

A photograph of two male workers in a factory setting, overlaid with a blue tint. Both are wearing hard hats with the CBA logo and safety glasses. The worker on the right is pointing upwards with his right hand. The background shows industrial machinery.

Companhia Brasileira de Alumínio

Parent company and consolidated
condensed interim financial
statements at March 31, 2020 and
report on review

Financial
Statement
2020



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 March 31, 2020, and the related condensed statements of income and comprehensive income for the quarter then ended, and the condensed statements of changes in equity and cash flows for the three-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 March 31, 2020, and the related consolidated condensed statement of income and comprehensive income for the quarter then ended, and the consolidated condensed statements of changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair 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 financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Companhia Brasileira de Alumínio

Conclusion

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

Curitiba, May 8, 2020

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5

A handwritten signature in blue ink, appearing to read 'CEM', is written over a horizontal line.

Carlos Eduardo Guaraná Mendonça

Contador CRC 1SP196994/O-2

Table of Contents

Individual and consolidated financial statements

Condensed consolidated interim balance sheet.....	5
Condensed consolidated interim statement of income.....	6
Condensed consolidated interim statement of comprehensive income.....	7
Condensed consolidated interim statement of changes in equity.....	8
Condensed consolidated interim statement of cash flows.....	9

The explanatory notes for the individual and consolidated financial statements

1	General considerations	10
1.1	Main events that occurred during the quarter ended March 31	10
2	Presentation of the financial statements and summary of accounting practices	13
2.1	Presentation base	13
3	Changes in accounting practices and disclosures.....	13
4	Critical accounting estimates and judgments.....	13
5	Financial risk management	14
5.1	Financial risk factors	14
5.2	Derivative financial instruments	17
5.2.1	Sensitivity analysis statement	20
5.2.2	Capital management	21
6	Credit quality of the financial asset	22
7	Cash and cash equivalents	23
8	Financial investments	23
9	Accounts receivable from customers.....	24
10	Inventory.....	24
11	Recoverable taxes	25
12	Related parties.....	26
13	Investments	31
14	Property, Plant and Equipment.....	33
15	Intangible assets.....	35
16	Loans and financing	36
17	Current and deferred income tax and social contribution.....	41
18	Provisions	42
19	Shareholders' equity.....	42
20	Revenue.....	43
21	Income breakdown by nature	43
22	Employee benefit expenses	44
23	Other operating expenses	44
24	Net financial result	45
25	Subsequent events.....	45

Condensed consolidated interim balance sheet In thousands of Brazilian Reais

Assets	Note	Parent company		Consolidated		Liabilities and shareholders' equity	Note	Parent company		Consolidated	
		3/31/2020	12/31/2019	3/31/2020	12/31/2019			3/31/2020	12/31/2019	3/31/2020	12/31/2019
Current						Current					
Cash and cash equivalents	7	147,576	190,171	193,854	190,321	Loans and financing	16	119,945	94,722	150,555	126,484
Financial investments	8	330,619	323,519	411,229	416,345	Leases		6,222	7,308	7,793	9,277
Derivative financial instruments	5.2	178,762	42,272	178,762	42,272	Derivative financial instruments	5.2	276,141	20,535	276,141	20,535
Accounts receivable from customers	9 (a)	473,062	380,456	544,078	404,296	Suppliers		452,564	405,862	518,767	407,215
Inventory	10	913,783	902,375	1,108,298	928,142	Supplier Finance Programs		416,798	335,130	416,798	335,130
Recoverable taxes	11	605,661	631,897	619,985	640,190	Wages and social charges		83,572	121,136	94,291	123,054
Dividends receivable	12	8,832	9,519	6,295	6,295	Taxes to be collected		16,497	13,047	33,655	41,926
Other assets		25,996	38,624	29,545	41,377	Advances from customers		22,214	20,281	24,976	20,413
						Dividends payable	12	79	79	23,924	14,072
		2,684,291	2,518,833	3,092,046	2,669,238	Use of public assets – UBP		39,360	39,314	44,924	44,878
						Financial instruments – firm commitment	12	10,967	16,636	10,967	16,636
						Related parties	12	723	27,287	636	27,201
						Other liabilities		19,137	24,827	43,279	49,546
								1,464,219	1,126,164	1,646,706	1,236,367
Non-current assets						Non-current assets					
Long-term receivables						Loans and financing	16	2,364,363	1,969,555	2,426,958	2,030,381
Financial investments	8	64	64	64	2,094	Leases		5,306	6,134	5,593	6,506
Derivative financial instruments	5.2	93,856	92,343	93,856	92,343	Derivative financial instruments	5.2	747,135	217,723	747,135	217,723
Recoverable taxes	11	756,433	737,335	763,454	737,340	Related parties	12	3,119	2,330	3,118	2,330
Deferred income tax and social contribution	17	1,064,774	836,642	1,068,460	840,730	Provisions	18	675,835	681,672	677,847	683,604
Related parties	12	28,123	28,043	28,121	28,043	Use of public assets – UBP		537,756	533,322	585,605	580,080
Judicial deposits		111,032	114,468	111,824	115,259	Financial instruments – firm commitment	12	94,578	76,642	94,578	76,642
Other assets		13,402	15,998	29,886	17,715	Other liabilities		35,527	38,527	40,481	43,269
		2,067,684	1,824,893	2,095,665	1,833,524			4,463,619	3,525,905	4,581,315	3,640,535
Investments	13	948,955	568,590	178,836	205,081	Total liabilities		5,927,838	4,652,069	6,228,021	4,876,902
Property, Plant and Equipment	14	4,184,608	4,213,369	4,903,518	4,722,113	Shareholders' equity	19				
Intangible assets	15	384,192	387,535	493,305	491,738	Share capital		4,950,095	4,950,095	4,950,095	4,950,095
Right to use		11,084	13,013	15,141	15,306	Accrued losses		(156,242)	(58,073)	(156,242)	(58,073)
		7,596,523	7,007,400	7,686,465	7,267,762	Equity valuation adjustments		(440,877)	(17,858)	(440,877)	(17,858)
						Shareholders' equity assigned to controlling shareholders		4,352,976	4,874,164	4,352,976	4,874,164
						Share of non-controlling shareholders				197,514	185,934
						Total shareholders' equity		4,352,976	4,874,164	4,550,490	5,060,098
Total assets		10,280,814	9,526,233	10,778,511	9,937,000	Total liabilities and shareholders' equity		10,280,814	9,526,233	10,778,511	9,937,000

The explanatory notes are an integral part of these individual and consolidated financial statements.

Condensed consolidated interim statement of income
Quarters ended March 31
In thousands of Brazilian Reais, except when indicated otherwise

	Note	Parent company		Consolidated	
		1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Net revenue of products sold and services rendered	20	1,166,249	1,316,460	1,252,738	1,327,079
Cost of products sold and services rendered	21	(1,058,426)	(1,153,997)	(1,104,594)	(1,119,281)
Gross profit		107,823	162,463	148,144	207,798
Operating expenses					
Selling	21	(5,708)	(13,331)	(6,544)	(13,499)
General and administrative	21	(49,868)	(43,425)	(57,159)	(46,762)
Other operating expenses	23	138,870	(14,833)	138,075	(14,735)
		83,294	(71,589)	74,372	(74,996)
Operating profit before holdings interest and financial results		191,117	90,874	222,516	132,802
Equity income					
Equity	13	(22,422)	14,148	(26,245)	(351)
		(22,422)	14,148	(26,245)	(351)
Net financial result	24				
Financial revenue		12,213	11,598	13,692	12,944
Financial expenses		(63,269)	(80,146)	(67,317)	(82,736)
Exchange variations, net		(226,022)	(12,275)	(227,491)	(12,275)
		(277,078)	(80,823)	(281,116)	(82,067)
Profit (loss) before income tax and social contribution		(108,383)	24,199	(84,845)	50,384
Income tax and social contribution	17				
Current				(11,556)	(12,229)
Deferred		10,214	(5,040)	9,812	(8,604)
Net profit (loss) for the quarter		(98,169)	19,159	(86,589)	29,551
Net profit (loss) for the year attributable to controlling shareholders		(98,169)	19,159	(98,169)	19,159
Net profit assigned to non-controlling shareholders				11,580	10,392
Net profit (loss) for the quarter		(98,169)	19,159	(86,589)	29,551
Weighted average number of shares, in thousands		1,420,294	1,420,294	1,420,294	1,420,294
Basic and diluted profit (loss) per share in Brazilian reais		(0.07)	0.01	(0.07)	0.01

The explanatory notes are an integral part of these individual and consolidated financial statements.

Condensed consolidated interim statement of comprehensive income
Quarters ended March 31
In thousands of Brazilian Reais

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Net profit (loss) for the quarter	(98,169)	19,159	(86,589)	29,551
Other components of comprehensive income to be subsequently reclassified to the result				
Operational hedge accounting, before taxes	(423,019)	(33,331)	(423,019)	(33,331)
	(423,019)	(33,331)	(423,019)	(33,331)
Total comprehensive income for the year	(521,188)	(14,172)	(509,608)	(3,780)
Comprehensive income attributable to shareholders				
Controlling			(521,188)	(14,172)
Non-controlling			11,580	10,392
			(509,608)	(3,780)

The explanatory notes are an integral part of these individual and consolidated financial statements.

Condensed consolidated interim statement of changes in equity
Quarters ended March 31
In thousands of Brazilian Reais

	Attributable to controlling shareholders						Share of non-controlling shareholders	Shareholders' equity
	Share capital	Profit reserves			Equity valuation adjustments	Total		
		Legal	Retention	Accrued profits (losses)				
At January 1, 2019	4,950,095	2,678	34,250		77,393	5,064,416	182,113	5,246,529
Total comprehensive income for the quarter								
Profit for the quarter				19,159		19,159	10,392	29,551
Other comprehensive income					(33,331)	(33,331)		(33,331)
				19,159	(33,331)	(14,172)	10,392	(3,780)
At March 31, 2019	4,950,095	2,678	34,250	19,159	44,062	5,050,244	192,505	5,242,749
At January 1, 2020	4,950,095			(58,073)	(17,858)	4,874,164	185,934	5,060,098
Total comprehensive loss for the quarter								
Loss for the quarter				(98,169)		(98,169)	11,580	(86,589)
Other comprehensive income					(423,019)	(423,019)		(423,019)
				(98,169)	(423,019)	(521,188)	11,580	(509,608)
At March 31, 2020	4,950,095			(156,242)	(440,877)	4,352,976	197,514	4,550,490

The explanatory notes are an integral part of these individual and consolidated financial statements.

Condensed consolidated interim statement of cash flows
Quarters ended March 31
In thousands of Brazilian Reais

	Note	Parent company		Consolidated	
		1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Cash flow from operational activities					
Profit (loss) before income tax and social contribution		(108,383)	24,199	(84,845)	50,384
Adjustments to items that do not represent changes in cash and cash equivalents					
Interest, monetary and exchange variations		201,883	45,734	203,493	46,779
Equity	13	22,422	(14,148)	26,245	351
Depreciation, amortization and depletion	21	79,610	88,568	91,376	96,887
ACR – Financial instrument realization – firm commitment	23		27,517		27,517
ACL – Financial instrument realization – firm commitment	23	(42,202)	2,552	(42,202)	2,552
ACL – Financial instrument recognition – firm commitment	23	54,468	(34,777)	54,468	(34,777)
ACR – Financial instrument volume reduction (increase) – firm commitment	23		5,057		5,057
Net investment loss (gain)	23	976	(514)	994	(1,028)
Gain on investment acquisition	23	(163,543)		(163,543)	
Reversal for asset depreciation (Impairment)	23	(789)	(631)	(789)	(631)
(Reversals) of provisions, net		5,376	16,878	11,086	16,890
		49,818	160,435	96,283	209,981
Decrease (increase) in assets					
Financial investments		(2,676)	50,812	32,693	35,416
Accounts receivable from customers		(118,427)	(91,578)	(111,511)	(92,316)
Inventory		(14,469)	38,349	(35,126)	39,284
Recoverable taxes		7,138	14,220	3,652	11,301
Other credits and other assets		18,460	6,756	4,347	7,338
Increase (decrease) in liabilities					
Suppliers		46,702	9,885	42,962	6,069
Supplier finance program payable		81,668	3,910	81,668	3,910
Salaries and social charges		(37,564)	(36,488)	(33,082)	(36,630)
Taxes payable		3,450	1,097	146	(18,589)
Use of public assets		3,010	3,610	3,091	2,438
Payments of tax, civil and labor proceedings		(11,944)	(6,444)	(11,946)	(6,444)
Derivative financial instruments		3,982	(19,662)	3,982	(19,662)
Other obligations and other liabilities		(6,757)	(22,157)	(8,193)	(24,962)
Cash from operating activities					
Interest paid on loans, financing and use of public assets – UBP		22,391	112,745	68,966	117,134
Income tax and social contribution paid		(9,468)	(7,201)	(25,857)	(11,196)
Net cash provided by operating activities		12,923	105,544	30,862	105,938
Cash flow from investment activities					
Acquisition of property, plant and equipment and intangible assets	14 e 15	(45,773)	(43,508)	(51,469)	(44,857)
Acquisition of investment	13 (b)	(224,244)		(224,244)	
Capital increase in investees	13 (b)	(15,000)	(260)		
Proceeds from sale of property, plant and equipment		475	552	3,950	1,066
Dividends received		687		9,852	
Net cash used in investment activities		(283,855)	(43,216)	(261,911)	(43,791)
Cash flow from financing activities					
Fund raising	16(g)	250,000		250,000	
Amortization of loans and financing	16(c)	(21,158)	(20,900)	(21,158)	(20,900)
Derivative financial instruments		2,095		2,095	
Lease payments made		(2,600)	(2,928)	(3,112)	(3,228)
Related parties			(3,019)	(80)	(3,018)
Net cash provided by (used in) financing activities		228,337	(26,847)	227,745	(27,146)
Increase (decrease) in cash and cash equivalents		(42,595)	35,481	3,533	35,001
Effect of companies included in consolidation	1.1 (a)			6,837	
Cash and cash equivalents at the beginning of the quarter		190,171	40,641	190,321	41,705
Cash and cash equivalents at the end of the quarter		147,576	76,122	193,854	76,706

The explanatory notes are an integral part of these individual and consolidated financial statements.

1 General considerations

Companhia Brasileira de Alumínio (“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 mining in the national territory, producing and/or trading bauxite, alumina, primary aluminum and processed products in Brazil and abroad. The Company has a wide range of products, such as ingots, billets, plates, coils, sheets and extruded products. In addition, the new unit acquired in Pernambuco, located in the city of Itapissuma, with an installed capacity of 50 thousand tons per year of aluminum sheets and plates, will contribute to improving the competitiveness of the national industry in relation to imported products, complementing CBA’s product. The Company also controls electrolytic cobalt and nickel operations, as well as trading of energy surplus 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 Mirai), 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 quarter ended March 31

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

In August 2019, the Company announced the signing of a share purchase and sale agreement with the purpose of fully acquire the shares of Arconic Indústria e Comércio de Metais Ltda., unit located in Pernambuco, in the Northeast of Brazil, which will complement the laminated product line of CBA.

In accordance with IFRS3 / CPC 15 (R1) - “Business combination”, in the event of an advantageous purchase, the acquirer must recognize the resulting gain in the income statement for the year, on the acquisition date. Before recognizing the gain from an advantageous purchase, CBA carried out a prior review to make sure that all assets acquired and liabilities assumed were correctly identified and recognized during the review. CBA has already started the process of contracting a specialized company to issue a PPA (purchase price allocation) report from CBA Itapissuma, expected to be completed in 2020.

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

The price paid for the acquisition totaled R\$ 224,244, generating a gain from an advantageous purchase of R\$ 163,543 in the application of the acquisition method provided for in CPC 15, recorded under “Other operating income (expenses)”. The preliminary composition of the net assets acquired is detailed below:

As of February 1st, 2020

Cash	224,244
Total consideration transferred	224,244
Recognized values of identifiable assets acquired and assumed liabilities	
Cash and cash equivalents	6,837
Financial investments	20,114
Accounts receivable from customers	59,733
Inventory	148,091
Property, Plant and Equipment	218,659
Other assets acquired	18,688
Suppliers	(68,590)
Other liabilities assumed	(15,745)
Total identifiable net assets	387,787
Gain on investment acquisition	163,543
Deferred taxes (34%)	(55,605)
Gain on investment acquisition, net	107,938

In February 2020, the acquired company was renamed to CBA Itapissuma Ltda..

In March 2020, the Company carried out a capital increase in the investee in the amount of R\$ 15,000.

(b) Effects of the pandemic caused by the new Coronavirus (COVID-19)

Due to the Coronavirus (COVID-19) pandemic declared by the World Health Organization (WHO), that has been affecting Brazil and many countries in the world, bringing risks to public health and affecting the world economy, the Company, according to a Corporate Response Plan for this Pandemic, has been taking preventive and risk mitigation measures in line with the guidelines established by national and international health authorities, aiming to minimize, as much as possible, any impacts with regards to the health and safety of our employees, family, partners and communities, and the continuity of operations and business.

The Company's Crisis Committee is addressing the matter in order to coordinate the actions related to the contingency plan, seeking to minimize the associated risks, as well as the impacts on its business. We are also continually evaluating the matter with our customers, suppliers and other creditors. In this scenario, the Company and its subsidiaries evaluated the following estimates in the interim financial statements:

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 **In thousands of Brazilian Reais, except when indicated otherwise**

(i) Expected credit losses caused by the impacts of COVID-19

The Company and its subsidiaries assessed the position of accounts receivable as of March 31, 2020, and understand that the position of accounts receivable as well as credit provisions that are difficult to recover or doubtful reflect the best and most analysis by Management about the quality of the solvency of the rights in question. Such analysis was made based on the Company's accounting policies, and on the assessment of the creditors' financial situation in the quarter ended March 31, 2020.

(ii) Impairment of tangible and intangible assets

The Company and its subsidiaries evaluated the indications of impairment of assets resulting from the pandemic and concluded that there are no indications of a change in the recoverable value of their fixed and intangible assets.

In addition, Management assessed the need for impairment per cash-generating unit (CGU) for goodwill balances due to expected future profitability and concluded that there was no need for an impairment provision for the assessed balances.

(iii) Recoverability of deferred tax assets

The Company and its subsidiaries assessed deferred tax assets on a tax loss or negative basis and temporary differences recorded in their balance sheet as at March 31, 2020 and even in the face of uncertainty, they did not identify the need for provision for loss on the balances already recorded.

(iv) Inventory loss estimate due to low turnover and change in realizable value

The Company and its subsidiaries did not identify any material changes in the realizable value of the inventories, considering the sales price projections, and did not identify the need to increase the estimated loss of the inventories accounted for, due to the pandemic caused by COVID-19, considering the inventory turnover analysis.

(v) Compliance with obligations assumed with customers and suppliers

The Company and its subsidiaries evaluated their main supply contracts and concluded that, despite the impacts caused by the pandemic, the contractual restrictions have been met and, therefore, currently do not present insolvency or liquidity issues in these contracts.

(vi) Compliance with obligations in debt contracts - covenants

The Company and its subsidiaries assessed compliance with the contractual clauses on March 31, 2020, certifying that all agreements are compliant with the established clauses in such contracts.

Considering that we are exposed to operational risks arising from any legal restrictions that may be imposed as a result of COVID-19, it is not possible to ensure that we will not have our operations impacted or that our results will be affected by future consequences that the new pandemic may cause.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 **In thousands of Brazilian Reais, except when indicated otherwise**

2 Presentation of the financial statements and summary of accounting practices

2.1 Presentation base

(a) Individual (parent company) and consolidated condensed financial statements

The condensed interim parent company and consolidated financial statements have been prepared and are being presented in accordance with Technical Pronouncement CPC 21 - (R1) Interim Financial Reporting, and with the international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB") and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by Management in the performance of its duties.

The condensed interim parent company and consolidated condensed financial statements as at March 31, 2020 do not contain all of the accompanying notes and disclosures required by the accounting standards for the annual financial statements since their purpose is to provide an update on the significant activities, events and circumstances compared to the annual financial statements. Therefore, they should be read together with the financial statements at December 31, 2019, issued on February 20, 2020 and disclosed on March 27, 2020 on the Diário Oficial of the State of São Paulo.

The condensed interim parent company and consolidated condensed financial statements were prepared in a manner consistent with the accounting policies disclosed in Note 2 to the financial statements at December 31, 2019.

(b) Approval of the financial statements

The issuance of these financial statements was approved by the Board of Directors at May 6, 2020.

3 Changes in accounting practices and disclosures

There were no changes in accounting standards and practices in the quarter ended at March 31, 2020.

4 Critical accounting estimates and judgments

In the quarter ended March 31, 2020, there was no change in estimates and assumptions that presented a significant risk, with the probability of causing a relevant adjustment in the book values of assets and liabilities for the current fiscal year, in relation to those detailed in Note 4 of the last annual financial statements.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 **In thousands of Brazilian Reais, except when indicated otherwise**

5 Financial risk management

5.1 Financial risk factors

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

A significant portion of the products sold by the Company are commodities, which prices are benchmarked in international quotations and denominated in U.S. dollars.

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

In order to mitigate the various effects of each market risk factor, the Company and its subsidiaries follow a 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 made to comply with the 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 to this Policy, financial instruments that may be contracted for financial protection and risk mitigation include: conventional swaps, calls or puts, collars, currency futures contracts and non-deliverable forward (NDF) contracts. Strategies that contemplate 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) Foreign Exchange 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 Reais (BRL) is the Company's functional currency, and all efforts of the market risk management process are intended to protect cash flow in this currency, preserving the ability to pay financial obligations and maintain liquidity and debt levels defined by the Board of Directors. This protection is done considering the net foreign exchange exposure.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

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

	Note	3/31/2020	Consolidated 12/31/2019
Assets in foreign currency			
Cash and cash equivalents	7	95,937	135,748
Derivative financial instruments	5.2	272,618	134,615
Accounts receivables from customers	9 (a)	129,371	89,320
		497,926	359,683
Liabilities in foreign currency			
Loans and financing (i)		758,360	581,090
Derivative financial instruments	5.2	1,023,276	238,258
Suppliers		177,841	28,821
Supplier finance program		362,292	283,969
		2,321,769	1,132,138
Net exposure		(1,823,843)	(772,455)

(i) Fundraising costs are not considered 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 to the risk of interest rate fluctuations, thus affecting the Company’s cash flow. 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 projected exposures to key interest rate indexers (mainly 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 risk

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

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 strategic hedge and aims to ensure a reduction in cash flow volatility through commodity and foreign exchange rates.

(b) Credit risk

Exposure to counterparty and issuer credit risk are generate by derivative financial instruments, time deposits, CDBs and repo operations backed by debentures and federal government securities.

The Company’s Financial Policy defines that only issuers with at least two ratings from the following rating 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, different criteria proposed by the Treasury department and approved by the Board of Directors may be applied instead.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

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

The methodology used to assess counterparty risks in derivative instrument operations is pre-settlement risk. 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 guidelines defined in the Financial Policy.

(c) Liquidity risk

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

The following table sets forth the Company’s main financial liabilities by maturity range (remaining period in the balance sheet until the contractual maturity date). Derivative financial liabilities are included in the analysis when their contractual maturities are essential for an understanding of temporary cash flows. The amounts disclosed in the table are future cash flows, 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	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
At March 31, 2020						
Loans and financing	233,878	390,565	1,036,125	1,466,641	31,311	3,158,520
Derivative financial instruments	276,141	37,703	24,238	675,636	9,558	1,023,276
Suppliers	518,767					518,767
Supplier finance program	416,798					416,798
Related parties	636	3,118				3,754
Use of public assets	47,872	103,585	114,911	346,216	622,705	1,235,289
Leases	8,358	5,063	866	26		14,313
Dividends payable	23,924					23,924
	<u>1,526,374</u>	<u>540,034</u>	<u>1,176,140</u>	<u>2,488,519</u>	<u>663,574</u>	<u>6,394,641</u>

						Consolidated
	Up to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
At December 31, 2019						
Loans and financing	221,962	389,826	809,195	1,255,469	33,274	2,709,726
Derivative financial instruments	20,535	2,834	932	212,303	1,654	238,258
Suppliers	407,215					407,215
Supplier finance program	335,130					335,130
Related parties	27,201	2,330				29,531
Use of public assets	47,097	101,978	113,241	338,255	657,889	1,258,460
Leases	9,960	5,537	1,374	41		16,912
Dividends payable	14,072					14,072
	<u>1,083,172</u>	<u>502,505</u>	<u>924,742</u>	<u>1,806,068</u>	<u>692,817</u>	<u>5,009,304</u>

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

5.2 Derivative financial instruments

Accounting policy

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 hedge

In order to reduce cash flow volatility in Brazilian Reais, the Company hires derivative financial instruments to sell the commodity forward in conjunction with the forward sale of the US Dollar. The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedge is recognized in shareholders' equity under "equity valuation adjustments."

Gains or losses related to the non-effective portion are 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 London Metals Exchange ("LME") sales are made.

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 accumulated 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 accumulated in shareholders' equity are taken to the income statement in the periods when the respective amounts expressed in dollars are received.

US Dollar 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 U.S. Dollars, partially matching the currency of financial expenses and 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 value of derivatives designated and qualified as cash flow hedge being recognized in shareholders' equity under "equity valuation adjustments." Gains or losses related to the non-effective portion are immediately recognized in income for the period under "financial result." The amounts accrued in shareholders' equity are taken to profit or loss in the periods in which the referred amortizations of interest and principal of the debt and the swap adjustment payments are made.

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

(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 certain methods and to make assumptions that are based primarily on market conditions prevailing on the balance sheet date:

All derivative financial instrument transactions were traded in over-the-counter markets.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

(c) Effects of the derivatives on the balance sheet, financial result and cash flow

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

										Parent company and consolidated	
Programs	Unit	Main value		Unit	12/31/2019	Fair value			Gain (loss) performed	3/31/2020	
		3/31/2020	12/31/2019		Total (net between assets and liabilities)	Revenue	Financial result	Other comprehensive income		Total (net between assets and liabilities)	
Operating income hedge											
Aluminum forward	ton	141,200	151,800	thousands of BRL	(18,680)	(377)		208,280	4,484	184,739	
US Dollar collars	thousands of USD	13,000	35,800	thousands of BRL	2,964	(2,964)		(11,357)	(175)	(11,182)	
US Dollar forward	thousands of USD	254,540	272,784	thousands of BRL	42,094	(515)	30	(282,255)	(2,164)	(238,482)	
					26,378	(3,856)	30	(85,332)	2,145	(64,925)	
Interest rate hedge											
Swaps floating rate in CDI vs. fixed rate in USD	thousands of USD	332,810	275,000	thousands of BRL	(127,078)			(513,151)		(640,229)	
Swaps floating rate in IPCA vs. fixed rate in USD	thousands of USD	24,439	34,515	thousands of BRL	(2,943)	(80)	29	(42,560)	(50)	(45,504)	
					(130,021)	(80)	29	(555,711)	(50)	(685,733)	
					(103,643)	(3,936)	59	(641,043)	2,095	(750,658)	
										Parent company and consolidated	
										Fair value by maturity	
Programs	Unit	2020	2021	2022	2023	2024	2025	2026	2027	2028	As of 2029
Operating income hedge											
Aluminum forward	ton	145,699	39,040								
US Dollar collars (i)	thousands of USD	(10,092)	(1,090)								
US Dollar forward (i)	thousands of USD	(187,161)	(51,321)								
		(51,554)	(13,371)								
Interest rate hedge											
Swaps floating rate in CDI vs. fixed rate in USD	thousands of USD	(30,176)	(22,841)	12,931	5,079	22,405	(202,013)	(219,941)	(113,607)	(44,116)	(47,950)
Swaps floating rate in IPCA vs. fixed rate in USD	USD mil	(1,485)	(3,519)	(3,727)	(4,033)	(4,113)	(4,044)	(4,051)	(4,038)	(4,001)	(12,493)
		(31,661)	(26,360)	9,204	1,046	18,292	(206,057)	(223,992)	(117,645)	(48,117)	(60,443)
		(83,215)	(39,731)	9,204	1,046	18,292	(206,057)	(223,992)	(117,645)	(48,117)	(60,443)

(i) Negative values refer to the US Dollar fluctuation in the period, which exceeded the maximum limit range for the exchange rate fluctuation.

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

5.2.1 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 fluctuation of the US Dollar, CDI and commodity prices. The scenarios for these factors are prepared using market and specialized sources, following the Company's governance.

The scenarios at March 31, 2020 are described below:

Scenario I – considers shock to the curves and market quotations at March 31, 2020, according to the base scenario defined by the Board of Directors for June 30, 2020.

Scenario II – considers shock of + or - 25% in the market curves of March 31, 2020.

Scenario III – considers shock of + or - 50% in the market curves of March 31, 2020.

Risk Factors	Cash and cash equivalents and financial investments (i)	Borrowing (i)	Unit	Principal from derivative financial instruments and firm commitment	Unit	Parent company and consolidated											
						Impacts on the result				Impacts on comprehensive income							
						Scenario I	Scenarios II & III			Scenario I	Scenarios II & III						
Shock in the 3/31/2020 curves	Scenario I results	-25%	-50%	+25%	+50%	Scenario I results	-25%	-50%	+25%	+50%							
Exchange																	
USD	95,937	748,192	USD mil	852,262	USD mil	1.90%	12,424	160,409	320,817	(160,409)	(320,817)	(12,841)	833,412	1,667,714	(834,570)	(1,669,173)	
Interest rates																	
BRL - CDI	450,880	1,426,078	BRL mil	3,121,039	BRL mil	-50 bps	4,829	8,898	17,796	(8,898)	(17,796)	9,664	(10,982)	(23,885)	9,340	17,272	
IPCA		124,125	BRL mil			26 bps	(326)	1,005	2,011	(1,005)	(2,011)						
BRL - TJLP		199,091	BRL mil			-50 bps	956	2,533	5,067	(2,533)	(5,067)						
USD - Libor				227,473	USD mil	-45 bps		1				2,212	1,202	2,407	(1,199)	(2,395)	
Dollar coupon				624,789	USD mil	-110 bps						(36,663)	(59,466)	(122,667)	56,099	109,148	
Price – commodities																	
Aluminum				141,200	ton	-13.10%						61,636	257,798	515,595	(257,798)	(515,595)	
Firm commitment – electricity																	
Purchase and sale agreement				(104,964)	BRL mil			(2,558)	(5,218)	2,462	4,833						

- (i) The balances shown do not reconcile with remaining explanatory notes, as the analysis conducted only included the most significant currencies.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

5.2.2 Capital management

The Company’s objectives in managing its capital are to safeguard its ability to consistently offer returns to shareholders 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 its operational performance. Adjusted EBITDA is calculated from net profit plus or minus financial income, plus income tax and social contribution, plus depreciation, amortization and depletion, minus equity income, plus dividends received from investees and minus exceptional non-cash items (non-cash items considered by the Board of Directors as exceptional are excluded from the adjusted EBITDA measurement), in accordance with CVM Instruction No. 527, dated October 4, 2012.

	Consolidated	
	March 31, 2020	December 31, 2019
Loans and financing	2,577,513	2,156,865
Cash and cash equivalents	(193,854)	(190,321)
Derivative financial instruments	750,658	103,643
Leases (i)	13,386	15,783
Financial investments	(411,293)	(418,439)
Net debt – (A)	2,736,410	1,667,531

	Consolidated			
	Three-month period ended	Three-month period ended	Twelve-month period ended	Twelve-month period ended
	March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
Net profit (loss) for period	(86,589)	29,551	(150,685)	(34,545)
Income tax and social contribution	1,744	20,833	12,358	31,447
Income before taxes	(84,845)	50,384	(138,327)	(3,098)
Equity	26,245	351	11,397	(14,497)
Depreciation, amortization and depletion	91,376	96,887	457,050	462,561
Finance income, net	281,116	82,067	446,546	247,497
EBITDA	313,892	229,689	776,666	692,463
Exceptional items				
Gain on investment acquisition	(163,543)		(163,543)	
Net loss in asset sales to related parties			23,747	23,747
Impairment constitution (reversal) of property, plant and equipment and intangible asse	(789)	(631)	144,759	144,917
Adjusted EBITDA (B)	149,560	229,058	781,629	861,127
Financial leverage index – (A/B)			3.50	1.94

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 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 equivalent, financial investment and derivative transactions:

	Parent company						Consolidated					
	3/31/2020			12/31/2019			3/31/2020			12/31/2019		
	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	116,249		116,249	189,997		189,997	162,522		162,522	190,140		190,140
AA+	13		13	11		11	13		13	11		11
AA	81		81	146		146	85		85	153		153
AA-				3		3				3		3
A+	6	31,216	31,222	7		7	6	31,216	31,222	7		7
No rating (i)	11		11	7		7	12		12	7		7
	<u>116,360</u>	<u>31,216</u>	<u>147,576</u>	<u>190,171</u>		<u>190,171</u>	<u>162,638</u>	<u>31,216</u>	<u>193,854</u>	<u>190,321</u>		<u>190,321</u>
Financial investments												
AAA	316,630		316,630	304,907		304,907	372,836		372,836	383,274		383,274
AA+							11,865		11,865	11,881		11,881
AA				6		6				1,610		1,610
AA-	5,620		5,620	6		6	18,158		18,158	3,004		3,004
No rating (ii)	8,433		8,433	18,670		18,670	8,434		8,434	18,670		18,670
	<u>330,683</u>		<u>330,683</u>	<u>323,583</u>		<u>323,583</u>	<u>411,293</u>		<u>411,293</u>	<u>418,439</u>		<u>418,439</u>
Derivative financial instruments												
AAA	272,618		272,618	127,294		127,294	272,618		272,618	127,294		127,294
AA				7,321		7,321				7,321		7,321
	<u>272,618</u>		<u>272,618</u>	<u>134,615</u>		<u>134,615</u>	<u>272,618</u>		<u>272,618</u>	<u>134,615</u>		<u>134,615</u>
	<u>719,661</u>	<u>31,216</u>	<u>750,877</u>	<u>648,369</u>		<u>648,369</u>	<u>846,549</u>	<u>31,216</u>	<u>877,765</u>	<u>743,375</u>		<u>743,375</u>

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

- (i) Refers to cash balances in transit.
- (ii) Substantially refers to receivables investment funds (FIDC) exclusive to the Votorantim Group and not rated by the rating agencies.

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

7 Cash and cash equivalents

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Local currency				
Cash and banks	77	2,158	13,928	2,308
Bank Deposit Certificate ("CDB")	18,028		18,028	
Repo operations – Government securities	33,534	52,265	65,961	52,265
	51,639	54,423	97,917	54,573
Foreign currency				
Cash and banks	95,937	135,748	95,937	135,748
	147,576	190,171	193,854	190,321

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	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Moeda nacional				
Financial Treasury Bills – LFTs	199,825	206,219	199,825	206,219
Investment fund quotas (i)	12,400	61,659	53,977	133,215
Repo operations – Government securities	54,064	37,024	54,064	37,024
Bank Deposit Certificates – CDBs	55,961	11	94,994	21,281
Receivables Investment Fund – FIDC	8,433	18,606	8,433	18,606
Other		64		2,094
	330,683	323,583	411,293	418,439
Current				
	330,619	323,519	411,229	416,345
Non-current assets				
	64	64	64	2,094
	330,683	323,583	411,293	418,439

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

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Financial investments				
Repo operations – Government securities			16,962	19,748
Financial Treasury Bills – LFTs	12,400	61,659	34,395	113,467
Bank Deposit Certificates – CDBs			2,620	
	12,400	61,659	53,977	133,215

The investments comprise government bonds or those of financial institutions, indexed to the interbank deposit rate.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

9 Accounts receivable from customers

(a) Composition

	Note	Parent company		Consolidated	
		3/31/2020	12/31/2019	3/31/2020	12/31/2019
Local clients		259,040	178,524	354,136	208,612
Foreign clients		123,144	89,320	129,371	89,320
Related parties	12	122,369	144,057	98,316	138,422
		<u>504,553</u>	<u>411,901</u>	<u>581,823</u>	<u>436,354</u>
Impairment of trade receivables		(31,491)	(31,445)	(37,745)	(32,058)
		<u>473,062</u>	<u>380,456</u>	<u>544,078</u>	<u>404,296</u>

(b) Change in estimated loss with doubtful accounts

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Balances at the beginning of the quarter	(31,445)	(29,365)	(32,058)	(29,365)
Net provision (reversal) of additions	(46)	(7,521)	325	(7,521)
Effect of companies included in consolidation			(6,012)	
Balances at the end of the quarter	<u>(31,491)</u>	<u>(36,886)</u>	<u>(37,745)</u>	<u>(36,886)</u>

(c) Maturity

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
To fall due	384,330	317,618	454,025	336,795
Up to 3 months past due	30,785	13,127	31,125	17,831
Overdue from 3 to 6 months	4,455	2,991	4,604	2,966
Overdue more than 6 months (i)	84,983	78,165	92,069	78,762
	<u>504,553</u>	<u>411,901</u>	<u>581,823</u>	<u>436,354</u>

- (i) At March 31, 2020, the amount of BRL 50,893 (December 31, 2019 – BRL 50,170) referred to receivables from clients guaranteed by real guarantees (chattel mortgage) regarding overdue balances.

10 Inventory

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Finished products	214,415	266,336	274,768	268,215
Semi-finished products	468,288	482,056	503,329	482,985
Auxiliary and consumption materials	131,820	125,132	153,767	125,766
Raw materials	54,297	54,394	121,917	76,683
Imports in progress	97,077	24,462	106,431	24,462
Others	5,512	4,560	5,712	4,596
Provision for losses	(57,626)	(54,565)	(57,626)	(54,565)
	<u>913,783</u>	<u>902,375</u>	<u>1,108,298</u>	<u>928,142</u>

No inventory has been pledged as collateral for liabilities.

- (i) The loss estimate substantially refers to obsolete materials with low turnover.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

11 Recoverable taxes

(a) Composition

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Tax on the Circulation of Goods and Services – ICMS	504,498	500,973	518,696	506,965
Income Tax and Social Contribution – IRPJ and CSLL	183,859	183,766	186,617	184,904
Contribution for the Financing of Social Security – COFINS	499,815	509,954	503,030	510,531
Social Integration Program – PIS	111,683	111,029	112,430	111,154
ICMS on property, plant and equipment	18,964	20,495	18,964	20,495
Social security credit	19,683	19,519	19,683	19,519
Other	23,592	23,496	24,019	23,962
	<u>1,362,094</u>	<u>1,369,232</u>	<u>1,383,439</u>	<u>1,377,530</u>
Current	605,661	631,897	619,985	640,190
Non-current assets	756,433	737,335	763,454	737,340
	<u>1,362,094</u>	<u>1,369,232</u>	<u>1,383,439</u>	<u>1,377,530</u>

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reals, 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	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Parent company												
Votorantim S.A.	3,726	3,726										
Subsidiaries												
BAESA - Energética Barra Grande S.A.									87	87		
CBA Energia Participações S.A.			598	1,286								
CBA Machadinho Geração de Energia Ltda.	2,542	2,312										
ENERCAN - Campos Novos Energia S.A.							15,942	30,613				
Mineração Rio Do Norte S.A.			6,270	6,270								
Metalex Ltda.	30,234	18,609	1,939	1,939			630	1,705				
Affiliated companies												
Votener - Votorantim Comercializadora de Energia Ltda. (i)	80,347	113,261					44,328	83,591	106,102	120,400		
Votorantim Cimentos S.A. (ii)	257	248			27,592	27,514	167	693	3	3		
Nexa Recursos Minerais S.A.	1,069	2,070					336	337				
Votorantim Geração de Energia S.A.							2,197	1,120				
Others	4,194	3,831	25	24	531	529	2,796	3,893	3,195	2,405	79	79
	<u>122,369</u>	<u>144,057</u>	<u>8,832</u>	<u>9,519</u>	<u>28,123</u>	<u>28,043</u>	<u>66,396</u>	<u>121,952</u>	<u>109,387</u>	<u>122,895</u>	<u>79</u>	<u>79</u>
Current	122,369	144,057	8,832	9,519			66,396	121,952	11,690	43,923	79	79
Non-current					28,123	28,043			97,697	78,972		
	<u>122,369</u>	<u>144,057</u>	<u>8,832</u>	<u>9,519</u>	<u>28,123</u>	<u>28,043</u>	<u>66,396</u>	<u>121,952</u>	<u>109,387</u>	<u>122,895</u>	<u>79</u>	<u>79</u>

- (i) The balance of current and non-current liabilities refers to rights from the electricity trading agreements in the free market.
- (ii) Refers to the sale of the Rio de Janeiro distribution center to the affiliate Votorantim Cimentos S.A. in 2019.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

	Income statement					
					Financial revenue (expenses)	
	Purchases		Sales			
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Parent company						
Votorantim S.A.	7,428	4,893				
Subsidiaries						
Alunorte Alumina do Norte do Brasil S.A.	50,621	34,541				
BAESA - Energética Barra Grande S.A.		11,812				
CBA Energia Participações S.A.	18,596					
CBA Machadinho Geração de Energia Ltda.	10,527					
ENERCAN - Campos Novos Energia S.A.	29,377	34,830				
Metalex Ltda.	1,641		72,426	71,251		
Affiliated companies						
Votener - Votorantim Comercializadora de Energia Ltda. (i)	148,330	245,145	206,499	281,153		(22,656)
Votorantim Cimentos S.A.	389	62	166	130	78	
Nexa Recursos Minerais S.A.	22	55	1,701	1,671		
Votorantim Geração de Energia S.A.	5,716	5,071				
L.C.G.S.P.E. Empreendimentos e Participações Ltda.	2,886					
Others	2,080	1,591				
	<u>277,613</u>	<u>338,000</u>	<u>280,792</u>	<u>354,205</u>	<u>78</u>	<u>(22,656)</u>

(i) The purchases and sales refer to the trading of third-party energy in the free market, where Votener acts as the final trader.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
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	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Parent company												
Votorantim S.A.	3,726	3,726										
Affiliated companies												
Votener - Votorantim Comercializadora de Energia Ltda. (i)	81,030	120,793					44,837	90,583	106,102	120,400		
Votorantim Cimentos S.A. (ii)	257	248			27,592	27,514	167	693	3	3		
Nexa Recursos Minerais S.A.	8,513	9,221					336	337				
Mineração Rio Do Norte S.A.			6,270	6,270								
Votorantim Geração de Energia S.A.							2,197	1,120				1,513
Pollarix S.A.											6,072	2,944
Others	4,790	4,434	25	25	529	529	5,035	3,890	3,194	2,406	17,852	9,615
	<u>98,316</u>	<u>138,422</u>	<u>6,295</u>	<u>6,295</u>	<u>28,121</u>	<u>28,043</u>	<u>52,572</u>	<u>96,623</u>	<u>109,299</u>	<u>122,809</u>	<u>23,924</u>	<u>14,072</u>
Current	98,316	138,422	6,295	6,295			52,572	96,623	11,603	43,837	23,924	14,072
Non-current					28,121	28,043			97,696	78,972		
	<u>98,316</u>	<u>138,422</u>	<u>6,295</u>	<u>6,295</u>	<u>28,121</u>	<u>28,043</u>	<u>52,572</u>	<u>96,623</u>	<u>109,299</u>	<u>122,809</u>	<u>23,924</u>	<u>14,072</u>

- (i) The balance of current and non-current liabilities refers to rights from the electricity trading agreements in the free market.
- (ii) Refers to the sale of the Rio de Janeiro distribution center to affiliate Votorantim Cimentos S.A., in 2019.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

	Income statement					
	Purchases		Sales		Financial revenue (expenses)	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Parent company						
Votorantim S.A.	7,428	4,893				
Affiliated companies						
Votener - Votorantim Comercializadora de Energia Ltda. (i)	148,330	245,145	207,735	281,153		(22,656)
Votorantim Cimentos S.A.	389	62	166	130	78	
Nexa Recursos Minerais S.A	22	55	1,701	11,690		
Votorantim Geração de Energia S.A.	5,716	5,071				
L.C.G.S.P.E. Empreendimentos e Participações Ltda.	2,886					
Others	2,080	1,591		3,592		
	<u>166,851</u>	<u>256,817</u>	<u>209,602</u>	<u>296,565</u>	<u>78</u>	<u>(22,656)</u>

(i) The purchases and sales refer to the trading of third-party energy in the free market, where Votener acts as the final trader.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

(c) Company debts, guaranteed by related parties

Mode	Guarantor	3/31/2020	12/31/2019
BNDES	VSA	329,052	344,316
BRL Credit agency	VSA	28,056	29,644
Eurobonds – USD (Voto 24)	VSA	758,360	581,090
		<u>1,115,468</u>	<u>955,050</u>

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

Instrument	Debtor	Guarantor	Percentage guaranteed by the company	3/31/2020		12/31/2019	
				Debt	Amount guaranteed	Debt	Amount guaranteed
Eurobonds - USD (Voto 21)	VSA	VSA (100%), VCSA (50%) and CBA (50%)	50%	1,288,961	644,480	983,039	491,520
				<u>1,288,961</u>	<u>644,480</u>	<u>983,039</u>	<u>491,520</u>

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

13 Investments

(a) Composition

	Information on investees as of March 31, 2020						Equity		Parent company
	Shareholders' equity	Profit (loss) for the quarter	Voting ownership interest and total (%)	Voting ownership interest (%)	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	3/31/2020	Balance	
								12/31/2019	
Investments evaluated by equity									
Subsidiaries									
Metalex Ltda.	73,504	6,433	100.00	100.00	6,433	5,946	73,504	67,071	
CBA Energia Participações S.A. (i)	295,022	16,843	33.33	100.00	5,263	4,724	96,940	91,676	
CBA Machadinho Geração de Energia Ltda.	155,471	106	100.00	100.00	106	3,829	155,471	155,366	
CBA Itapissuma	394,807	(7,980)	100.00	100.00	(7,980)		394,807		
Affiliated companies									
Alunorte - Alumina do Norte S.A.	3,029,619	(489,073)	3.03	3.52	(14,840)	642	91,931	106,771	
Mineração Rio do Norte S.A.	868,279	(114,045)	10.00	12.50	(11,404)	(992)	86,828	98,232	
Others						(1)	44	44	
Goodwill									
Metalex Ltda.							49,430	49,430	
					(22,422)	14,148	948,955	568,590	

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

	Information on investees as of March 31, 2020						Equity		Consolidated
	Shareholders' equity	Loss for the quarter	Voting ownership interest and total (%)	Voting ownership interest (%)	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	3/31/2020	Balance	
								12/31/2019	
Investments evaluated by equity									
Affiliated companies									
Alunorte - Alumina do Norte S.A.	3,029,619	(489,073)	3.03	3.52	(14,840)	642	91,931	106,771	
Mineração Rio do Norte S.A.	868,279	(114,045)	10.00	12.50	(11,404)	(992)	86,828	98,232	
Others					(1)	(1)	77	78	
					(26,245)	(351)	178,836	205,081	

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

(b) Change in investments

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Balance at the beginning of the quarter	568,590	551,234	205,081	196,879
Equity	(22,422)	14,148	(26,245)	(351)
Capital increase in investees (i)	15,000	260		
Acquisition of investment (i)	387,787			
Balance at the end of the quarter	948,955	565,642	178,836	196,528

- (i) Refers to the acquisition and capital increase in the investee CBA Itapissuma Ltda., as described in note 1.1 (a).

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

14 Property, Plant and Equipment

(a) Composition and change

									Parent company	
									1/1/2020 to	1/1/2019 to
									3/31/2020	3/31/2019
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Construction in progress	Obligation to demobilize assets	Other	Total	Total
Balance at the beginning of the quarter										
Cost	117,841	2,493,859	5,879,024	113,246	28,986	444,643	161,893	295,190	9,534,682	9,435,678
Accrued depreciation	(2,325)	(960,278)	(3,866,221)	(99,647)	(21,562)		(89,544)	(281,736)	(5,321,313)	(5,169,785)
Net balance	115,516	1,533,581	2,012,803	13,599	7,424	444,643	72,349	13,454	4,213,369	4,265,893
Additions		96	2,475			43,215			45,786	43,508
Write-offs			(1,451)						(1,451)	(38)
Depreciation		(12,804)	(57,326)	(822)	(425)		(1,871)	(262)	(73,510)	(80,162)
Reversal for asset depreciation (Impairment)			789						789	631
Transfers (ii)	(182)	348	112,553	118	1	(113,394)	(1)	182	(375)	(5,899)
Balance at the end of the quarter	115,334	1,521,221	2,069,843	12,895	7,000	374,464	70,477	13,374	4,184,608	4,223,933
Cost	117,841	2,494,303	5,871,388	113,285	28,977	374,464	161,891	295,065	9,457,214	9,470,960
Accrued depreciation	(2,507)	(973,082)	(3,801,545)	(100,390)	(21,977)		(91,414)	(281,691)	(5,272,606)	(5,247,027)
Balance at the end of the quarter	115,334	1,521,221	2,069,843	12,895	7,000	374,464	70,477	13,374	4,184,608	4,223,933
Average annual depreciation rates – %		3	5	20	10		2			

									Consolidated	
									1/1/2020 to	1/1/2019 to
									3/31/2020	3/31/2019
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Construction in progress	Obligation to demobilize assets	Other	Total	Total
Balance at the beginning of the quarter										
Cost	132,098	2,981,030	6,176,957	113,297	29,320	447,723	161,893	295,190	10,337,508	10,232,888
Accrued depreciation	(5,329)	(1,140,505)	(3,976,773)	(99,676)	(21,832)		(89,544)	(281,736)	(5,615,395)	(5,432,623)
Net balance	126,769	1,840,525	2,200,184	13,621	7,488	447,723	72,349	13,454	4,722,113	4,800,265
Additions		535	5,284	101	372	45,152			51,444	44,857
Write-offs			(4,943)						(4,943)	(38)
Depreciation	(72)	(17,662)	(62,681)	(968)	(606)		(1,871)	(309)	(84,169)	(87,944)
Reversal for asset depreciation (Impairment)			789						789	631
Effect of companies included in consolidation (i)	559	30,696	166,855	6,775	1,854	13,050		(1,130)	218,659	
Transfers (ii)	(182)	398	116,288	118	1	(117,228)	(1)	231	(375)	(5,909)
Balance at the end of the quarter	127,074	1,854,492	2,421,776	19,647	9,109	388,697	70,477	12,246	4,903,518	4,751,862
Cost	132,657	3,057,793	6,574,688	128,062	38,596	388,697	161,891	293,937	10,776,321	10,269,512
Accrued depreciation	(5,583)	(1,203,301)	(4,152,912)	(108,415)	(29,487)		(91,414)	(281,691)	(5,872,803)	(5,517,650)
Balance at the end of the quarter	127,074	1,854,492	2,421,776	19,647	9,109	388,697	70,477	12,246	4,903,518	4,751,862
Average annual depreciation rates – %	4	3	5	20	10		2			

- (i) Refers the acquisition of the investment CBA Itapissuma Ltda., as described in note 1.1 (a).
- (ii) Transfers include the reclassification of “construction in progress” from the group of fixed assets to “softwares” in the group of intangible assets.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

(b) Construction in progress

	3/31/2020			Consolidated 12/31/2019		
	Gross balance	Provision for impairment	Net balance	Gross balance	Provision for impairment	Net balance
Ferro Níquel Project	569,605	(569,605)		569,605	(569,605)	
Bauxita Rondon Project	119,040		119,040	118,478		118,478
Renovation of furnaces	83,460		83,460	111,161		111,161
Calciner	92,096	(92,096)		92,096	(92,096)	
Alumina refinery projects	65,877	(12,587)	53,290	56,864	(12,587)	44,277
Tijuco Alto project	52,374	(52,374)		52,374	(52,374)	
Rolling mills, extrusion and casting room projects	27,815		27,815	27,004		27,004
Revitalization and adjustments to the power plants	23,678		23,678	23,830		23,830
Mining projects	21,985		21,985	21,619		21,619
Plastic Transformation and Casting Projects	11,040		11,040	20,877		20,877
Safety, health and environmental projects	11,340		11,340	18,829		18,829
Furnace Room projects	5,942		5,942	17,539		17,539
Other	54,161	(23,054)	31,107	67,163	(23,054)	44,109
	<u>1,138,413</u>	<u>(749,716)</u>	<u>388,697</u>	<u>1,197,439</u>	<u>(749,716)</u>	<u>447,723</u>

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

15 Intangible assets

(a) Composition and change

							Parent company	
							1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
	Goodwill	Exploitation rights over natural resources	Softwares	Use of public assets - UBP	Other	Total	Total	
Balance at the beginning of the quarter								
Cost	79,722	143,899	38,535	281,829	9,591	553,576	578,057	
Accrued amortization	(40,041)	(40,041)	(25,164)	(99,139)	(1,697)	(166,041)	(148,793)	
Net balance	79,722	103,858	13,371	182,690	7,894	387,535	429,264	
Write-offs			(6)		(7)	(13)		
Amortization and depletion		(5)	(999)	(2,701)		(3,705)	(3,670)	
Transfers (ii)			298		77	375	5,899	
Balance at the end of the quarter	79,722	103,853	12,664	179,989	7,964	384,192	431,493	
Cost	79,722	143,899	38,844	281,829	9,584	553,878	583,956	
Accrued amortization	(40,046)	(40,046)	(26,180)	(101,840)	(1,620)	(169,686)	(152,463)	
Net balance at the end of the quarter	79,722	103,853	12,664	179,989	7,964	384,192	431,493	
Average annual amortization and depletion rates – %		3	20	3				
							Consolidated	
							1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
	Goodwill	Exploitation rights over natural resources	Softwares	Use of public assets	Other	Total	Total	
Balance at the beginning of the quarter								
Cost	166,265	143,899	38,777	303,774	38,769	691,484	715,940	
Accrued amortization	(40,041)	(40,041)	(25,394)	(106,876)	(27,435)	(199,746)	(181,601)	
Net balance	166,265	103,858	13,383	196,898	11,334	491,738	534,339	
Additions			39			39		
Write-offs			(6)	(1)	(7)	(14)		
Amortization and depletion		(5)	(1,333)	(2,919)	(1)	(4,258)	(3,891)	
Effect of companies included in consolidation (i)			5,425			5,425		
Transferências (ii)			298		77	375	5,909	
Balance at the end of the quarter	166,265	103,853	17,806	193,978	11,403	493,305	536,357	
Cost	166,265	143,899	78,520	303,774	38,762	731,220	721,849	
Accrued amortization	(40,046)	(40,046)	(60,714)	(109,796)	(27,359)	(237,915)	(185,492)	
Net balance at the end of the quarter	166,265	103,853	17,806	193,978	11,403	493,305	536,357	
Average annual amortization and depletion rates – %		3	20	3				

- (i) Refers the acquisition of the investment CBA Itapissuma Ltda., as described in note 1.1 (a).
- (ii) Transfers include the reclassification of “construction in progress” from the group of fixed assets to “softwares” in the group of intangible assets.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

16 Loans and financing

(a) Composition and fair value

Mode	Average annual rate (i)	Current		Non-current		Total		Parent company	
		3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Local currency									
BNDES	TJLP + 2,21% / SELIC + 2,56% / IPCA + 4,71%	69,435	67,233	257,241	274,581	326,676	341,814	285,167	339,690
FINAME	4,61% Pre-BRL	968	989	2,278	2,510	3,246	3,499	2,975	3,445
Export credit notes	114,47% CDI	21,969	8,076	1,326,805	1,078,238	1,348,774	1,086,314	1,113,020	1,081,333
Credit agency	8,50% Pre-BRL	6,521	6,534	21,535	23,110	28,056	29,644	27,864	32,065
FINEP	TJLP + 0,62%	11,427	11,438	9,479	12,325	20,906	23,763	20,350	24,257
Other				598	598	598	598	569	598
		110,320	94,270	1,617,936	1,391,362	1,728,256	1,485,632	1,449,945	1,481,388
Foreign currency									
Eurobonds - USD	4,75% Pre-USD	9,625	452	746,427	578,193	756,052	578,645	724,283	610,864
		9,625	452	746,427	578,193	756,052	578,645	724,283	610,864
		119,945	94,722	2,364,363	1,969,555	2,484,308	2,064,277	2,174,228	2,092,252
Interest on loans and financing		36,544	12,346						
Current portion of loans and financing (principal amount)		83,401	82,376						
		119,945	94,722						

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020 In thousands of Brazilian Reais, except when indicated otherwise

Mode	Average annual rate (i)	Current		Non-current		Total		Consolidated Fair value	
		2020	2019	2020	2019	2020	2019	2020	2019
Local currency									
BNDES	TJLP + 2,21% / SELIC + 2,56% / IPCA + 4,71%	69,435	67,233	257,241	274,581	326,676	341,814	285,167	339,690
FINAME	4,61% Pre-BRL	968	989	2,278	2,510	3,246	3,499	2,975	3,445
Debentures	107,50% CDI	30,528	31,760	60,835	60,828	91,363	92,588	88,836	93,252
Export credit notes	114,47% CDI	21,969	8,076	1,326,805	1,078,238	1,348,774	1,086,314	1,113,020	1,081,333
Credit agency	8,50% Pre-BRL	6,521	6,534	21,535	23,110	28,056	29,644	27,864	32,065
FINEP	TJLP + 0,62%	11,427	11,440	9,479	12,323	20,906	23,763	20,350	24,257
Other		82		2,358	598	2,440	598	569	598
		<u>140,930</u>	<u>126,032</u>	<u>1,680,531</u>	<u>1,452,188</u>	<u>1,821,461</u>	<u>1,578,220</u>	<u>1,538,781</u>	<u>1,574,640</u>
Foreign currency									
Eurobonds - USD	4,75% Pre-USD	9,625	452	746,427	578,193	756,052	578,645	724,283	610,864
		<u>9,625</u>	<u>452</u>	<u>746,427</u>	<u>578,193</u>	<u>756,052</u>	<u>578,645</u>	<u>724,283</u>	<u>610,864</u>
		<u>150,555</u>	<u>126,484</u>	<u>2,426,958</u>	<u>2,030,381</u>	<u>2,577,513</u>	<u>2,156,865</u>	<u>2,263,064</u>	<u>2,185,504</u>
Interest on loans and financing		36,786	13,781						
Current portion of loans and financing (principal amount)		113,769	112,703						
		<u>150,555</u>	<u>126,484</u>						

(i) Average annual charges are presented according to the representativeness of the contracts over the total amount of debt.

BNDES	Brazilian Economical and Social Development Bank
BRL	Local currency (Brazilian Reais)
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

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

(c) Change

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Balance at the beginning of the quarter	2,064,277	1,935,056	2,156,865	2,058,867
Fund raising (i)	250,000		250,000	
Additional (reductions) of fundraising costs, net	(1,370)	473	(1,321)	502
Exchange rate variation	169,669	9,370	169,669	9,370
Accrued interest	29,968	25,880	30,976	27,889
Interest paid	(7,078)	(6,571)	(9,360)	(10,566)
Effect of companies included in consolidation (ii)			1,842	
Settlements	(21,158)	(20,900)	(21,158)	(20,900)
Balance at the end of the quarter	<u>2,484,308</u>	<u>1,943,308</u>	<u>2,577,513</u>	<u>2,065,162</u>

- (i) In February 2020, the Company entered into loan agreements (NCE - Export Credit Note) aimed at financing its exports in the amount of R \$ 250 million, with final maturity in 2029.
- (ii) Refers to the balance arising from the CBA Itapissuma investment included in the consolidation, acquired in February 2020, as described in note 1.1 (a).

(d) Composition by currency

	Parent company					
	Current		Non-current		Total	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Brazilian Reais	110,320	94,270	1,617,936	1,391,362	1,728,256	1,485,632
US Dollar	9,625	452	746,427	578,193	756,052	578,645
	<u>119,945</u>	<u>94,722</u>	<u>2,364,363</u>	<u>1,969,555</u>	<u>2,484,308</u>	<u>2,064,277</u>

	Consolidated					
	Current		Non-current		Total	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Brazilian Reais	140,930	126,032	1,680,531	1,452,188	1,821,461	1,578,220
US Dollar	9,625	452	746,427	578,193	756,052	578,645
	<u>150,555</u>	<u>126,484</u>	<u>2,426,958</u>	<u>2,030,381</u>	<u>2,577,513</u>	<u>2,156,865</u>

- (i) BRL 250 million refer to loans that have swaps for rates pre-fixed in US Dollars as described in note 17 (g) (i).

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

(e) Composition by indexer

	Current		Non-current		Parent company	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	Total
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Local currency						
TJLP	59,463	59,545	139,777	154,500	199,240	214,045
Fixed rate	7,489	7,523	24,411	26,219	31,900	33,742
CDI	21,969	8,076	1,326,805	1,078,238	1,348,774	1,086,314
IPCA	7,207	5,080	117,499	119,554	124,706	124,634
Selic	14,192	14,046	9,444	12,851	23,636	26,897
	110,320	94,270	1,617,936	1,391,362	1,728,256	1,485,632
Foreign currency						
Fixed rate	9,625	452	746,427	578,193	756,052	578,645
	119,945	94,722	2,364,363	1,969,555	2,484,308	2,064,277
	Current		Non-current		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Local currency						
TJLP	59,463	59,545	139,778	154,500	199,241	214,045
Fixed rate	7,489	7,523	24,411	26,219	31,900	33,742
CDI	52,497	39,838	1,387,640	1,139,065	1,440,137	1,178,903
IPCA	7,207	5,080	117,499	119,554	124,706	124,634
Selic	14,192	14,046	9,444	12,850	23,636	26,896
Other	82		1,759		1,841	
	140,930	126,032	1,680,531	1,452,188	1,821,461	1,578,220
Foreign currency						
Fixed rate	9,625	452	746,427	578,193	756,052	578,645
	150,555	126,484	2,426,958	2,030,381	2,577,513	2,156,865

(f) Guarantees

As at March 31, 2020, BRL 1,115,468 (December 31, 2019 – BRL 955,050) of loans and financing were guaranteed by sureties (Note 12 (c)), BRL 161,690 (December 31, 2019 – BRL 170,903) by lines on Company’s assets and BRL 21,013 (December 31, 2019 – BRL 23,884) by bank guarantee.

(g) Funding and amortization

(i) Export financing

In February of 2019, the Company entered into a loan agreement (NCE – export credit note) to finance its exports in the total amount of BRL 250 million, with final maturity in 2029. It is noteworthy that the loan is characterized as “green financing” based on the guidelines of the Green Loan Principles.

The company also entered into swap agreement (derivative financial instrument –hedge accounting), which aim to exchange the exposure to the CDI floating rate in Brazilian Reais to a fixed rate in U.S. Dollars, resulting in a weighted average cost of 4.25% per year. This swap was contracted together with the financing and with the same financial institution.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

17 Current and deferred income tax and social contribution

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

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

The income tax and social contribution amounts on the income statement for the quarter ended March 31 present the following reconciliation based on the nominal Brazilian rate:

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Profit (loss) before income tax and social contribution	(108,383)	24,199	(84,845)	50,384
Nominal tax rates	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal tax rates	36,850	(8,228)	28,847	(17,131)
Adjustments for the calculation of effective IRPJ and CSLL				
Equity	(7,623)	4,810	(8,923)	(119)
Tax loss and negative basis without constitution on the deferred tax	(18,216)		(18,430)	(1,906)
Other permanent additions, net	(797)	(1,622)	(3,238)	(1,677)
IRPJ and CSLL calculated	10,214	(5,040)	(1,744)	(20,833)
Current			(11,556)	(12,229)
Deferred	10,214	(5,040)	9,812	(8,604)
IRPJ and CSLL in the result	10,214	(5,040)	(1,744)	(20,833)

(b) Composition of deferred tax balances

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Tax credits on tax loss and negative basis	367,378	367,378	367,378	367,378
Tax credits on tax differences				
Provisions (impairment and miscellaneous losses)	721,209	721,401	721,209	721,401
Deferral of losses on derivative contracts	255,223	35,238	255,223	35,238
Exchange rate variation – taxation by the cash regime	161,568	83,803	161,568	83,803
Tax, civil, labor and environmental provisions	89,839	92,255	89,839	92,255
Use of public assets – UBP	68,802	69,346	68,802	69,346
CPC 25 – Decommissioning of assets	60,590	59,547	60,590	59,547
Financial instrument – firm commitment	35,885	31,715	35,885	31,715
Provision for inventory losses	19,593	18,552	19,593	18,552
Provision for accounts receivable from customers	10,707	17,069	10,707	17,069
Environmental liabilities	9,562	9,772	9,562	9,772
Provision for participation in the result – PPR	7,987	22,170	7,987	22,170
Tax debts on tax differences				
Adjustments to property, plant and equipment service life (depreciation)	(631,054)	(635,611)	(631,054)	(635,611)
Gain on investment acquisition	(55,605)	-	(55,605)	-
CPC 20 – Capitalized interest	(25,738)	(25,815)	(25,738)	(25,815)
CPC 12 – Adjustment to present value	(14,406)	(14,651)	(14,406)	(14,651)
Goodwill amortization	(7,392)	(7,392)	(7,392)	(7,392)
Other	(9,374)	(8,135)	(5,688)	(4,047)
	1,064,774	836,642	1,068,460	840,730

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

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

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Balance at the beginning of the quarter	836,642	771,755	840,730	781,710
Effect on the result	10,214	(5,040)	9,812	(8,604)
Effect on other components of comprehensive income – Hedge accounting	217,918	17,171	217,918	17,171
Balance at the end of the quarter	1,064,774	783,886	1,068,460	790,277

18 Provisions

(a) Composition and change

	Parent company						Total	Total
	1/1/2020 to 3/31/2020							
	Judicial proceedings							
	Obligation to demobilize assets	Tax	Labor	Civil	Environmental	Total	Total	
Balance at the beginning of the quarter	418,195	181,306	53,241	27,936	994	681,672	473,684	
Additions		55	6,750	581	18	7,404	12,705	
Reversals		(1,028)	(3,228)	(879)		(5,135)	(3,369)	
Judicial deposits, net of write-offs		3,022	(3,225)	2		(201)	(4,709)	
Settlements	(2,053)	(2,745)	(3,564)	(3,582)		(11,944)	(6,444)	
Monetary restatement, net of reversals		328	1,375	(1,132)	(17)	554	6,953	
Adjustment to present value	3,485					3,485	3,081	
Balance at the end of the quarter	419,627	180,938	51,349	22,926	995	675,835	481,901	

	Consolidated						Total	Total
	1/1/2020 to 3/31/2020							
	Judicial proceedings							
	Obligation to demobilize assets	Tax	Labor	Civil	Environmental	Total	Total	
Balance at the beginning of the quarter	418,195	182,625	53,241	28,549	994	683,604	475,387	
Additions		92	6,750	581	18	7,441	12,717	
Reversals		(1,028)	(3,228)	(847)		(5,103)	(3,369)	
Judicial deposits, net of write-offs		3,022	(3,225)	2		(201)	(4,559)	
Settlements	(2,053)	(2,745)	(3,564)	(3,584)		(11,946)	(6,444)	
Monetary restatement, net of reversals		340	1,376	(1,132)	(17)	567	6,970	
Adjustment to present value	3,485					3,485	3,081	
Balance at the end of the quarter	419,627	182,306	51,350	23,569	995	677,847	483,783	

19 Shareholders' equity

(a) Share capital

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

At March 31, 2020 and December 31, 2019, the fully subscribed and paid-in share capital amounted to BRL 4,950,095, consisting of BRL 1,420,294,211 in registered common shares.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

20 Revenue

(a) Composition

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Gross revenue				
Sale of products and services on the local market	1,010,244	1,026,563	1,117,125	1,051,592
Sale of products on the foreign market	143,313	205,619	151,158	205,619
Electricity sales	206,499	281,153	224,802	284,920
	<u>1,360,056</u>	<u>1,513,335</u>	<u>1,493,085</u>	<u>1,542,131</u>
Taxes on sales and other deductions	(193,807)	(196,875)	(240,347)	(215,052)
Net revenue of products sold and services rendered	<u>1,166,249</u>	<u>1,316,460</u>	<u>1,252,738</u>	<u>1,327,079</u>

21 Income breakdown by nature

	Parent company			
	1/1/2020 to 3/31/2020			
	Cost of products sold and services rendered (i)	Sales expenses	General and administrative expenses	Total
Raw materials, inputs and consumables	728,058	104	532	728,694
Employee benefit expenses	131,361	5,293	28,185	164,839
Depreciation, amortization and depletion	87,390	40	3,946	91,376
Transportation expenses	32,748	200	426	33,374
Maintenance and conservation	39,776	3		39,779
Services, miscellaneous	32,275			32,275
Third-party services	16,523	354	21,826	38,703
Rentals and Leases	6,236	75		6,311
Other expenses	30,227	475	2,244	32,946
	<u>1,104,594</u>	<u>6,544</u>	<u>57,159</u>	<u>1,168,297</u>
	Consolidated			
	1/1/2019 to 3/31/2019			
	Cost of products sold and services rendered (i)	Sales expenses	General and administrative expenses	Total
Raw materials, inputs and consumables	758,508	193	698	759,399
Employee benefit expenses	125,226	4,246	22,930	152,402
Depreciation, amortization and depletion	93,453	54	3,380	96,887
Transportation expenses	43,633		402	44,035
Maintenance and conservation	37,124	4	137	37,265
Services, miscellaneous	25,752			25,752
Third-party services	12,749	473	14,535	27,757
Rentals and Leases	6,916	116		7,032
Impairment of trade receivables		7,521		7,521
Other expenses	15,920	892	4,680	21,492
	<u>1,119,281</u>	<u>13,499</u>	<u>46,762</u>	<u>1,179,542</u>

(i) During the quarter ended March 31, 2020, the Company recorded the amount of R\$ 7,081 (March, 31, 2019 – R\$ 7,508) related to the idle production costs of Niquelândia and São Miguel Paulista plants located in the city of Niquelândia in the State of Goiás and in the city of São Paulo, State of São Paulo, respectively.

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

22 Employee benefit expenses

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Direct remuneration	79,855	79,674	89,841	81,579
Social charges	46,506	46,940	49,844	47,923
Benefits	22,176	22,267	25,154	22,900
	<u>148,537</u>	<u>148,881</u>	<u>164,839</u>	<u>152,402</u>

23 Other operating expenses

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
ACR – Financial instrument realization – firm commitment (i)		(27,517)		(27,517)
ACL – Financial instrument realization – firm commitment (i)	42,202	(2,552)	42,202	(2,552)
ACL – Financial instrument recognition – firm commitment (ii)	(54,468)	34,777	(54,468)	34,777
ACR – Financial instrument volume reduction (increase) – firm commitment (iii)		(5,057)		(5,057)
Gain on investment acquisition (iv)	163,543		163,543	
Reversal for asset depreciation (Impairment) (Note 14 and 15)	789	631	789	631
Expenditures with non-activatable projects	(11,087)	(7,196)	(11,087)	(7,196)
Reversals (constitutions) of provisions, net	708	(12,525)	708	(12,525)
Net gain (loss) on the sale of assets	(976)	514	(994)	514
Other operating revenue (expenses), net	(1,841)	4,092	(2,618)	4,190
	<u>138,870</u>	<u>(14,833)</u>	<u>138,075</u>	<u>(14,735)</u>

- (i) Realization of the financial instrument is recognized against energy sales revenue, in accordance with the effective delivery of the energy.
- (ii) The Company made energy purchases through firm commitment. 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 departure of distributors from the regulated trade environment, who migrated to the free trade market.
- (iv) Refers to the acquisition of the investment CBA Itapissuma Ltda., as described in note 1.1 (a)

Explanatory notes for the condensed consolidated interim financial statements at March 31, 2020
In thousands of Brazilian Reais, except when indicated otherwise

24 Net financial result

	Parent company		Consolidated	
	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019	1/1/2020 to 3/31/2020	1/1/2019 to 3/31/2019
Financial revenue				
Gains of financial investments	4,424	5,777	5,433	6,818
Reversal of monetary restatement of provisions	3,722	1,551	3,722	1,551
Interest on financial assets	2,456	938	2,612	960
Monetary restatement on assets	683	3,277	683	3,277
Other financial revenue	928	55	1,242	338
	<u>12,213</u>	<u>11,598</u>	<u>13,692</u>	<u>12,944</u>
Financial expenses				
Interest on loans and financing	(29,968)	(25,880)	(30,976)	(27,889)
Capitalization of interest on loans and financing – CPC 20	1,012	3,581	1,012	3,582
Interest and monetary restatement UBP	(11,346)	(14,577)	(13,849)	(14,684)
Monetary restatement on provisions	(8,377)	(8,456)	(8,377)	(8,456)
Adjustment to present value – CPC 12	(7,632)	(6,691)	(7,632)	(6,691)
PIS and COFINS on finance results	(1,145)	(597)	(1,175)	(624)
Funding expenses	(996)	(778)	(996)	(778)
Income tax on remittances of interest overseas	(389)	(240)	(389)	(240)
Interest on prepayment of receivables with related parties (Note 12)		(22,656)		(22,656)
Other financial expenses	(4,428)	(3,852)	(4,935)	(4,300)
	<u>(63,269)</u>	<u>(80,146)</u>	<u>(67,317)</u>	<u>(82,736)</u>
Exchange variations, net	(226,022)	(12,275)	(227,491)	(12,275)
	<u>(277,078)</u>	<u>(80,823)</u>	<u>(281,116)</u>	<u>(82,067)</u>

25 Subsequent events

In April 2020, the Company made a capital increase in the investee CBA Itapissuma, in the amount of R\$ 25,000.