed by the Company mainly comes from two of its own mining units, located in Minas Gerais (Poços de Caldas and Miraí), and a small part from a supplier located in the state of Goiás (Barro Alto).

The Company has its own hydroelectric power plants and participates in consortia, which enables it to reduce the cost of energy consumed during the primary aluminum production process.

1.1 Main events that occurred during the nine-month period ended September 30, 2019

(a) Dividends received

On April 23, 2019 at the annual shareholders' meeting, the subsidiary Metalex, based on the net profit calculated on December 31, 2018, deliberated to distribute dividends in the amount of BRL 20,000, credited to the Company's current account on April 24, 2019.

(b) Dividend distribution

On April 30, 2019, in addition to the mandatory minimum dividends recorded on December 31, 2018 in the amount of BRL 10,259, during the annual shareholders' meeting, the Board of Directors deliberated to distribute the remaining balance of net profit calculated on December 31, 2018, as dividends to shareholders, in the amount of BRL 30,776, for a total distribution of BRL 41,034.

(c) Sale of the distribution center in Rio de Janeiro

On May 31, 2019, the Rio de Janeiro distribution center was sold in the amount of BRL 25,000, to be received in local currency within five years. The sales value of the establishment was determined in an appraisal report issued by a third party consultant, considering macroeconomic assumptions. The operation generated a net loss on the sale of assets in the amount of BRL 23,747, recorded under "Other operating revenue (expenses), net."

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

During the second quarter of 2019, the final decision was recognized in the Company's judicial proceedings related to the thesis of ICMS exclusion on the PIS and COFINS calculation basis, with assets recorded in the amount of BRL 170,853, of which BRL 121,888 was recorded as principal under "Other operating revenue (expenses), net" and BRL 48,965 as monetary restatement, recorded under "Financial results."

(e) Purchase of Arconic Indústria e Comércio de Metais Ltda.

In August 2019, the company announced the purchase of the operations of Arconic Industria e Comércio de Metais Ltda, a unit located in Pernambuco, northeastern Brazil, which will complement CBA's rolled products line. Arconic, located in the city of Itapissuma, has an installed capacity of 50,000 tons per year between aluminum plates and sheets, and will contribute to improving the competitiveness of the domestic industry against imported products. The sale and purchase agreement has already been entered into between the parties, but the conclusion of the transaction is still pending CADE approval.

2 Presentation of the financial statements and summary of accounting practices

2.1 Presentation base

(a) Individual and consolidated condensed interim financial statements

The individual and consolidated condensed interim financial statements were prepared and are presented in accordance with Technical Pronouncement CPC 21 – (R1) "Interim Statement" and International Accounting Standard IAS 34 – "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and disclose all information relevant to the interim financial statements, and only such information, which is consistent with that used by the Board of Directors in the course of its duties.

The individual and consolidated condensed interim financial statements as at September 30, 2019 do not incorporate all the notes and disclosures required by the accounting standards for annual financial statements, as their purpose is to provide an update on changes to the significant activities, events and circumstances compared to those financial statements. Therefore, they should be read in conjunction with the financial statements for the year ended December 31, 2018, which were issued on February 25, 2019 and disclosed on April 3, 2019 in the São Paulo State Register.

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

(b) Approval of the financial statements

The issuance of these financial statements was approved by the Board of Directors on October 30, 2019.

3 Changes in accounting practices and disclosures

3.1 Changes to standards applicable as at January 1, 2019

3.1.1 IFRS 16/CPC 06 – "Lease operations"

(i) Key aspects introduced by the standard – effective from January 1, 2019

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of lease agreements. The standard introduces lessees to a unique balance sheet accounting model, where they are required to recognize a lease liability reflecting future payments and the right to use the leased asset. The nature of the expense related to these leases was changed from a linear operating lease expense to an amortization of the right to use the asset and the interest expense, through the restatement of the lease liability.

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

(ii) Impacts of adoption

The Company adhered to IFRS 16 from its adoption on January 1, 2019, in accordance with the simplified cumulative effect approach, under which assets and liabilities are recorded at the same amount upon initial recognition, without any effect on shareholders' equity. The Company and its subsidiaries recognized the amount of BRL 28,318 related to the right to use assets and liabilities with lease agreements.

(a) Scope of the analysis and identification of assets

The Company reviewed all active lease agreements upon the initial adoption date of the standard, when leasing of machinery and equipment, light and heavy vehicles, and real estate were identified for initial measurement.

As permitted by the standard, the following items were excluded from the scope of the analysis: (i) short-term leases (less than 12 months); and (ii) agreements with amounts below USD 5 (BRL 19).

With regard to the right to use assets within the scope of identified contracts, the following were also disregarded: (i) agreements with variable payments; (ii) agreements under which the leased asset was considered unidentifiable; (iii) agreements under which the Company is not entitled to substantially all of the economic benefits from the use of the asset; and (iv) agreements under which the company does not posses substantial control to define the manner in which asset will be used.

It is important to highlight that the Company analyzed, but failed to identify: (i) agreements that present fixed and variable payments concurrently negotiated; (ii) agreements that address identifiable and non-identifiable assets concurrently negotiated; or (iii) service agreements where assets within the scope of the standard were identified.

(b) Lease term

The Company analyzed the lease terms for all agreements according to the combination of the non-cancellable term, the term covered by the extension option, the term covered by the termination option and, mainly, management's intentions regarding the term remaining in each such agreement.

(c) Discount rate

For initial adoption purposes, the Company adopted the average cost of outstanding debt on December 31, 2018 for all agreements classified in accordance with IFRS 16.

The incremental rate for each lease agreement will be identified for new agreements, renewals and addenda. The incremental rate shall reflect the cost to the Company of acquiring debt with characteristics similar to those set forth in the lease as to the term, amount, guarantee and economic environment.

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

3.1.2 IFRIC 23/ICPC 22 – "Uncertainty regarding tax treatment of profits"

(i) Key aspects introduced by the standard – effective from January 1, 2019

This interpretation clarifies how the recognition and measurement requirements of CPC 32 – "Taxes on Profit" should be applied when there is uncertainty regarding the tax treatment of profits. In such circumstances, the Company shall recognize and measure its assets or liabilities related to current or deferred taxes by applying the requirements of CPC 32 – "Taxes on Profit", based on the taxable profit (tax loss), taxable income, unused tax losses, unused tax credits and tax rates determined pursuant to this interpretation.

(ii) Impacts of adoption

The Company and its subsidiaries adhered to the standard from its effective date of January 1, 2019. However, based on the Board of Directors' understanding, there is no material impact on the accounting treatment of uncertain positions regarding taxes on profits due to the adoption of this new accounting standard.

3.1.3 Accounting estimate change – Electrolytic reduction vats

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 Electrolytic Reduction Vats, recognized in the "Machinery, equipment and facilities" class.

As a result, from 1Q19, the Company changed the specific depreciation rate for the Electrolytic Reduction Vats, prospectively accounted for as a change in the accounting estimate in accordance with CPC 23 and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors."

3.2 Reviews of comparative balances

The Company revised and updated the comparative balances related to the disclosures in the latest annual financial statements by reiterating that the changes were reallocations between line items and did not represent changes in the results for this comparative period.

Reclassifications occurred in the explanatory notes to Currency risk (suppliers and drawn risk), Liquidity risk (Use of public assets) and Income breakdown by nature (better allocation in the current period and the corresponding adjustment in the comparative period).

4 Critical accounting estimates and judgments

In the period ended September 30, 2019, there were no changes in the estimates and assumptions that presented a significant risk of causing material adjustments to the accounting values of the assets and liabilities for the current fiscal year, compared to those detailed in Note 4 to the most recent annual financial statements.

5 Financial risk management

5.1 Financial risk factors

The activities of the Company and its subsidiaries expose them to various financial risks, namely: (a) market risk (currency, commodity prices and interest rates); (b) credit risk; and (c) liquidity risk.

In thousands of Brazilian Reais, except when indicated otherwise

A significant portion of the products sold by the Company are commodities, whose prices are benchmarked to international quotations and denominated in US Dollars.

Costs, however, are predominantly denominated in Brazilian Reais, resulting in the natural mismatch of currencies between revenue and costs. Additionally, the Company and its subsidiaries have loans linked to different interest rates and currencies, which may affect its cash flow.

In order to mitigate the effects of each market risk factor, the Company and its subsidiaries follow its Financial Policy, approved by the Board of Directors, with the purpose of establishing governance and its macro guidelines in the financial risk management process, as well as measurement and monitoring indicators.

Proposals to comply with these policies are discussed and approved by the Executive Board or Board of Directors, according to the governance structure described in the Financial Policy and the Company's Bylaws.

In accordance with this policy, the types of financial instruments that may be contracted for financial protection and risk mitigation purposes are: conventional swaps, calls or puts, collars, currency futures contracts and Non-Deliverable Forward (NDF) contracts. Strategies that involve calls and puts simultaneously are only authorized if the net result of the operation is not short in volatility of the underlying asset. The Company and its subsidiaries do not enter into financial instruments for speculative purposes.

(a) Market risk

(i) Currency risk

The Financial Policy emphasizes that the purpose of derivative operations is to reduce cash flow volatility, reduce foreign exchange exposure and avoid mismatching between the Company's currencies.

The Brazilian Real (BRL) is the Company's functional currency, and all market risk management efforts are intended to protect cash flow in this currency, preserving the ability to pay financial obligations and maintain the levels of liquidity and debt defined by the Board of Directors. This protection is done considering the net foreign exchange exposure.

The table below shows the balance of assets and liabilities indexed in foreign currency at the balance sheet closing date:

		Parent company and consolidated	
	Note	9/30/2019	12/31/2018
Assets in foreign currency			
Cash and cash equivalents	7	83,636	39,098
Derivative financial instruments	5.2	449,418	168,312
Accounts receivable from customers		122,723	170,090
		655,777	377,500
Liabilities in foreign currency			
Loans and financing (i)		607,341	1,552,579
Derivative financial instruments	5.2	595,088	57,786
Suppliers		48,465	24,200
Supplier finance programs		310,044	164,999
		1,560,938	1,799,564
Net exposure		(905,161)	(1,422,064)

(i) Fundraising costs are not included in this amount.

(ii) Cash flow or fair value risk associated with interest rate

The Company's interest rate risk arises from loans and financing. Loans and financing issued at floating rates expose the Company's cash flow to the risk of interest rate fluctuations. Loans and financing issued at fixed rates expose the Company to fair value risk associated with the interest rate.

The Financial Policy establishes guidelines and standards to protect against interest rate volatility that affect the cash flow of the Company and its subsidiaries. Based on the projected exposure to key interest rate indices (mainly the CDI, IPCA and TJLP), the Treasury department prepares proposals for hedging, when applicable, and submits them for approval by the Executive Board or the Board of Directors.

(iii) Commodity price risk

The Financial Policy establishes guidelines to protect against commodity price fluctuations that affect the cash flow of the Company and its operational subsidiaries.

The exposures to each commodity consider the monthly production projections, volume of metal purchased and maturity flows of hedges associated thereto. The executed hedges are classified as follows:

(iii.1) Strategic Hedge – aimed at ensuring a reduction in cash flow volatility through fixing the prices of commodities and foreign exchange rates;

(iii.2) Book Hedge – aimed at equalizing the commodity prices between different "quotation periods" between the purchase of the commodity and its sale.

(b) Credit risk

Derivative financial instruments, time deposits, CDBs and repo operations backed by debentures and federal government securities leads to an exposure to counterparty and issuer credit risk.

The Company's Financial Policy states that only issuers with at least two ratings from the following ratings agencies should be considered: Fitch Ratings, Moody's or Standard & Poor's. The minimum rating required for counterparties is "A" (on a local scale) for onshore operations or "BBB-" (on a global scale) for offshore operations, or equivalent. For financial assets whose issuers do not meet the aforementioned minimum credit risk ratings, a different criteria proposed by the Treasury department and approved by the Board of Directors may be applied instead.

The credit quality of financial assets is described in Note 6. The ratings disclosed in this note are always the most conservative among the agencies mentioned.

The methodology used to assess counterparty risks in derivative instrument operations is the pre-settlement risk method. This methodology consists of determining, through simulations using the Monte Carlo model, the value at risk associated with non-compliance with the financial commitments defined in the agreement with each counterparty. The use of this methodology follows the guidelines defined in the Financial Policy.

In thousands of Brazilian Reais, except when indicated otherwise

(c) Liquidity risk

Liquidity risk is managed in accordance with the Financial Policy, in order to guarantee adequate liquid position to meet the Company's financial commitments on time and at no additional cost. The main liquidity measurement and monitoring instrument is the cash flow projection, for a minimum projection term of 12 months from the reference month.

The following table sets out the Company's main financial liabilities by maturity range (remaining period from the balance sheet date until the contractual maturity date). Derivative financial liabilities are included in the analysis when their contractual maturities are essential for an understanding of the temporary cash flow. The amounts disclosed in the table represent the future cash flow, including interest to be incurred, which is why these amounts cannot be reconciled with the amounts disclosed in the balance sheet for loans and financing, leases and use of public assets.

Consolidated

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	From 5 to 10 years	Over 10 years	Total
On September 30, 2019						
Loans and financing	238,737	431,519	870,299	1,313,263	35,268	2,889,086
Derivative financial instruments	21,599	31,276	30,139	508,891	3,183	595,088
Suppliers	424,268					424,268
Supplier finance programs	360,328					360,328
Related parties	83,192	2,330				85,522
Use of public assets – UBP	46,788	98,244	109,507	332,239	672,082	1,258,860
Leases	10,459	4,472	1,883	56		16,870
Dividends payable	72,370					72,370
	1,257,741	567,841	1,011,828	2,154,449	710,533	5,702,392
On December 31, 2018						
Loans and financing	218,824	412,752	262,008	1,665,804		2,559,388
Derivative financial instruments	57,786					57,786
Suppliers	390,816					390,816
Supplier finance programs	256,645					256,645
Related parties	223,369	13,287				236,656
Use of public assets – UBP	44,175	110,736	171,165	243,589	702,044	1,271,709
Dividends payable	12,652					12,652
	1,204,267	536,775	433,173	1,909,393	702,044	4,785,652

5.2 Derivative financial instruments

Accounting policy

Derivatives are initially recognized at fair value as at the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method for recognizing the resulting gain or loss depends on whether or not the derivative is designated as a hedge accounting instrument. That being the case, the method depends on the nature of the item being hedged. The Company adopts hedge accounting and designates certain derivatives as:

(a) Cash flow hedges

Metal operating results hedging program (strategic hedge) – In order to reduce the cash flow volatility, the Company contracts derivative financial instruments to perform the commodity forward sale in conjunction with the sale of US Dollar forwards. The effective portion of changes in the fair value of designated derivatives and qualified as cash flow hedges is recognized in shareholders' equity under "Equity valuation adjustments."

Gains or losses related to the non-effective portion are immediately recognized in the income statement for the period. The amounts accrued in shareholders' equity are taken to the income statement in the periods during which the respective LME (London Metals Exchange) sales are made.

Downstream Premium Hedging Program – In order to reduce cash flow volatility, the Company contracts derivative financial instruments to protect a portion of the premium adopted on the downstream business sales against currency exchange rate fluctuations. The hedge, in this case, was created through the purchase and sale of options, forming the Zero Cost Collar ("ZCC") structure. This strategy provides a protection range in which the premium traded in US Dollars may float between an upper and a lower limit for the exchange rate. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in shareholders' equity under "Equity valuation adjustments." Gains or losses related to the non-effective portion are immediately recognized in the income statement for the period. The amounts accrued in shareholders' equity are taken to the income statement in the periods during which the respective amounts denominated in US Dollar are received.

US Dollars Debt Hedging Instruments – derivative financial instruments contracted for the purpose of converting floating rates in CDI or IPCA in Brazilian Reais to fixed rates in US Dollars, partially matching the currency of the financial expenses and the amortization of debts against revenue, thus reducing the company's currency exposure to the US Dollar. Protection is provided through swaps, with the effective portion of changes in the fair values of derivatives designated and qualifying as cash flow hedges being recognized in shareholders' equity under "Equity valuation adjustments." Gains or losses related to the non-effective portion are immediately recognized in the income for the period under "Financial Result." The amounts accrued in shareholders' equity are taken to profit or loss in the periods during which the respective amortizations of interest and principal of the debt and the swap adjustment payments are made.

(b) Fair value of derivatives and other financial instruments

Established pricing models are used to determine the fair value of financial instruments that are not traded in active markets. The Company uses its judgment to choose between certain methods and to make assumptions that are based primarily on the market conditions prevailing as at the balance sheet date:

All derivative financial instrument transactions were conducted on over-the-counter markets.

Hedging program for quotation period mismatch ("Book hedge") – aimed at equalizing the "quotation periods" between commodity purchases and sales. The operations usually performed are purchases and sales of aluminium for future settlement on the over-the-counter market.

In thousands of Brazilian Reais, except when indicated otherwise

(c) Effects of the derivatives on the balance sheet

The following summary table presents the derivative financial instruments and the object hedged by them:

Parent company and Consolidated

Programs	Unit	Principal amount value 9/30/2019	Principal amount value 12/31/2018	Unit	12/31/2018 Total (net between assets and liabilities)	Valor justo Revenue	Valor justo Other operating income	Valor justo Financial result	Valor justo Other comprehensive income	Valor justo Gain (loss) performed	9/30/2019 Total (net between assets and liabilities)
Quotation period hedge											
Aluminum forward	ton		1,000	thousands of BRL	36		(1)			35	
					36		(1)			35	
Operating income hedge											
Aluminum forward	ton	104,000	127,750	thousands of BRL	157,442	164,662			(121,917)	160,662	39,525
US Dollar collars	thousands of USD	9,200		thousands of BRL					(333)	-	(333)
US Dollar forward	thousands of USD	190,793	279,282	thousands of BRL	(46,952)	(25,704)			29,786	(42,425)	(445)
					110,490	138,958			(92,464)	118,237	38,747
Interest rate hedge											
Swaps floating rate in CDI vs. fixed rate in USD	thousands of BRL	1,084,880		thousands of BRL				(76,256)	(98,385)		(174,641)
Swaps floating rate in IPCA vs. fixed rate in USD	thousands of BRL	126,000		thousands of BRL				(815)	(8,950)	11	(9,776)
								(77,071)	(107,335)	11	(184,417)
					110,526	138,958	(1)	(77,071)	(199,799)	118,282	(145,670)

Parent company and Consolidated

Fair value by maturity

Programs	2019	2020	2021	2022	2023	2024	2025	2026	2027	As of 2028
Operating income hedge										
Aluminum forward	22,440	17,085								
US Dollar collars	(193)	(140)								
US Dollar forward	2,021	(2,466)								
	24,268	14,479								
Interest rate hedge										
Swaps floating rate in CDI vs. fixed rate in USD	7,814	(770)	11,019	18,124	19,285	16,276	(86,514)	(103,310)	(56,565)	
Swaps floating rate in IPCA vs. fixed rate in USD	(16)	88	(198)	(505)	(745)	(844)	(917)	(980)	(1,031)	(4,628)
	7,798	(682)	10,821	17,619	18,540	15,432	(87,431)	(104,290)	(57,596)	(4,628)
	32,066	13,797	10,821	17,619	18,540	15,432	(87,431)	(104,290)	(57,596)	(4,628)

(i) Negative values refer to the US Dollar fluctuations during the period, which exceeded the maximum limit on free exchange rate fluctuations.

In thousands of Brazilian Reais, except when indicated otherwise

5.3 Sensitivity analysis statement

The following sensitivity analysis presents the main risk factors that impact the pricing of outstanding cash and cash equivalent instruments, financial investments, loans and financing, and derivative financial instruments. Key risk factors include exposure to fluctuations in the US Dollar, CDI and commodity prices. The scenarios for these factors are prepared using market and specialist sources, in line with the Company's policies.

The scenarios on September 30, 2019 are described below:

Scenario I – considers shocks to the curves and market quotations as at September 30, 2019, according to the base scenario defined for December 31, 2019.

Scenario II – considers shocks of + or - 25% in the market curves as at September 30, 2019.

Scenario III – considers shocks of + or - 50% in the market curves as at September 30, 2019.

Parent company and Consolidated

							Impacts on the result					Impacts on comprehensive income				
							Scenario I	Scenarios II & III				Scenario I	Scenarios II & III			
Risk Factors (i)	Cash and cash equivalents and financial investments (ii)	Loans and financing (ii)	Unit	Principal from derivative financial instruments and firm commitment	Unit	Shock in the 9/30/2019 curves	Scenario I results	-25%	-50%	+25%	+50%	Scenario I results	-25%	-50%	+25%	+50%
Exchange																
USD	83,635	604,761	thousands of USD	681,556	thousands of BRL	-5.15%	56,668	275,175	550,349	(275,175)	(550,349)	81,446	398,211	798,925	(399,694)	(800,407)
Interest rates																
BRL - CDI	594,650	1,176,201	thousands of BRL	1,917,732	thousands of BRL	-16 bps	1,520	3,355	6,165	(3,831)	(8,079)	189	(1,666)	(3,953)	1,131	1,800
Price – commodities																
Aluminum			ton	104,000	thousands of BRL	2.73%						(18,812)	172,288	344,577	(172,288)	(344,577)
Firm commitment – electricity																
Purchase and sale agreement			thousands of BRL	(27,104)	thousands of BRL			(943)	(1,917)	912	1,795					

(i) The Company also incurs LIBOR and US Dollar Coupon risk factors that are intrinsic to the financial instruments used for hedging purposes.

(ii) The balances shown do not reconcile with remaining explanatory notes, as the analysis conducted only included the most significant exposure items.

In thousands of Brazilian Reais, except when indicated otherwise

6 Credit quality of the financial asset

The following table reflects the credit quality of issuers and counterparties in cash and cash equivalents, financial investment and derivative transactions:

	Parent company						Consolidated					
	9/30/2019			12/31/2018			9/30/2019			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	87,310		87,310	40,438		40,438	87,582		87,582	41,495		41,495
AA+	28		28	30		30	28		28	31		31
AA	84		84	101		101	97		97	106		106
A+	4		4	1		1	4		4	1		1
No rating	6		6	71		71	7		7	72		72
	87,432		87,432	40,641		40,641	87,718		87,718	41,705		41,705
Financial investments												
AAA	517,061		517,061	424,570		424,570	597,484		597,484	488,309		488,309
AA+							9,071		9,071	8,828		8,828
AA							1,593		1,593	3,169		3,169
No rating (i)	25,699		25,699	30,352		30,352	25,698		25,698	30,352		30,352
	542,760		542,760	454,922		454,922	633,846		633,846	530,658		530,658
Derivative financial instruments												
AAA	424,843		424,843	5,560		5,560	424,843		424,843	5,560		5,560
AA+												
AA					43,266	43,266					43,266	43,266
AA-	4,275		4,275	5,274		5,274	4,275		4,275	5,274		5,274
A+		3,277	3,277		114,212	114,212		3,277	3,277		114,212	114,212
BBB+		17,023	17,023					17,023	17,023			
	429,118	20,300	449,418	10,834	157,478	168,312	429,118	20,300	449,418	5,274	157,478	168,312
	1,059,310	20,300	1,079,610	506,397	157,478	663,875	1,150,682	20,300	1,170,982	577,637	157,478	740,675

Ratings derived from local and global ratings were taken from ratings agencies (Standard & Poor's, Moody's and Fitch Ratings). Standard & Poor's and Fitch Rating's standard nomenclature was considered for presentation purposes.

(i) Substantially refers to Receivables Investment Funds ("FIDC") which are exclusive to the Votorantim Group and not rated by ratings agencies.

In thousands of Brazilian Reais, except when indicated otherwise

7 Cash and cash equivalents

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Local currency				
Cash and banks	3,797	1,543	4,083	2,607
Foreign currency				
Cash and banks	83,635	39,098	83,635	39,098
	87,432	40,641	87,718	41,705

The cash and cash equivalents in local and foreign currency comprise cash and cash equivalents held in current accounts with banks.

8 Financial investments

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Local currency				
Investment fund quotas (i)	173,865	105,449	231,859	160,387
Repo operations – Government securities	13,718	29,940	13,718	29,940
Bank Deposit Certificates – CDBs	109,059		139,637	19,240
Receivables Investment Fund – FIDC	25,635	30,288	25,635	30,288
Financial Treasury Bills – LFTs	220,419	289,181	220,419	289,181
Other	64	64	2,578	1,622
	542,760	454,922	633,846	530,658
Current	542,696	454,858	631,475	528,264
Non-current assets	64	64	2,371	2,394
	542,760	454,922	633,846	530,658

(i) The Company holds exclusive investment fund quotas of the Votorantim Group, as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Financial investments				
Repo operations – Government securities	135,249	75,106	167,703	111,296
Financial Treasury Bills – LFTs	38,616	30,343	64,156	49,091
	173,865	105,449	231,859	160,387

9 Accounts receivable from customers

(a) Breakdown

		Parent company		Consolidated	
	Note	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Domestic clients		265,211	233,544	297,770	243,849
Foreign clients		122,588	169,957	122,588	169,957
Related parties	12	131,658	120,936	114,698	105,267
		519,457	524,437	535,056	519,073
Estimated losses on doubtful accounts		(32,617)	(29,365)	(33,267)	(29,365)
		486,840	495,072	501,789	489,708

(b) Change in estimated losses on doubtful accounts

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Balance at the beginning of the period	(29,365)	(35,376)	(29,365)	(35,376)
Reversals (provisions) net of additions	(7,428)	5,031	(8,078)	5,031
Accounts receivable from clients written off during the period	4,176	(1,566)	4,176	(1,566)
Balance at the end of the period	(32,617)	(31,911)	(33,267)	(31,911)

In thousands of Brazilian Reais, except when indicated otherwise

(c) Aging list

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Falling due	454,030	440,438	469,629	435,074
Up to 3 months overdue	5,939	8,339	5,939	8,339
Overdue from 3 to 6 months	1,529	2,008	1,529	2,008
Overdue more than 6 months (i)	57,959	73,652	57,959	73,652
	519,457	524,437	535,056	519,073

(i) As of September 30, 2019, the amount of BRL 49,357 (December 31, 2018 – BRL 46,942) refers to receivables from clients providing by real guarantees (chattel mortgages) regarding to overdue balances.

10 Inventory

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Finished products	264,515	271,124	264,945	271,844
Semi-finished products	467,645	414,223	468,395	415,002
Raw materials	58,475	61,524	75,969	76,629
Auxiliary and consumable materials	114,179	89,955	114,873	90,545
Imports in progress	60,100	28,429	60,100	28,429
Other	4,617	4,745	4,651	4,778
Estimated losses	(58,324)	(59,760)	(58,324)	(59,760)
	911,207	810,240	930,609	827,467

No inventory has been pledged as collateral for liabilities.

11 Recoverable taxes

Breakdown

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Value-added Tax on Sales and Services – ICMS	494,774	489,243	500,380	492,909
Income Tax and Social Contribution – IRPJ and CSLL	178,060	254,531	186,973	256,473
Contribution for the Financing of Social Security – COFINS (i)	310,397	176,194	311,128	176,594
Social Integration Program – PIS (i)	67,845	38,473	68,004	38,561
ICMS on property, plant and equipment	15,688	16,723	15,688	16,723
Other	26,908	31,447	27,790	31,945
	1,093,672	1,006,611	1,109,963	1,013,205
Current	406,553	350,445	422,835	357,018
Non-current assets	687,119	656,166	687,128	656,187
	1,093,672	1,006,611	1,109,963	1,013,205

(i) Mainly refers to the recognition of PIS and COFINS credits and updates thereto, as described in Note 1.1 (d).

In thousands of Brazilian Reais, except when indicated otherwise

12 Related parties

(a) Parent company

	Accounts receivable from customers		Dividends receivable		Current and non-current assets		Suppliers		Current and non-current liabilities		Dividends payable	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Parent company												
Votorantim S.A.	3,678	3,678									41,035	10,336
Subsidiaries												
BAESA - Energética Barra Grande S.A.							5,796	6,253	87	87		
CBA Energia Participações S.A.				1,050			3,312					
CBA Machadinho Geração de Energia Ltda.	1,707											
ENERCAN - Campos Novos Energia S.A.							28,213	26,526				
Metalex Ltda.	23,252	16,273										
Affiliated companies												
Votener - Votorantim Comercializadora de Energia Ltda. (i)	97,817	96,821			15,019	116,174	79,732	96,251	124,720	315,681		
Votorantim Cimentos S.A.	334	273			27,260		451	583	3	3		
Votorantim Geração de Energia S.A.							1,665					
Nexa Recursos Minerais S.A	1,859	1,275					316	373				
Other	3,011	2,616		351	534	531	2,191	784	3,073	3,321	79	2
	131,658	120,936		1,401	42,813	116,705	121,676	130,770	127,883	319,092	41,114	10,338
Current	131,658	120,936		1,401	15,019	116,174	121,676	130,770	83,279	223,521	41,114	10,338
Non-current assets					27,794	531			44,604	95,571		
	131,658	120,936		1,401	42,813	116,705	121,676	130,770	127,883	319,092	41,114	10,338

(i) The balance of current and non-current assets refers to the financial instrument related to firm commitment to sell surplus energy. The balance of current and non-current liabilities refers to prepayments received in 2014 and 2015 on rights arising from electricity marketing agreements contracted in the free market. The purchases and sales refer to the trading of third party energy in the free market, where Votener acts as the final trader. Financial expenses refer to unearned interest from energy supply sales credit assignment operations through December 2019, and interest is recognized *pro rata* to income over the term of the agreement.

In thousands of Brazilian Reais, except when indicated otherwise

	Income statement					
	Purchases		Sales		Financial expenses	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Subsidiaries						
BAESA - Energética Barra Grande S.A.	32,348	44,296				
CBA Energia Participações S.A.	17,219					
CBA Machadinho Geração de Energia Ltda.	31,112					
ENERCAN - Campos Novos Energia S.A.	118,440	112,201				
Metalex Ltda.			186,859	242,384		2,841
Affiliated companies						
Votener - Votorantim Comercializadora de Energia Ltda.	753,436	729,067	882,170	809,703	(67,969)	(67,969)
Votorantim Cimentos S.A.		539	339	460	404	
Votorantim Geração de Energia S.A.	15,212					
Nexa Recursos Minerais S.A			5,341	5,069		
Other				7,922		
	967,767	886,103	1,074,709	1,065,538	(67,565)	(65,128)

In thousands of Brazilian Reais, except when indicated otherwise

(b) Consolidated

	Accounts receivable from customers		Dividends receivable		Current and non-current assets		Suppliers		Current and non-current liabilities		Dividends payable	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Parent company												
Votorantim S.A.	3,678	3,678									41,035	10,336
Affiliated companies												
Votener - Votorantim Comercializadora de Energia Ltda. (i)	98,665	96,821			15,019	116,174	79,732	96,251	124,720	315,681		
Votorantim Cimentos S.A.	334	273			27,260		451	583	3	3		
Votorantim Geração de Energia S.A.							1,665					
Nexa Recursos Minerais S.A.	9,010	1,275					316	373				
CBA Energia Participações S.A.			23,782								7,235	2,312
Other	3,011	3,220		416	530	529	2,176	546	3,073	3,256		4
	114,698	105,267	23,782	416	42,809	116,703	84,340	97,753	127,796	318,940	48,270	12,652
Total non-controlling shareholders											24,100	
Current	114,698	105,267	23,782	416	15,019	116,174	84,340	97,753	83,192	223,369	72,370	12,652
Non-current assets					27,790	529			44,604	95,571		
	114,698	105,267	23,782	416	42,809	116,703	84,340	97,753	127,796	318,940	72,370	12,652

(i) The balance of current and non-current assets refers to the financial instrument related to firm commitment to sell surplus energy. The balance of current and non-current liabilities refers to prepayments received in 2014 and 2015 on rights arising from electricity marketing agreements contracted in the free market. The purchases and sales refer to the trading of third party energy in the free market, where Votener acts as the final trader. Financial expenses refer to unearned interest from the energy supply sales credit assignment operation through December 2019, and interest is recognized *pro rata* to income over the term of the agreement.

In thousands of Brazilian Reais, except when indicated otherwise

						Income statement
	Purchases		Sales		Financial expenses	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Affiliated companies						
Votener - Votorantim Comercializadora de Energia Ltda.	753,436	729,067	883,967	809,703	(67,969)	(67,969)
Votorantim Cimentos S.A.		539	339	460	404	
Votorantim Geração de Energia S.A.	15,212					
Nexa Recursos Minerais S.A.			5,341	5,069		
Other				7,922		
	768,648	729,606	889,647	823,154	(67,565)	(67,969)

In thousands of Brazilian Reais, except when indicated otherwise

(c) Company debts, guaranteed by related parties

Mode	Guarantor	9/30/2019	12/31/2018
BNDES	VSA	359,091	315,476
BRL Credit agency	VSA	31,224	35,997
Eurobonds – USD (Vote 24) (i)	VSA	607,341	1,552,579
		997,656	1,904,052

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

(d) Debts issued by related parties, guaranteed by the Company

				9/30/2019		12/31/2018	
Instrument	Debtor	Guarantor	Percentage guaranteed by the company	Debt	Value guaranteed	Debt	Amount guaranteed
Eurobonds – USD (Vote 19) (i)	VSA	VSA (100%), VCSA (50%) and CBA (50%)	50%			814,375	407,188
Eurobonds – USD (Vote 21)	VSA	VSA (100%), VCSA (50%) and CBA (50%)	50%	1,032,517	516,259	945,017	472,509
				1,032,517	516,259	1,759,393	879,696

(i) On January 23, 2019, the parent company VSA prepaid the total amount of principal plus interest on its Bonds maturing in 2019, which were guaranteed by the Company up to 50% of the debt.

In thousands of Brazilian Reais, except when indicated otherwise

13 Investments

(a) Breakdown

Parent company

	Information as of September 30, 2019				Equity result		Balance	
	Shareholders' equity	Net profit (loss) for the period	Percentage of total interest (%)	Percentage of voting interest (%)	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	9/30/2019	12/31/2018
Investments accounted for under the equity method								
Subsidiaries								
Metalex Ltda.	62,512	17,051	100.00	100.00	17,051	17,074	62,512	65,461
CBA Energia Participações S.A. (i)	296,609	33,527	33.33	100.00	10,861	(45)	98,300	90,801
CBA Machadinho Geração de Energia Ltda.	152,056	3,099	100.00	100.00	3,099	(2,307)	152,056	148,697
Affiliates								
Alunorte - Alumina do Norte S.A.	3,442,261	(73,768)	3.03	3.52	(2,238)	(23,481)	104,452	106,690
Mineração Rio do Norte S.A.	989,513	88,401	10.00	12.50	8,840	(3,535)	98,951	90,111
Other investments							44	44
Goodwill								
Metalex Ltda.							49,430	49,430
					37,613	(12,294)	565,745	551,234

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

Consolidated

	Information as of September 30, 2019				Equity result		Balance	
	Shareholders' equity	Net profit (loss) for the period	Percentage of total interest (%)	Percentage of voting interest (%)	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	9/30/2019	12/31/2018
Investments accounted for under the equity method								
Affiliates								
Alunorte - Alumina do Norte S.A.	3,442,261	(73,768)	3.03	3.52	(2,238)	(23,481)	104,452	106,690
Mineração Rio do Norte S.A.	989,513	88,401	10.00	12.50	8,840	(3,535)	98,951	90,111
Other investments							78	78
					6,602	(27,016)	203,481	196,879

In thousands of Brazilian Reais, except when indicated otherwise

(b) Changes in investments

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Balance at the beginning of the period	551,234	638,100	196,879	218,695
Equity	37,613	(12,294)	6,602	(27,016)
Capital increase in invested assets	260			
Investment write-off		(60,430)		
Increase in equity interest		5,894		5,315
Dividends considered	(23,362)	(23,602)		(416)
Balance at the end of the period	565,745	547,668	203,481	196,578

In thousands of Brazilian Reais, except when indicated otherwise

14 Property, Plant and Equipment

(a) Breakdown and changes

Parent company

									1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
	Land and improvements	Buildings and construction	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	Obligation to demobilize assets	Other	Total	Total
Balance at the beginning of the 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
Accrued 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		274	7,022	824	87	183,497		167	191,871	141,890
Disposals	(18)	(891)	(11,017)	(286)	(108)			(19)	(12,339)	(2,685)
Depreciation		(39,445)	(230,397)	(2,210)	(1,668)		(6,708)	(360)	(280,788)	(192,741)
Reversal for impairment of assets			10,182						10,182	2,890
Transfers (i)	6,150	24,747	274,941	3,321	337	(314,126)	(1)	(3,480)	(8,111)	(3,767)
Balance at the end of the period	113,536	1,537,348	2,090,883	11,897	8,634	355,914	72,366	9,455	4,200,033	4,216,979
Cost	115,715	2,492,540	5,920,872	112,607	31,606	355,914	161,637	282,240	9,473,131	9,360,126
Accrued depreciation	(2,179)	(955,192)	(3,829,989)	(100,710)	(22,972)		(89,271)	(272,785)	(5,273,098)	(5,143,147)
Net balance at the end of the period	113,536	1,537,348	2,090,883	11,897	8,634	355,914	72,366	9,455	4,200,033	4,216,979
Average annual depreciation rates – %		2	5	18	10		6			

Consolidated

									1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
	Land and improvements	Buildings and construction	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Construction in progress	Obligation to demobilize assets	Other	Total	Total
Balance at the beginning of the 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
Accrued 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		275	7,312	824	87	186,198		170	194,866	143,712
Disposals	(18)	(891)	(11,017)	(286)	(108)			(19)	(12,339)	(2,685)
Depreciation	(217)	(53,028)	(239,900)	(2,215)	(1,678)		(6,708)	(360)	(304,106)	(215,590)
Reversal for impairment of assets			10,182						10,182	2,890
Transfers (i)	6,150	27,137	278,318	3,321	337	(319,902)	(1)	(3,480)	(8,120)	(3,767)
Balance at the end of the period	124,862	1,848,587	2,280,121	11,921	8,702	358,056	72,366	9,458	4,714,073	4,755,538
Cost	129,972	2,979,458	6,217,382	112,658	31,940	358,056	161,637	282,243	10,273,346	10,153,947
Accrued depreciation	(5,110)	(1,130,871)	(3,937,261)	(100,737)	(23,238)		(89,271)	(272,785)	(5,559,273)	(5,398,409)
Net balance at the end of the period	124,862	1,848,587	2,280,121	11,921	8,702	358,056	72,366	9,458	4,714,073	4,755,538
Average annual depreciation rates – %		2	5	18	10		6			

(i) The transfers include the reclassification of “Works in progress” from the property, plant and equipment group to “Software” in the intangible assets group.

In thousands of Brazilian Reais, except when indicated otherwise

(b) Construction in progress

						Consolidated
			9/30/2019			12/31/2018
	Gross balance	*Provision for impairment*	Net balance	Gross balance	*Provision for impairment*	Net balance
Ferro Niquel project	569,605	(569,605)		569,605	(569,605)	
Bauxita Rondon project	117,077		117,077	113,911		113,911
Calciner furnace	92,096	(92,096)		92,096	(92,096)	
Pot relining	66,097		66,097	130,807		130,807
Tijuco Alto project	52,374	(52,374)		52,374	(52,374)	
Pot room projects	40,235		40,235	22,216		22,216
Rolling mills, extrusion and casting room projects	28,510		28,510	28,824		28,824
Alumina refinery projects	27,015	(12,587)	14,428	42,426	(12,587)	29,839
Mining projects	17,909		17,909	8,226		8,226
Casting projects	15,636		15,636	18,276		18,276
Safety, health and environmental projects	13,452		13,452	17,139		17,139
Revitalization and adjustments to the power plants	8,031		8,031	48,060		48,060
Modernization of the automation system	1,857		1,857	29,148		29,148
Other	57,878	(23,054)	34,824	68,368	(23,054)	45,314
	1,107,772	(749,716)	358,056	1,241,476	(749,716)	491,760
Total property, plant and equipment invoice	5%		10%	6%		9%

In thousands of Brazilian Reais, except when indicated otherwise

15 Intangible assets

(a) Breakdown and change

						Parent company 1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
	Goodwill	Exploitation rights on natural resources	*Software*	Use of public assets – UBP	Other	Total	Total
Balance at the beginning of the period							
Cost	79,722	143,899	29,656	281,829	9,632	544,738	568,826
Accrued 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			13		138	151	
Disposals					(1)	(1)	
Amortization and depletion		(685)	(3,416)	(8,101)		(12,202)	(11,271)
Reversal for impairment of assets							(14)
Transfers (i)			8,111			8,111	3,767
Balance at the end of the period	79,722	105,503	13,527	185,391	7,855	391,998	427,611
Cost	79,722	143,899	37,637	281,829	9,694	552,781	570,821
Accrued amortization		(38,396)	(24,110)	(96,438)	(1,839)	(160,783)	(143,210)
Net balance at the end of the period	79,722	105,503	13,527	185,391	7,855	391,998	427,611
Average annual amortization and depletion rates – %		3	20	3			

						Consolidated 1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
	Goodwill	Exploitation rights on natural resources	*Software*	Use of public assets – UBP	Other	Total	Total
Balance at the beginning of the period							
Cost	166,265	143,899	29,889	303,774	38,788	682,615	706,724
Accrued 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			13		140	153	
Disposals					(1)	(1)	
Amortization and depletion		(685)	(3,419)	(8,758)	(2)	(12,864)	(11,933)
Reversal for impairment of assets							(14)
Transfers (i)			8,120			8,120	3,767
Balance at the end of the period	166,265	105,503	13,539	199,817	11,298	496,422	532,907
Cost	166,265	143,899	37,883	303,774	38,851	690,672	710,607
Accrued amortization		(38,396)	(24,344)	(103,957)	(27,553)	(194,250)	(177,700)
Net balance at the end of the period	166,265	105,503	13,539	199,817	11,298	496,422	532,907
Average annual amortization and depletion rates – %		3	20	3			

(i) The transfers include the reclassification of "Works in progress" from the property, plant and equipment group to "Software" in the Intangible assets group.

In thousands of Brazilian Reais, except when indicated otherwise

16 Leasing operations

(a) Right to use

	Consolidated				
					9/30/2019
	Buildings and construction	Vehicles	Machinery and equipment	Other	Total
Initial adoption	8,612	5,006	13,819	881	28,318
Amortization	(1,717)	(1,691)	(7,553)	(441)	(11,402)
Contract renegotiation	(146)		424		278
Balance at the end of the period	6,749	3,315	6,690	440	17,194
Average annual amortization rates – %	22	44	60	67	

(b) Leases

	Consolidated
	9/30/2019
Initial adoption	28,318
Settlement	(13,792)
Adjustment to present value	1,303
Write-offs	(138)
Balance at the end of the period	15,691
Current	7,706
Non-current assets	7,985
	15,691

(c) Profile

	Consolidated						
	2019	2020	2021	2022	2023	After 2024	Total
Local currency							
Brazilian Real	8,390	3,818	1,818	1,499	121	45	15,691
	8,390	3,818	1,818	1,499	121	45	15,691

In thousands of Brazilian Reais, except when indicated otherwise

17 Loans and financing

(a) Breakdown and fair value

Parent company

Mode	Average annual rate (i)	Current 9/30/2019	Current 12/31/2018	Non-current assets 9/30/2019	Non-current assets 12/31/2018	Total 9/30/2019	Total 12/31/2018	Fair value 9/30/2019	Fair value 12/31/2018
Local currency									
BNDES	TJLP + 2.22% / SELIC + 2.56% / IPCA + 4.71%	65,931	65,204	290,536	249,043	356,467	314,247	325,557	305,510
FINAME	4.67% Pre BRL	1,008	1,016	2,743	3,492	3,751	4,508	3,628	4,155
Export credit notes - NCE	112.70% CDI	29,222		1,077,977		1,107,199		1,074,186	
Credit agency	8.5% Pre BRL	6,538	6,584	24,686	29,414	31,224	35,998	33,274	36,727
FINEP	TJLP + 0.62%	11,447	11,440	15,167	23,627	26,614	35,067	26,980	34,957
Other				598	598	598	598	598	598
		114,146	84,244	1,411,707	306,174	1,525,853	390,418	1,464,223	381,947
Foreign currency									
Eurobonds – USD	4.75% Pre-USD	7,461	1,215	597,300	1,543,423	604,761	1,544,638	634,638	1,493,770
		7,461	1,215	597,300	1,543,423	604,761	1,544,638	634,638	1,493,770
		121,607	85,459	2,009,007	1,849,597	2,130,614	1,935,056	2,098,861	1,875,717
Interest on loans and financing		39,529	3,891						
Current portion of loans and financing (principal amount)		82,078	81,568						
		121,607	85,459						

In thousands of Brazilian Reais, except when indicated otherwise

									Consolidated
			Current		Non-current assets		Total		Fair value
Mode	Average annual rate (i)	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Local currency									
BNDES	TJLP + 2.22% / SELIC + 2.56% / IPCA + 4.71%	65,931	65,204	290,536	249,043	356,467	314,247	325,557	305,510
FINAME	4.67% Pre BRL	1,008	1,016	2,743	3,492	3,751	4,508	3,628	4,155
Debentures	107.50% CDI	30,538	32,636	60,818	91,175	91,356	123,811	90,967	124,132
Export credit notes - NCE	112.70% CDI	29,222		1,077,977		1,107,199		1,074,186	
Credit agency	8.5% Pre BRL	6,538	6,584	24,686	29,414	31,224	35,998	33,274	36,727
FINEP	TJLP + 0.62%	11,447	11,440	15,167	23,627	26,614	35,067	26,980	34,957
Other				598	598	598	598	598	606
		144,684	116,880	1,472,525	397,349	1,617,209	514,229	1,555,190	506,087
Foreign currency									
Eurobonds – USD	4.75% Pre-USD	7,461	1,215	597,300	1,543,423	604,761	1,544,638	634,638	1,493,770
		7,461	1,215	597,300	1,543,423	604,761	1,544,638	634,638	1,493,770
		152,145	118,095	2,069,825	1,940,772	2,221,970	2,058,867	2,189,828	1,999,857

Interest on loans and financing	39,740	6,200
Current portion of loans and financing (principal amount)	112,405	111,895
	152,145	118,095

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

BNDES	Brazilian Economical and Social Development Bank
BRL	Local currency (Brazilian Real)
CDI	Interbank Certificate of Deposit
IPCA	Brazilian Consumer Price Index
FINAME	Financing of new machinery and equipment manufactured in Brazil
SELIC	Brazilian Special System for Clearance and Custody
TJLP	Long-Term Interest Rate set by the National Monetary Council. The TJLP was the basic cost of BNDES financing until December 2017 As of January 2018, the Long-Term Rate (TLP) became the main financial cost of BNDES financing
USD	US Dollars

In thousands of Brazilian Reais, except when indicated otherwise

(b) Aging list

Parent company

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Local currency											
BNDES	17,191	64,986	68,965	40,054	28,052	28,052	28,052	23,649	10,441	47,025	356,467
FINAME	259	982	872	781	781	76					3,751
Export credit notes - NCE (i)	30,006	(1,045)	(1,045)	(1,045)	(1,045)	(1,045)	432,907	432,907	216,604		1,107,199
Credit agency	1,810	6,303	6,303	6,303	6,303	4,202					31,224
FINEP	2,914	11,376	11,376	948							26,614
Other		598									598
	52,180	83,200	86,471	47,041	34,091	31,285	460,959	456,556	227,045	47,025	1,525,853
	3.42%	5.45%	5.67%	3.08%	2.23%	2.05%	30.21%	29.92%	14.88%	3.09%	100.00%
Foreign currency											
Eurobonds – USD (i)	7,869	(543)	(543)	(543)	(543)	599,064					604,761
	7,869	(543)	(543)	(543)	(543)	599,064					604,761
	1.30%	(0.09%)	(0.09%)	(0.09%)	(0.09%)	99.06%					100.00%
	60,049	82,657	85,928	46,498	33,548	630,349	460,959	456,556	227,045	47,025	2,130,614
	2.82%	3.88%	4.03%	2.18%	1.57%	29.59%	21.64%	21.43%	10.66%	2.20%	100.00%

Consolidated

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Local currency											
BNDES	17,189	64,986	68,965	40,054	28,052	28,052	28,052	23,649	10,441	47,027	356,467
FINAME	259	982	872	781	781	76					3,751
Export credit notes - NCE (i)	30,006	(1,045)	(1,045)	(1,045)	(1,045)	(1,045)	432,907	432,907	216,604		1,107,199
Debentures (i)	(29)	30,558	30,409	30,418							91,356
Credit agency	1,810	6,303	6,303	6,303	6,303	4,202					31,224
FINEP	2,914	11,376	11,376	948							26,614
Other		598									598
	52,149	113,758	116,880	77,459	34,091	31,285	460,959	456,556	227,045	47,027	1,617,209
	3.22%	7.03%	7.23%	4.79%	2.11%	1.93%	28.50%	28.23%	14.04%	2.92%	100.00%
Foreign currency											
Eurobonds – USD (i)	7,869	(543)	(543)	(543)	(543)	599,064					604,761
	7,869	(543)	(543)	(543)	(543)	599,064					604,761
	1.30%	(0.09%)	(0.09%)	(0.09%)	(0.09%)	99.06%	0.00%	0%			100.00%
	60,018	113,215	116,337	76,916	33,548	630,349	460,959	456,556	227,045	47,027	2,221,970
	2.70%	5.10%	5.24%	3.46%	1.51%	28.36%	20.75%	20.55%	10.22%	2.11%	100.00%

(i) The balances shown as negative arise from borrowing cost that are amortized on a straight-line basis.

In thousands of Brazilian Reais, except when indicated otherwise

(c) Change

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Balance at the beginning of the period	1,935,056	2,653,192	2,058,867	2,817,485
Fundraising (i)	1,174,880	34,951	1,174,880	34,951
Addition of borrowing costs, net of amortization	(3,939)	772	(3,853)	858
Exchange rate variation	57,599	323,496	57,598	323,718
Accrued interest	89,186	99,231	95,197	107,292
Interest paid	(52,017)	(93,734)	(60,125)	(104,519)
Eurobonds transfer (ii)		(836,341)		(836,341)
Settlements (iii)	(1,070,151)	(147,578)	(1,100,594)	(187,700)
Balance at the end of the period	2,130,614	2,033,989	2,221,970	2,155,744

(i) Mainly refers to the funding of Export Credit Notes (NCE), as described in Note 17 (g) (i).

(ii) Mainly refers to the transfer of the Eurobond to the parent company VSA, through a capital reduction that occurred in 2018.

(iii) Mainly refers to 2024 bonds tender offer, as described in Note 17 (g) (ii).

(d) Breakdown by currency

						Parent company
	Current		Non-current assets		Total	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Brazilian Real (i)	114,146	84,244	1,411,707	306,174	1,525,853	390,418
US Dollar	7,461	1,215	597,300	1,543,423	604,761	1,544,638
	121,607	85,459	2,009,007	1,849,597	2,130,614	1,935,056

						Consolidated
	Current		Non-current assets		Total	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Brazilian Real (i)	144,684	116,880	1,472,525	397,349	1,617,209	514,229
US Dollar	7,461	1,215	597,300	1,543,423	604,761	1,544,638
	152,145	118,095	2,069,825	1,940,772	2,221,970	2,058,867

(i) BRL 1,107 million and BRL 125 million refer to loans that have swaps for fixed rates in US Dollars as described in Notes 17 (g) (i) and (iii).

In thousands of Brazilian Reais, except when indicated otherwise

(e) Breakdown by index

Parent company

	Current		Non-current assets		Total	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Local currency						
TJLP	59,427	65,971	169,049	241,865	228,476	307,836
Fixed rate	7,547	1,016	28,027	4,090	35,574	5,106
CDI	29,222		1,077,977		1,107,199	
IPCA	4,070	3,942	120,497	34,767	124,567	38,709
SELIC	13,880	13,315	16,157	25,452	30,037	38,767
	114,146	84,244	1,411,707	306,174	1,525,853	390,418
Foreign currency						
Fixed rate	7,461	1,215	597,300	1,543,423	604,761	1,544,638
	121,607	85,459	2,009,007	1,849,597	2,130,614	1,935,056

Consolidated

	Current		Non-current assets		Total	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Local currency						
TJLP	59,427	65,971	169,049	241,865	228,476	307,836
Fixed rate	7,547	1,016	28,027	4,090	35,574	5,106
CDI	59,760	32,636	1,138,796	91,175	1,198,556	123,811
IPCA	4,070	3,942	120,497	34,767	124,567	38,709
SELIC	13,880	13,315	16,156	25,452	30,036	38,767
	144,684	116,880	1,472,525	397,349	1,617,209	514,229
Foreign currency						
Fixed rate	7,461	1,215	597,300	1,543,423	604,761	1,544,638
	152,145	118,095	2,069,825	1,940,772	2,221,970	2,058,867

(f) Guarantees

As of September 30, 2019, BRL 997,656 (December 31, 2018 – BRL 1,904,052) of loans and financing are guaranteed by sureties (Note 12 (c)), BRL 180,074 (December 31, 2018 - BRL 207,007) by liens on Company's assets and BRL 26,749 (December 31, 2018 – BRL 35,067) by bank guarantee.

(g) Funding and amortization

(i) Export financing

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

The company also entered into swap agreements (derivative financial instrument), which aim to exchange the exposure to the CDI floating rate in Brazilian Reais to a fixed rate in US Dollars, resulting in a weighted average cost of 5.00% per year. These swaps were contracted together 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, maturing in 2024. Settlement in the amount of USD 256 million (BRL 1,007 million) occurred on May 10, 2019.

In thousands of Brazilian Reais, except when indicated otherwise

(iii) Loan with BNDES

In July 2019, the Company entered into an agreement with BNDES to finance a portion of its maintenance and modernization projects in the amount of BRL 326 million, with final maturity in 2034. In September 2019, the first disbursement related to this loan occurred in the amount of BRL 90 million. Subsequently, a swap term (derivative financial instrument) was signed, which aims to exchange the exposure to the IPCA floating rate in Brazilian Reais for a fixed rate in US Dollars, resulting in a weighted average cost of 4.15% per year.

18 Current and deferred income tax and social contribution

(a) Income Tax (IRPJ) and Social Contribution (CSLL) expense reconciliation

The current values are calculated based on the rates in force on taxable income, plus or minus the respective additions and exclusions.

The reconciliation of the income tax and social contribution amounts on the income statement for the nine-month periods ended September 30 based on the nominal Brazilian rate was as follows:

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Profit (loss) before income tax and social contribution	(89,158)	20,442	(29,809)	45,123
Nominal tax rates	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal tax rates	30,314	(6,950)	10,135	(15,342)
Adjustments for the calculation of effective IRPJ and CSLL				
Equity	12,788	(4,180)	2,245	(9,185)
Tax loss and negative basis without constitution of the deferred tax (i)	(132,686)	(19,245)	(138,391)	(29,582)
Other permanent additions, net	(2,752)	(2,228)	(3,322)	(1,926)
IRPJ and CSLL calculated	(92,336)	(32,603)	(129,333)	(56,035)
Current			(32,471)	(26,745)
Deferred	(92,336)	(32,603)	(96,862)	(29,290)
IRPJ and CSLL in the result	(92,336)	(32,603)	(129,333)	(56,035)
Effective rate – %	45.26	65.35	30.39	58.62

(i) Deferred tax credits arising from tax loss and negative social contribution basis are only recognized to the extent that their realization is probable, based on the historical profitability and projected future results. In early 2019, the Company reevaluated the recovery of the tax loss balance recorded in its tax calculation, and the technical study conducted shows that the balance cannot be fully used. Accordingly, the deferred tax credit was not recorded in the amount of BRL 132,686, mainly due to the realization of the deferred exchange variation arising from the bond repurchase (according to Note 17 (g) (ii)) during 2Q19.

In thousands of Brazilian Reais, except when indicated otherwise

(b) Breakdown of deferred tax balances

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Tax credits on tax loss and negative basis	367,378	367,370	367,378	371,030
Tax credits on tax differences				
Provisions (impairment and miscellaneous losses)	666,564	678,569	666,564	678,569
Exchange rate variation – taxation by the cash regime	93,517	220,525	93,517	220,525
Tax, civil, labor and environmental provisions	93,511	114,474	98,940	120,768
Use of public assets – UBP	69,879	71,418	69,879	71,418
CPC 25 – Decommissioning of assets	59,689	56,059	59,689	56,059
Deferral of losses on derivative contracts	49,528	(37,579)	49,528	(37,579)
Provision for inventory losses	19,830	20,318	19,830	20,318
Provision for participation in the result – PPR	15,149	21,230	15,149	21,230
Environmental liabilities	11,563	14,714	11,563	14,714
Provision for doubtful accounts	16,958	13,473	16,958	13,473
Tax debts on tax differences				
Adjustments to property, plant and equipment service life (depreciation)	(662,998)	(694,709)	(662,998)	(694,709)
CPC 20 – Capitalized interest	(25,946)	(24,350)	(25,946)	(24,350)
CPC 12 – Adjustment to present value	(14,912)	(15,721)	(14,912)	(15,721)
Financial instrument – firm commitment		(11,523)		(11,523)
Goodwill amortization	(7,392)	(14,019)	(7,392)	(14,019)
Other	(4,967)	(8,494)	(5,544)	(8,493)
	747,351	771,755	752,203	781,710

(c) Effect of deferred income tax and social contribution on income for the period and comprehensive income

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Balance at the beginning of the period	771,755	911,791	781,710	917,715
Effect on the result	(92,336)	(32,603)	(96,862)	(29,290)
Effect on other components of comprehensive income – Hedge accounting	67,932	(20,454)	67,932	(20,454)
Other			(577)	(1)
Balance at the end of the period	747,351	858,734	752,203	867,970

	Parent company		Consolidated	
	1/7/2019 to 9/30/2019	1/7/2018 to 9/30/2018	1/7/2019 to 9/30/2019	1/7/2018 to 9/30/2018
Balance at the beginning of the quarter	660,516	824,206	666,015	830,308
Effect on the result	41,714	52,000	41,112	55,134
Effect on other components of comprehensive income – Hedge accounting	45,121	(17,472)	45,121	(17,472)
Other			(45)	(1)
Balance at the end of the quarter	747,351	858,734	752,203	867,969

In thousands of Brazilian Reais, except when indicated otherwise

19 Provisions

Breakdown and change

						Parent company	
						1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
		Judicial proceedings					
	Obligation to demobilize assets	Tax	Labor	Civil	Environmental	Total	Total
Balance at the beginning of the period	243,955	173,929	1,909	52,909	982	473,684	459,537
Additions		7,497	51,641	4,806	2,575	66,519	45,260
Reversals		(1,811)	(108,907)	(39,000)	(88)	(149,806)	(133,435)
Judicial deposits, net of write-offs		(72)	92,765	3,871		96,564	86,537
Settlements	(5,326)	(2,587)	(235)	(1,147)	(2,614)	(11,909)	(18,599)
Monetary restatement		6,372	4,235	2,543	131	13,281	32,110
Adjustment to present value	9,295					9,295	8,464
Balance at the end of the period	247,924	183,328	41,408	23,982	986	497,628	479,874

						Consolidated	
						1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
		Judicial proceedings					
	Obligation to demobilize assets	Tax	Labor	Civil	Environmental	Total	Total
Balance at the beginning of the period	243,955	175,173	1,759	53,518	982	475,387	460,535
Additions		7,558	53,251	4,806	2,575	68,190	45,260
Reversals		(1,811)	(108,907)	(39,000)	(88)	(149,806)	(133,700)
Judicial deposits, net of write-offs		(72)	91,307	3,871		95,106	87,641
Settlements	(5,326)	(2,587)	(235)	(1,147)	(2,614)	(11,909)	(18,599)
Monetary restatement		6,372	4,235	2,543	131	13,281	32,110
Adjustment to present value	9,295					9,295	8,464
Balance at the end of the period	247,924	184,633	41,410	24,591	986	499,544	481,711

20 Shareholders' equity

Share capital

The share capital is exclusively represented by common shares that are classified in shareholders' equity.

On September 30, 2019 and December 31, 2018, the fully subscribed and paid-in share capital amounted to BRL 4,950,095, consisting of 1,420,294,211 registered common shares.

21 Revenue

Revenue reconciliation

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Gross revenue				
Sale of products and services on the domestic market	3,168,554	3,273,148	3,248,878	3,346,625
Sale of products on the foreign market	502,783	495,243	502,784	495,243
Electricity sales	882,170	809,703	914,939	816,455
	4,553,507	4,578,094	4,666,601	4,658,323
Sales taxes and other deductions	(602,821)	(679,065)	(660,336)	(737,404)
Net revenue of products sold and services rendered	3,950,686	3,899,029	4,006,265	3,920,919

In thousands of Brazilian Reais, except when indicated otherwise

22 Income breakdown by nature

				Consolidated
				1/1/2019 to 9/30/2019
	Cost of products sold and services rendered (i)	Sales expenses	General and administrative expenses	Total
Raw materials, inputs and consumables	2,349,959	832	2,492	2,353,283
Employee benefit expenses	394,649	14,720	73,443	482,812
Depreciation, amortization and depletion	314,515	143	13,714	328,372
Transportation expenses	132,349		1	132,350
Maintenance and conservation	112,621	14	395	113,030
Services in the operation	85,564			85,564
Third-party services	38,321	1,665	48,642	88,628
Other expenses	39,916	10,838	14,106	64,860
	3,467,894	28,212	152,793	3,648,899

				Consolidated
				1/1/2018 to 9/30/2018
	Cost of products sold and services rendered (i)	Sales expenses	General and administrative expenses	Total
Raw materials, inputs and consumables	2,190,265	163	3,881	2,194,309
Employee benefit expenses	379,356	16,544	63,827	459,727
Depreciation, amortization and depletion	224,324	180	3,018	227,522
Transportation expenses	126,405		1	126,406
Maintenance and conservation	108,059	22	602	108,683
Services in the operation	64,678			64,678
Third-party services	36,449	1,627	40,462	78,538
Other expenses	41,268	7,592	25,173	74,033
	3,170,804	26,128	136,964	3,333,896

(i) During the nine-month periods ended September 30, 2019, the Company recorded a balance of BRL 23,511 (September 30, 2018 – BRL 22,326) related to the idle costs of partial production of the Niquelândia and São Miguel Paulista plants, located in the municipalities of Niquelândia in the state of Goiás and São Paulo in the state of São Paulo, respectively.

23 Employee benefit expenses

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Direct remuneration	252,794	243,448	258,642	248,909
Social charges	152,292	143,612	155,373	146,352
Benefits	66,937	63,133	68,797	64,466
	472,023	450,193	482,812	459,727

In thousands of Brazilian Reais, except when indicated otherwise

24 Other operating income (expenses), net

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
ACR – Financial instrument realization – firm commitment (i)	(79,050)	(86,893)	(79,050)	(86,893)
ACL – Financial instrument realization – firm commitment (i)	(11,689)	(7,548)	(11,689)	(7,548)
ACL – Financial instrument recognition – firm commitment (ii)	34,575	3,008	34,575	3,008
ACR – Financial instrument volume reduction – firm commitment (iii)	(4,982)	23,554	(4,982)	23,554
Recognition of recoverable taxes (note 1.1(d))	121,888		124,478	
Net gain (loss) on the sale of assets (iv)	(22,627)	(186)	(22,628)	(186)
Reversal for asset depreciation (impairment) (Notes 14 and 15)	10,182	2,876	10,182	2,876
Gain on investment sales (v)		111,070		111,070
Expenditure on projects that cannot be activated	(27,517)	(47,917)	(27,517)	(47,917)
Reversals (constitutions) of judicial provisions, net	(81,519)	38,062	(81,519)	38,062
Other operating income (expenses), net	2,529	(2,563)	1,355	(6,084)
	(58,210)	33,463	(56,795)	29,942

(i) The realization of the financial instrument is recognized against revenue from energy sales, in line with the effective delivery of the energy.

(ii) The Company made energy purchases through firm commitments. These transactions resulted in a gain on excess energy (surplus), which was recognized at fair value.

(iii) The variation in volume was caused by the migration of distributors from the regulated trade environment to the free market.

(iv) This variation mainly refers to the net loss of assets related to the sale of Rio de Janeiro distribution center, as described in Note 1.1 (c).

(v) This variation refers to the sale of preferred shares of the investee CBA Energia Participações S.A., which occurred in April 2018.

In thousands of Brazilian Reais, except when indicated otherwise

25 Net financial result

	Parent company		Consolidated	
	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018	1/1/2019 to 9/30/2019	1/1/2018 to 9/30/2018
Finance income				
Reversal of monetary restatement of provisions	35,853	45,924	35,853	45,924
Income from financial investments	22,310	34,425	26,000	37,445
Interest on financial assets (i)	65,094	5,506	65,194	5,620
Monetary restatement on assets	463	9,692	521	9,693
Interest on transactions with related parties (Note 12)	404	2,841	404	
Other finance income	61	49	864	981
	124,185	98,437	128,836	99,663
Finance costs				
Interest on loans and financing	(81,126)	(88,807)	(87,137)	(96,886)
Interest on prepayment of receivables with related parties (Note 12)	(67,969)	(67,969)	(67,969)	(67,969)
Derivative financial Instruments (ii)	(77,071)	254	(77,071)	254
Premium paid upon repurchase of Bonds (note 17 (g) (ii))	(40,290)		(40,290)	
Monetary restatement on provisions	(21,184)	(39,098)	(21,184)	(39,914)
Interest and monetary restatement UBP	(27,452)	(54,396)	(31,899)	(54,396)
Adjustment to present value – CPC 12	(20,030)	(19,547)	(20,030)	(19,547)
Income tax on remittances of interest abroad	(12,523)	(10,800)	(12,523)	(10,800)
Funding expenses	(16,863)	(5,842)	(16,863)	(5,842)
Charges on discount operations	(6,961)	(6,841)	(6,961)	(6,841)
PIS and COFINS on financial results	(4,810)	(2,650)	(4,882)	(2,727)
Other finance costs	(9,368)	(5,385)	(10,846)	(9,589)
	(385,647)	(301,081)	(397,655)	(314,257)
Exchange variations, net	(68,325)	(329,985)	(68,163)	(330,232)
	(329,787)	(532,629)	(336,982)	(544,826)

(i) Mainly refers to the recognition of PIS and COFINS credit updates, 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) loan, as described in Note 17 (g) (i). As at July 1, 2019, the referred instrument was designated as hedge accounting, therefore recorded under "Other components of comprehensive income" in Shareholders' equity.

In thousands of Brazilian Reais, except when indicated otherwise

26 Supplementary information

Capital management

The Company's objectives in managing its capital are to consistently safeguard its ability to offer shareholder returns and benefits to other stakeholders, while maintaining an optimal capital structure.

This supplementary information is not defined by Brazilian and international accounting standards, but the Company uses adjusted EBITDA as an indicator of operational performance. Adjusted EBITDA is calculated based on the net profit plus/minus financial results, plus income tax and social contribution, plus depreciation, amortization and depletion, less equity income, plus dividends received from investees and less exceptional non-cash items (non-cash items considered by the Company's Management as exceptional are excluded from the adjusted EBITDA measurement), in accordance with CVM Instruction No. 527, dated October 4, 2012.

		Consolidated
	September 30, 2019	December 31, 2018
Loans and financing	2,221,970	2,058,867
Cash and cash equivalents	(87,718)	(41,705)
Derivative financial instruments	145,670	(110,526)
Leases (i)	15,691	
Financial investments	(633,846)	(530,658)
Net debt – (A)	**1,661,767**	**1,375,978**

				Consolidated (not revised)
	Period of nine months ended on September 30, 2019	Period of nine months ended on September 30, 2018	Period of twelve months ended on September 30, 2019	Period of twelve months ended on December 31, 2018
Loss on the period	(159,142)	(10,912)	(94,165)	54,065
Income tax and social contribution	129,333	56,035	147,384	74,086
Profit before taxes	(29,809)	45,123	53,219	128,151
Equity	(6,602)	27,016	(6,581)	27,037
Depreciation, amortization and depletion	328,372	227,522	404,052	303,202
Financial result, net	336,982	544,826	317,985	525,829
EBITDA	**628,943**	**844,487**	**768,675**	**984,219**
Exceptional items				
Net gain on investment sales		(111,070)		(111,070)
Net loss on asset sales to related parties	23,747		23,747	
Impairment reversal of property, plant and equipment and intangibles assets	(10,182)	(2,876)	(48,033)	(40,727)
Adjusted EBITDA (B)	**642,508**	**730,541**	**744,389**	**832,422**
Financial leverage index – (A/B)			**2.23**	**1.65**

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