

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 September 30, 2020
and report on review

Financial
Statement
2020



(A free translation of the original in Portuguese)

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, 2020, 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, 2020, and the related consolidated 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 and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these parent company and consolidated condensed interim financial statements in accordance with the accounting standard CPC 21 - "Interim Financial Reporting" and 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 parent company and consolidated condensed interim financial statements referred above are not prepared, in all materials respects, in accordance with CPC 21 - "Interim Financial Reporting", and IAS 34, as issued by *International Accounting Standards Board* (IASB).

Curitiba, October 30, 2020

PricewaterhouseCoopers

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

CEM
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CRC 1SP196994/O-2

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Condensed consolidated interim balance sheet
In thousands of Brazilian Reais

Assets	Note	Parent company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Current					
Cash and cash equivalents	7	395,915	190,171	458,000	190,321
Financial investments	8	463,454	323,519	548,524	416,345
Derivative financial instruments	5.2	44,146	42,272	44,146	42,272
Accounts receivable from customers	9	535,907	380,456	611,300	404,296
Inventory	10	849,235	902,375	1,036,377	928,142
Recoverable taxes	11	310,522	631,897	324,019	640,190
Dividends receivable	12	11,787	9,519	11,189	6,295
Other assets		54,586	38,624	58,169	41,377
		<u>2,665,552</u>	<u>2,518,833</u>	<u>3,091,724</u>	<u>2,669,238</u>
Non-current assets					
Long-term receivables					
Financial investments	8	64	64	64	2,094
Derivative financial instruments	5.2	68,767	92,343	68,767	92,343
Recoverable taxes	11	1,103,652	737,335	1,109,458	737,340
Deferred income tax and social contribution	18	986,347	836,642	991,628	840,730
Related parties	12	28,997	28,043	17,330	28,043
Judicial deposits	19	14,772	114,468	15,607	115,259
Other assets		15,825	15,998	20,041	17,715
		<u>2,218,424</u>	<u>1,824,893</u>	<u>2,222,895</u>	<u>1,833,524</u>
Investments	14	984,053	568,590	184,943	205,081
Property, Plant and Equipment	15	4,098,699	4,213,369	4,800,018	4,722,113
Intangible assets	16	425,434	387,535	533,272	491,738
Right to use		10,317	13,013	12,138	15,306
		<u>7,736,927</u>	<u>7,007,400</u>	<u>7,753,266</u>	<u>7,267,762</u>
Total assets		<u>10,402,479</u>	<u>9,526,233</u>	<u>10,844,990</u>	<u>9,937,000</u>

Condensed consolidated interim balance sheet
In thousands of Brazilian Reais

Liabilities and shareholders' equity	Note	Parent company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Current					
Suppliers		432,419	405,862	460,118	407,215
Supplier finance programs		412,735	335,130	412,735	335,130
Loans and financing	17	109,355	94,722	139,818	126,484
Derivative financial instruments	5.2	393,667	20,535	393,667	20,535
Leases		5,594	7,308	6,557	9,277
Wages and social charges		140,056	121,136	155,592	123,054
Taxes to be collected		23,555	13,047	65,549	41,926
Advances from customers		17,969	20,281	23,337	20,413
Dividends payable	12	79	79	79	14,072
Use of public assets – UBP	20	41,798	39,314	47,734	44,878
Electric power future contracts	12 and 13	36,166	16,636	36,166	16,636
Related parties	12	561	27,287	561	27,201
Provisions	19	751		751	
Other liabilities		16,341	24,827	42,424	49,546
		<u>1,631,046</u>	<u>1,126,164</u>	<u>1,785,088</u>	<u>1,236,367</u>
Non-current liabilities					
Loans and financing	17	2,657,794	1,969,555	2,688,204	2,030,381
Derivative financial instruments	5.2	1,008,693	217,723	1,008,693	217,723
Leases		5,212	6,134	6,128	6,506
Related parties	12	2,034	2,330	25,367	2,330
Provisions	19	746,041	681,672	748,423	683,604
Use of public assets – UBP	20	608,656	533,322	658,536	580,080
Electric power future contracts	12 and 13	136,633	76,642	136,633	76,642
Other liabilities		48,413	38,527	53,288	43,269
		<u>5,213,476</u>	<u>3,525,905</u>	<u>5,325,272</u>	<u>3,640,535</u>
Total liabilities		<u>6,844,522</u>	<u>4,652,069</u>	<u>7,110,360</u>	<u>4,876,902</u>
Shareholders' equity					
Share capital	21	4,950,095	4,950,095	4,950,095	4,950,095
Accrued losses		(618,582)	(58,073)	(618,582)	(58,073)
Equity valuation adjustments		(773,556)	(17,858)	(773,556)	(17,858)
Shareholders' equity assigned to controlling shareholders		3,557,957	4,874,164	3,557,957	4,874,164
Share of non-controlling shareholders				176,673	185,934
Total shareholders' equity		<u>3,557,957</u>	<u>4,874,164</u>	<u>3,734,630</u>	<u>5,060,098</u>
Total liabilities and shareholders' equity		<u>10,402,479</u>	<u>9,526,233</u>	<u>10,844,990</u>	<u>9,937,000</u>

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

	Note	Parent company		Consolidated	
		1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Net revenue of products sold and services provided	22	3,424,836	3,950,686	3,840,277	4,006,265
Cost of products sold and services provided	23	(3,180,928)	(3,514,405)	(3,439,513)	(3,467,894)
Gross profit		243,908	436,281	400,764	538,371
Operating revenue (expenses)					
Selling	23	(17,404)	(27,780)	(20,582)	(28,212)
General and administrative	23	(149,395)	(147,275)	(175,674)	(152,793)
Other operating revenue (expenses), net	25	43,165	(58,210)	38,942	(56,795)
		(123,634)	(233,265)	(157,314)	(237,800)
Operating profit before holdings interest and financial results		120,274	203,016	243,450	300,571
Equity income					
Equity	14	24,190	37,613	(13,346)	6,602
		24,190	37,613	(13,346)	6,602
Net financial result	26				
Financial revenue		116,187	124,212	119,568	128,863
Financial expenses		(281,205)	(385,674)	(293,531)	(397,682)
Exchange variations, net		(301,340)	(68,325)	(302,212)	(68,163)
		(466,358)	(329,787)	(476,175)	(336,982)
Loss before income tax and social contribution		(321,894)	(89,158)	(246,071)	(29,809)
Income tax and social contribution	18				
Current				(40,336)	(32,471)
Deferred		(238,615)	(92,336)	(237,422)	(96,862)
Loss for the period		(560,509)	(181,494)	(523,829)	(159,142)
Loss for the period attributable to controlling shareholders		(560,509)	(181,494)	(560,509)	(181,494)
Net profit assigned to non-controlling shareholders				36,680	22,352
Loss for the period		(560,509)	(181,494)	(523,829)	(159,142)
Weighted average number of shares, in thousands		1,420,294	1,420,294	1,420,294	1,420,294
Basic and diluted loss per thousand share in Brazilian Reais		(394.64)	(127.79)	(394.64)	(127.79)

Condensed consolidated interim statement of income
Quarters ended September 30
 In thousands of Brazilian Reais, except when indicated otherwise

	Parent company		Consolidated	
	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019
Net revenue of products sold and services provided	1,285,431	1,288,863	1,485,621	1,313,232
Cost of products sold and services provided	(1,165,093)	(1,171,390)	(1,296,954)	(1,171,934)
Gross profit	120,338	117,473	188,667	141,298
Operating revenue (expenses)				
Selling	(6,381)	(6,454)	(7,075)	(6,558)
General and administrative	(51,991)	(49,690)	(62,127)	(51,575)
Other operating revenue, net	(119,009)	(66,940)	(121,008)	(66,098)
	(177,381)	(123,084)	(190,210)	(124,231)
Operating profit (loss) before holdings interest and financial results	(57,043)	(5,611)	(1,543)	17,067
Equity income				
Equity	29,680	4,039	5,127	1,961
	29,680	4,039	5,127	1,961
Net financial result				
Financial revenue	7,522	31,136	8,309	32,880
Financial expenses	(142,981)	(72,164)	(147,344)	(76,505)
Exchange variations, net	(35,443)	(56,278)	(35,511)	(56,201)
	(170,902)	(97,306)	(174,546)	(99,826)
Loss before income tax and social contribution	(198,265)	(98,878)	(170,962)	(80,798)
Income tax and social contribution				
Current			(15,477)	(8,962)
Deferred	(275,333)	41,714	(273,184)	41,112
Loss for the quarter	(473,598)	(57,164)	(459,623)	(48,648)
Loss for the quarter attributable to controlling shareholders	(473,598)	(57,164)	(473,598)	(57,164)
Net profit assigned to non-controlling shareholders			13,975	8,516
Loss for the quarter	(473,598)	(57,164)	(459,623)	(48,648)
Weighted average number of shares, in thousands	1,420,294	1,420,294	1,420,294	1,420,294
Basic and diluted loss per thousand share in Brazilian Reais	(333.45)	(40.25)	(333.45)	(40.25)

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

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Loss for the period	(560,509)	(181,494)	(523,829)	(159,142)
Other components of comprehensive loss to be subsequently reclassified to the result				
Operational hedge accounting, before taxes	(755,698)	(132,494)	(755,698)	(132,494)
	(755,698)	(132,494)	(755,698)	(132,494)
Total comprehensive loss for the period	(1,316,207)	(313,988)	(1,279,527)	(291,636)
Comprehensive income (loss) attributable to shareholders				
Controlling			(1,316,207)	(313,988)
Non-controlling			36,680	22,352
			(1,279,527)	(291,636)

	Parent company		Consolidated	
	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019
Loss for the quarter	(473,598)	(57,164)	(459,623)	(48,648)
Other components of comprehensive loss to be subsequently reclassified to the result				
Operational hedge accounting, before taxes	(163,286)	(87,588)	(163,286)	(87,588)
	(163,286)	(87,588)	(163,286)	(87,588)
Total comprehensive loss for the quarter	(636,884)	(144,752)	(622,909)	(136,236)
Comprehensive income (loss) attributable to shareholders				
Controlling			(636,884)	(144,752)
Non-controlling			13,975	8,516
			(622,909)	(136,236)

Condensed consolidated interim statement of changes in equity
Nine-month periods ended September 30
In thousands of Brazilian Reais

	Attributable to controlling shareholders						Share of non-controlling shareholders	Shareholders' equity
	Share capital	Profit reserves		Accrued losses	Equity valuation adjustments	Total		
		Legal	Retention					
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 period								
Profit (loss) for the period				(181,494)		(181,494)	22,352	(159,142)
Other comprehensive income					(132,494)	(132,494)		(132,494)
				(181,494)	(132,494)	(313,988)	22,352	(291,636)
Transactions with shareholders								
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
At January 1, 2020	4,950,095			(58,073)	(17,858)	4,874,164	185,934	5,060,098
Total comprehensive loss for the period								
Profit (loss) for the period				(560,509)		(560,509)	36,680	(523,829)
Other comprehensive income					(755,698)	(755,698)		(755,698)
				(560,509)	(755,698)	(1,316,207)	36,680	(1,279,527)
Transactions with shareholders								
Dividends							(8,608)	(8,608)
Capital reduction (1.1(d))							(37,333)	(37,333)
							(45,941)	(45,941)
At September 30, 2020	4,950,095			(618,582)	(773,556)	3,557,957	176,673	3,734,630

Condensed consolidated interim statement of cash flows Nine-month periods ended September 30 In thousands of Brazilian Reais

	Note	Parent company		Consolidated	
		1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Cash flow from operational activities					
Loss before income tax and social contribution		(321,894)	(89,158)	(246,071)	(29,809)
Adjustments to items that do not represent changes in cash and cash equivalents					
Interest, monetary and exchange variations		417,854	123,408	419,437	153,473
Equity	14	(24,190)	(37,613)	13,346	(6,602)
Depreciation, amortization and depletion	23	265,426	303,345	305,198	328,372
Electric power future contracts	25	79,521	61,146	79,521	61,146
Net investment loss	25	36,290	22,627	36,440	22,628
Gain on investment acquisition	25	(151,495)		(151,495)	
Recognition of tax credits related to the ICMS exclusion from the PIS and COFINS calculation basis		(155,464)	(170,853)	(155,464)	(170,853)
Reversal of (constitution) for asset depreciation (Impairment)	25	16,278	(10,182)	16,278	(10,182)
Constitutions (reversals) of provisions, net		49,483	(81,471)	48,957	(79,150)
		211,809	121,249	366,147	269,023
Decrease (increase) in assets					
Financial investments		(131,197)	(65,528)	(98,877)	(77,188)
Accounts receivable from customers		(175,705)	4,980	(168,423)	(15,983)
Inventory		50,079	(99,531)	27,645	(101,706)
Recoverable taxes		110,522	83,792	109,079	74,095
Judicial deposits		99,696	8,369	99,652	7,639
Other credits and other assets		(22,329)	74,262	(22,410)	81,511
Increase (decrease) in liabilities					
Suppliers		26,557	31,163	(15,687)	33,452
Supplier finance program payable		77,605	103,683	77,605	103,683
Salaries and social charges		18,920	5,598	28,219	5,868
Taxes payable		10,508	740	13,982	9,036
Use of public assets - UBP		10,379	4,011	12,864	4,011
Payments of tax, civil and labor proceedings		(23,422)	(11,909)	(23,422)	(11,909)
Derivative financial instruments		119,776	(62,835)	119,776	(62,835)
Other obligations and other liabilities		(912)	(1,228)	2,119	3,519
Cash from operating activities		382,286	196,816	528,269	322,216
Interest paid on loans, financing and use of public assets – UBP		(74,522)	(53,935)	(78,120)	(62,043)
Income tax and social contribution paid				(36,579)	(31,241)
Net cash provided by operating activities		307,764	142,881	413,570	228,932
Cash flow from investment activities					
Acquisition of property, plant and equipment and intangible assets	15 and 16	(212,836)	(192,021)	(225,023)	(195,018)
Acquisition of investment	14 (b)	(224,244)		(224,244)	
Net cash provided by incorporated companies	14 (b)	(60,000)	(260)		
Capital reduction in investees	14 (b)	22,000			
Proceeds from sales of property, plant and equipment		7,673	12,867	7,692	12,867
Related parties					(27,261)
Dividends received		6,632	24,763	(22,602)	
Net cash used in investment activities		(460,775)	(154,651)	(464,177)	(209,412)
Cash flow from financing activities					
Fundraising	17 (c)	533,000	1,174,880	533,000	1,174,880
Amortization of loans and financing	17 (c)	(88,802)	(1,070,151)	(121,004)	(1,100,594)
Derivative financial instruments		(77,070)	118,282	(77,070)	118,282
Capital reduction				(14,000)	
Lease payments made		(8,373)	(13,251)	(9,477)	(13,792)
Related parties			(151,199)		(151,134)
Dividends paid					(1,149)
Net cash provided by financing activities		358,755	58,561	311,449	26,493
Increase in cash and cash equivalents	1.1 (a)	205,744	46,791	267,679	46,013
Cash and cash equivalents at the beginning of the period		190,171	40,641	190,321	41,705
Cash and cash equivalents at the end of the period		395,915	87,432	458,000	87,718
Non-cash transactions					
Capital reduction			(481,221)		(481,221)

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

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at September 30, 2020 In thousands of Brazilian Reais, except when indicated otherwise

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 products. The Company also controls electrolytic cobalt and nickel operations, as well the 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 nine-month period ended September 30

(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 acquiring 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 carries 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.

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

Companhia Brasileira de Alumínio

Explanatory notes for the condensed consolidated interim financial statements at September 30, 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\$ 151,495, in the application of the acquisition method provided for in CPC 15, recorded under “other operating income (expenses)”. This gain was not taxed for income tax and social contribution, since it will only be taxed on realization, generating a deferred tax in the amount of R\$ 51,508 recorded under “composition of deferred tax balances”.

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	57,854
Inventory	138,941
Property, plant and equipment	215,761
Other assets acquired	20,567
Suppliers	(68,590)
Other liabilities assumed	(15,745)
Total identifiable net assets	375,739
Gain on investment acquisition	151,495
Deferred taxes (34%)	(51,508)
Gain on investment acquisition, net	99,987

During the first half of 2020, the Company carried out a capital increase in the investee in the amount of R\$ 60,000.

(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), which has been affecting Brazil and many countries worldwide, 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:

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

The Company and its subsidiaries assessed the position of accounts receivable as at September 30, 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 nine-months period ended September 30, 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. The estimates of tangible assets were updated based on the Company's productive and commercial areas, considering the current recovery of the aluminum market.

(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 of September 30, 2020 and even in the face of uncertainty, they did not identify a 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. It is important to highlight that until the end of the 3rd quarter of 2020, CBA extended the maturities of clients' invoices, part of which within the original maturity month and other postponements were settled according to each negotiation. We have also postponed payments for our suppliers, due in the second half of 2020.

(vi) Compliance with obligations in debt contracts - covenants

The Company and its subsidiaries assessed compliance with the contractual clauses on September 30, 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 impossible to ensure that our operations will not be impacted or that our results will not be affected by future consequences of the pandemic. However, it is important to point out that during the 3rd quarter of 2020 the aluminum market showed a good recovery, notably due to the increase in demand, both for primary and processed products, including with a better product mix. As a result, the Company has shown a good recovery of volumes, and consequently better results.

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

During the nine-month period ended September 30, 2020, the Company recognized tax credits related to of the ICMS exclusion thesis from the PIS and COFINS calculation basis, with assets recorded in the amount of R\$ 155,464, of which R\$ 69,273 was recorded as principal under “other operating revenues (expenses) net” and R\$ 86,191 as monetary restatement, recorded under “financial results.”

(d) Capital reduction in the subsidiary CBA Energia Participações S.A.

During the second quarter of 2020, the subsidiary CBA Energia Participações S.A. approved a capital reduction in the amount of R\$ 56,000, cancelling 51,376,147 shares, with no changes in its participation. The transaction resulted in the return of R \$ 18,667 to the Company, of which R\$ 7,000 were received in cash in the second quarter of 2020 and the remaining balance of R\$ 11,667 was recorded under "related parties".

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 September 30, 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 in 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 as of December 31, 2019.

(b) Approval of the financial statements

The issuance of these financial statements was approved by the Board of Directors on October 29, 2020.

3 Changes in accounting practices and disclosures

There were no changes in accounting standards and practices during the nine-month period ended September 30, 2020.

Explanatory notes for the condensed consolidated interim financial statements at September 30, 2020 **In thousands of Brazilian Reais, except when indicated otherwise**

4 Critical accounting estimates and judgments

In the nine-month period ended September 30, 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.

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 US dollar.

Costs, however, are predominantly denominated in Brazilian Reais, resulting in a 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 with 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. In order to reduce exchange exposure arising predominantly from future revenue tied to US dollar, the company uses derivative instruments as approved in its Financial Policy to (i) place its operating contracts and debts in Brazilian Reais in the same currency as its revenue (US dollar) (ii) convert its revenues in US dollar into Brazilian Reais, thus obtaining a lower exposure to US dollar (the exchange exposure is equal to revenues in US dollar less costs and debts in the same currency).

The Brazilian Reais (R\$) 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.

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

	Note	Consolidated	
		9/30/2020	12/31/2019
Assets in foreign currency			
Cash and cash equivalents	7	254,175	135,748
Derivative financial instruments	5.2	112,913	134,615
Accounts receivables from customers	9	133,430	89,320
		500,518	359,683
Liabilities in foreign currency			
Suppliers		69,545	28,821
Supplier finance program		288,822	283,969
Loans and financing (i)		1,086,178	581,090
Derivative financial instruments	5.2	1,402,360	238,258
		2,846,905	1,132,138
Net exposure		(2,346,387)	(772,455)

(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 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. Such hedge proposals may consider the exchange of indexers in an active interest position for indexers in a passive exchange position or in the currency itself.

(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 is 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.

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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.

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 on 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 the 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 a cash flow projection with for a minimum projection term of 12 months from the reference month.

The following table sets out forth the Company’s main financial liabilities by maturity range (the 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 the temporary cash flows. The amounts disclosed in the table represent 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 September 30, 2020						
Suppliers	460,118					460,118
Supplier finance program	412,735					412,735
Loans and financing	211,675	175,209	1,633,398	1,193,009	37,438	3,250,729
Derivative financial instruments	397,490	130,089	143,099	715,520	16,162	1,402,360
Leases	7,776	5,995	198			13,969
Dividends payable	79					79
Use of public assets - UBP	49,957	108,872	121,341	361,773	642,151	1,284,094
Related parties	561	25,367				25,928
	<u>1,540,391</u>	<u>445,532</u>	<u>1,898,036</u>	<u>2,270,302</u>	<u>695,751</u>	<u>6,850,012</u>

						Consolidado
	Up to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
December 31, 2019						
Suppliers	407,215					407,215
Supplier finance program	335,130					335,130
Loans and financing	221,962	389,826	809,195	1,255,469	33,275	2,709,727
Derivative financial instruments	20,535	2,834	932	212,303	1,654	238,258
Leases	9,960	5,537	1,374	41		16,912
Dividends payable	14,072					14,072
Use of public assets - UBP	47,097	101,978	113,241	338,255	657,889	1,258,460
Related parties	27,201	2,330				29,531
	<u>1,083,172</u>	<u>502,505</u>	<u>924,742</u>	<u>1,806,068</u>	<u>692,818</u>	<u>5,009,305</u>

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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 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 commodities 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 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 a zero cost collar ("ZCC") structure. This strategy provides a protection range in which the premium traded in US dollar 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 US dollar 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 US dollar, 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."

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Upstream ingots export operation hedging program - in order to reduce the cash flow volatility of the upstream ingots export operation, the Company contracted derivative financial instruments to perform the commodity forward sales in conjunction with the sale of US dollar forwards. The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges is recognized in equity under “equity valuation adjustments”. Gains or losses related to the ineffective portion are immediately recognized in the income for the period. The accumulated values in shareholders' equity are taken to the income statement in the periods in which the referred sales refer to the LME (London Metal Exchange) price.

Upstream ingots export premium hedging program - in order to reduce the cash flow volatility of the upstream ingots export operation, the Company contracted derivative financial instruments to protect part of the premium negotiated by the Upstream business on the export operation against exchange rate fluctuations. The hedge, in this case, was created through the purchase and sale of options, forming a zero cost collar (“ZCC”) structure. This strategy provides a protection range in which the premium traded in US dollar 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 qualified as cash flow hedges is recognized in equity under “equity valuation adjustments”. Gains or losses related to the ineffective portion are immediately recognized in the income for the period. The amounts accumulated in shareholders' equity are taken to the income statement in the periods in which the referred receipts referring to the dollar are made.

The amounts accumulated in shareholders' equity are taken to the income statement in the periods during which the referred interest and principal amortization of the debt and the payment of swap adjustments 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 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.

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(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 objects hedged:

						Parent company and consolidated			
		Main value				12/31/2019	Fair value		9/30/2020
Programs	Unit	9/30/2020	12/31/2019	Unit	Total (net between assets and liabilities)	Revenue (income)	Other comprehensive income	Gain (loss) performed	Total (net between assets and liabilities)
Operating income hedge									
Aluminum forward	ton	236,190	151,800	ton	(18,680)	85,360	(150,881)	84,941	(169,142)
US Dollar collars	thousands of USD	9,295	17,900	thousands of USD	2,964	(9,750)	(7,552)	(8,054)	(6,284)
US Dollar forward	thousands of USD	392,021	272,784	thousands of USD	42,094	(164,185)	(198,244)	(140,927)	(179,408)
					26,378	(88,575)	(356,677)	(64,040)	(354,834)
Interest rate hedge									
Swaps floating rate in CDI vs. fixed rate in USD	thousands of R\$	1,334,880	747,140	thousands of R\$	(127,078)	(34,081)	(712,627)	(15,329)	(858,457)
Swaps floating rate in IPCA vs. fixed rate in USD	thousands of R\$	160,050	139,119	thousands of R\$	(2,943)		(72,813)	400	(76,156)
					(130,021)	(34,081)	(785,440)	(14,929)	(934,613)
					(103,643)	(122,656)	(1,142,117)	(78,969)	(1,289,447)
Current assets					42,272				44,146
Non-current assets					92,343				68,767
Current liabilities					(20,535)				(393,667)
Non-current liabilities					(217,723)				(1,008,693)
					(103,643)				(1,289,447)

											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	(1,296)	(153,358)	(14,488)								
US Dollar collars (i)	thousands of USD	(4,901)	(1,386)	3								
US Dollar forward (i)	thousands of USD	(82,170)	(94,918)	(2,320)								
		(88,367)	(249,662)	(16,805)								
Interest rate hedge												
Swaps floating rate in CDI vs. fixed rate in USD	thousands of R\$	(27,807)	(47,771)	(7,551)	(3,238)	17,946	(253,212)	(274,767)	(142,933)	(57,632)	(61,492)	
Swaps floating rate in IPCA vs. fixed rate in USD	thousands of R\$	(749)	(5,665)	(5,861)	(6,259)	(6,517)	(6,668)	(6,807)	(6,855)	(6,800)	(23,975)	
		(28,556)	(53,436)	(13,412)	(9,497)	11,429	(259,880)	(281,574)	(149,788)	(64,432)	(85,467)	
		(116,923)	(303,098)	(30,217)	(9,497)	11,429	(259,880)	(281,574)	(149,788)	(64,432)	(85,467)	

(i) Positive values refer to the US dollar fluctuation during the period, which exceeded the maximum limit range for the exchange rate fluctuation.

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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 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 as at September 30, 2020 are described below:

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

Scenario II – considers a shock of + or - 25% to the market curves at September 30, 2020.

Scenario III – considers a shock of + or - 50% to the market curves at September 30, 2020.

Risk Factors	Cash and cash equivalents and financial investments (I)	Loans and financing (I)	Unit	Principal from derivative financial instruments	Unit	Electric power future contracts	Unit	Shock to the 9/30/2020 curves	Impacts on the result				Parent company and consolidated						
									Scenarios II & III				Impacts on comprehensive income						
									Scenario I	-25%	-50%	+25%	+50%	Scenario I	-25%	-50%	+25%	+50%	
Exchange																			
USD	254,175	1,086,178	thousands of USD	1,076,603	thousands of USD			-6.04%	(15,388)	(63,702)	(127,404)	63,702	127,404	335,713	1,462,086	2,924,952	(1,461,777)	(2,924,332)	
Interest rates																			
R\$ - CDI	686,736	1,439,548	thousands of R\$	3,598,580	thousands of R\$			1 bps	(41)	3,575	7,151	(3,575)	(7,151)	2,423	(6,975)	(15,603)	5,557	9,893	
IPCA		157,415	thousands of R\$					-24 bps	378	960	1,920	(960)	(1,920)						
R\$ - TJLP		170,002	thousands of R\$					-3 bps	51	2,087	4,174	(2,087)	(4,174)						
USD - LIBOR				410,262	thousands of USD			6 bps						150	652	1,304	(651)	(1,301)	
Dollar coupon				666,341	thousands of USD			12 bps						(6,448)	(51,125)	(104,392)	49,135	96,417	
Price – commodities																			
Aluminum				236,190	ton			-1.55%						34,646	557,226	1,114,451	(557,226)	(1,114,451)	
MM of electricity																			
Fair value									(190,413)	thousands of R\$		37	73	(37)	(74)				

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

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5.4 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			
	Nine-month period ended		Twelve-month period ended	
	At September 30, 2020		At December 31, 2019	
Loans and financing			2,828,022	2,156,865
Cash and cash equivalents			(458,000)	(190,321)
Derivative financial instruments			1,289,447	103,643
Leases			12,685	15,783
Financial investments			(548,588)	(418,439)
Net debt – (A)			3,123,566	1,667,531
				Consolidated (not reviewed)
	Nine-month period ended	Nine-month period ended	Twelve-month period ended	Twelve-month period ended
	At September 30, 2020	At September 30, 2019	At September 30, 2020	At December 31, 2019
Loss for period	(523,829)	(159,142)	(399,232)	(34,545)
Income tax and social contribution	277,758	129,333	179,872	31,447
Loss before taxes	(246,071)	(29,809)	(219,360)	(3,098)
Equity	13,346	(6,602)	5,451	(14,497)
Depreciation, amortization and depletion	305,198	328,372	439,387	462,561
Finance income, net	476,175	336,982	386,690	247,497
EBITDA	548,648	628,943	612,168	692,463
Exceptional items				
Gain on investment acquisition	(151,495)		(151,495)	
Net loss in asset sales to related parties		23,747		23,747
Impairment constitution (reversal) of property, plant and equipment and intangible assets	16,278	(10,182)	171,377	144,917
Adjusted EBITDA (B)	413,431	642,508	632,050	861,127
Financial leverage index – (A/B)			4.94	1.94

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6 Credit quality of financial assets

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

	Parent company						Consolidated					
	9/30/2020			12/31/2019			9/30/2020			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	306,574		306,574	189,997		189,997	368,651		368,651	190,140		190,140
AA+	43		43	11		11	44		44	11		11
AA	92		92	146		146	98		98	153		153
AA-				3		3				3		3
A+	4	89,166	89,170	7		7	4	89,166	89,170	7		7
No rating	36		36	7		7	37		37	7		7
	<u>306,749</u>	<u>89,166</u>	<u>395,915</u>	<u>190,171</u>		<u>190,171</u>	<u>368,834</u>	<u>89,166</u>	<u>458,000</u>	<u>190,321</u>		<u>190,321</u>
Financial investments												
AAA	404,166		404,166	304,907		304,907	473,614		473,614	383,274		383,274
AA+	58,484		58,484				68,245		68,245	11,881		11,881
AA										1,610		1,610
AA-	5		5	6		6	5,866		5,866	3,004		3,004
No rating (i)	863		863	18,670		18,670	863		863	18,670		18,670
	<u>463,518</u>		<u>463,518</u>	<u>323,583</u>		<u>323,583</u>	<u>548,588</u>		<u>548,588</u>	<u>418,439</u>		<u>418,439</u>
Derivative financial instruments												
AAA	112,908		112,908	127,294		127,294	112,908		112,908	127,294		127,294
AA-	5		5	7,321		7,321	5		5	7,321		7,321
	<u>112,913</u>		<u>112,913</u>	<u>134,615</u>		<u>134,615</u>	<u>112,913</u>		<u>112,913</u>	<u>134,615</u>		<u>134,615</u>
	<u>883,180</u>	<u>89,166</u>	<u>972,346</u>	<u>648,369</u>		<u>648,369</u>	<u>1,030,335</u>	<u>89,166</u>	<u>1,119,501</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) Mainly refers to receivables investment funds (FIDC) exclusive to the Votorantim Group and not rated by the rating agencies.

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7 Cash and cash equivalents

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local currency				
Cash and banks	1,183	2,158	15,453	2,308
Bank Deposit Certificates – CDBs	59,161		59,161	
Repo operations – Government securities	81,396	52,265	129,211	52,265
	141,740	54,423	203,825	54,573
Foreign currency				
Cash and banks	254,175	135,748	254,175	135,748
	395,915	190,171	458,000	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	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local currency				
Financial Treasury Bills – LFTs	200,552	206,219	200,552	206,219
Investment fund quotas (i)	59,866	61,659	91,784	133,215
Repo operations – Government securities	11,144	37,024	11,144	37,024
Bank Deposit Certificates – CDBs	191,093	11	244,245	21,281
Receivables Investment Fund – FIDC	863	18,606	863	18,606
Other		64		2,094
	463,518	323,583	548,588	418,439
Current	463,454	323,519	548,524	416,345
Non-current assets	64	64	64	2,094
	463,518	323,583	548,588	418,439

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

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Financial investments				
Repo operations – Government securities				19,748
Financial Treasury Bills – LFTs	59,866	61,659	89,549	113,467
Certificados de Depósitos Bancários - CDBs			2,235	
	59,866	61,659	91,784	133,215

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

9 Accounts receivable from customers

(a) Composition

	Note	Parent company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local clients		348,549	178,524	432,425	208,612
Foreign clients		115,352	89,320	133,430	89,320
Related parties	12	102,245	144,057	81,333	138,422
		566,146	411,901	647,188	436,354
Impairment of trade receivables		(30,239)	(31,445)	(35,888)	(32,058)
		535,907	380,456	611,300	404,296

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(b) Change in estimated loss on doubtful accounts

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
At the beginning of the period	(31,445)	(29,365)	(32,058)	(29,365)
Reversal (provision) of additions, net	633	(7,428)	1,468	(8,078)
Accounts receivable from clients written off during the period	573	4,176	714	4,176
Effect of company acquired and included in consolidation			(6,012)	
At the end of the period	<u>(30,239)</u>	<u>(32,617)</u>	<u>(35,888)</u>	<u>(33,267)</u>

(c) Maturity

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
To fall due	450,771	317,618	521,804	336,795
Up to 3 months past due	23,981	13,127	24,522	17,831
Overdue from 3 to 6 months	11,738	2,991	11,780	2,966
Overdue more than 6 months (i)	79,656	78,165	89,082	78,762
	<u>566,146</u>	<u>411,901</u>	<u>647,188</u>	<u>436,354</u>

- (i) On September 30, 2020, the amount of R\$ 52,608 (December 31, 2019 – R\$ 50,170) referred to receivables from clients guaranteed by real guarantees (chattel mortgage) regarding overdue balances.

10 Inventory

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Finished products	147,366	266,336	193,425	268,215
Semi-finished products	484,989	482,056	523,718	482,985
Auxiliary and consumption materials	124,923	125,132	147,856	125,766
Raw materials	55,343	54,394	117,365	76,683
Imports in progress	91,890	24,462	109,043	24,462
Others	2,467	4,560	2,713	4,596
Provision for losses (i)	(57,743)	(54,565)	(57,743)	(54,565)
	<u>849,235</u>	<u>902,375</u>	<u>1,036,377</u>	<u>928,142</u>

No inventory has been pledged as collateral for liabilities.

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

11 Recoverable taxes

(a) Composition

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax on the Circulation of Goods and Services – ICMS	487,588	500,973	500,424	506,965
Contribution for the Financing of Social Security – COFINS (i)	551,042	509,954	553,021	510,531
Social Integration Program – PIS (i)	123,509	111,029	123,884	111,154
Income Tax and Social Contribution – IRPJ and CSLL	184,034	183,766	187,771	184,904
ICMS on property, plant and equipment	23,364	20,495	23,364	20,495
Social security credit	19,907	19,519	19,907	19,519
Other	24,730	23,496	25,106	23,962
	<u>1,414,174</u>	<u>1,369,232</u>	<u>1,433,477</u>	<u>1,377,530</u>
Current	310,522	631,897	324,019	640,190
Non-current assets	1,103,652	737,335	1,109,458	737,340
	<u>1,414,174</u>	<u>1,369,232</u>	<u>1,433,477</u>	<u>1,377,530</u>

- (i) Refers mainly to the recognition of PIS and COFINS credits, as described in Note 1.1 (c).

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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	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Parent company												
Votorantim S.A.	3,726	3,726										
Subsidiaries												
BAESA - Energética Barra Grande S.A.										87		
CBA Energia Participações S.A.			598	1,286	11,667		6,539					
CBA Machadinho Geração de Energia Ltda.	2,433	2,312					3,353					
ENERCAN - Campos Novos Energia S.A.							35,635	30,066				
Metalex Ltda.	20,783	18,609		1,939			78	1,705				
Affiliated companies												
Alunorte Alumina do Norte do Brasil S.A.			25	24								
Mineração Rio Do Norte S.A.			11,164	6,270								
Nexa Recursos Minerais S.A.	1,000	2,070					298	337				
Votener - Votorantim Comercializadora de Energia Ltda. (i)	31,672	113,261					31,640	83,591	173,356	120,400		
Votorantim Cimentos S.A. (ii)	38,224	248			16,801	27,514	83	693	3	3		
Votorantim Geração de Energia S.A.							13	1,120				
Other	4,407	3,831			529	529	4,480	4,440	2,035	2,405	79	79
	<u>102,245</u>	<u>144,057</u>	<u>11,787</u>	<u>9,519</u>	<u>28,997</u>	<u>28,043</u>	<u>82,119</u>	<u>121,952</u>	<u>175,394</u>	<u>122,895</u>	<u>79</u>	<u>79</u>
Current	102,245	144,057	11,787	9,519			82,119	121,952	36,727	43,923	79	79
Non-current					28,997	28,043			138,667	78,972		
	<u>102,245</u>	<u>144,057</u>	<u>11,787</u>	<u>9,519</u>	<u>28,997</u>	<u>28,043</u>	<u>82,119</u>	<u>121,952</u>	<u>175,394</u>	<u>122,895</u>	<u>79</u>	<u>79</u>

- (i) The balance of current and non-current liabilities refers to rights arising from electricity trading agreements in the free market (Note 13).
- (ii) Refers to the sale of the Rio de Janeiro distribution center to the affiliate Votorantim Cimentos S.A. in 2019.

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	Purchases		Sales		Income statement Financial revenue	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Subsidiaries						
BAESA - Energética Barra Grande S.A.		32,348				
CBA Energia Participações S.A.	52,967	17,219				
CBA Machadinho Geração de Energia Ltda.	31,415	31,112				
ENERCAN - Campos Novos Energia S.A.	140,664	118,440				
Metalex Ltda.	1,562		183,065	186,859	2,418	
Affiliated companies						
L.C.G.S.P.E. Empreendimentos e Participações Ltda.	4,886					
Nexa Recursos Minerais S.A.	122		3,298	5,341		
Votener - Votorantim Comercializadora de Energia Ltda. (i)	275,515	753,436	414,853	882,170		(67,969)
Votorantim Cimentos S.A.	1,048		459	339	435	404
Votorantim Geração de Energia S.A.	16,334	15,212				
Other	512		87			
	<u>525,025</u>	<u>967,767</u>	<u>601,762</u>	<u>1,074,709</u>	<u>2,853</u>	<u>(67,565)</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.

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(b) Consolidated

	Accounts receivable from customers		Dividends receivable		Current and non-current assets		Suppliers		Current and non-current liabilities		Dividends payable	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Parent company												
Votorantim S.A.	3,726	3,726										
Affiliated companies												
Alunorte Alumina do Norte do Brasil S.A.			25	24			3,349					
Mineração Rio Do Norte S.A.			11,164	6,270								
Nexa Recursos Minerais S.A.	2,104	9,221					298	337				
Pollarix S.A.												2,944
Votener - Votorantim Comercializadora de Energia Ltda. (i)	32,890	120,793					31,640	90,583	173,356	120,400		
Votorantim Cimentos S.A. (ii)	38,224	248			16,801	27,514	83	693	3	3		
Votorantim Geração de Energia S.A.							13	1,120	23,333			1,513
Other	4,389	4,434		1	529	529	4,445	3,890	2,035	2,406	79	9,615
	<u>81,333</u>	<u>138,422</u>	<u>11,189</u>	<u>6,295</u>	<u>17,330</u>	<u>28,043</u>	<u>39,828</u>	<u>96,623</u>	<u>198,727</u>	<u>122,809</u>	<u>79</u>	<u>14,072</u>
Current	81,333	138,422	11,189	6,295			39,828	96,623	36,727	43,837	79	14,072
Non-current					17,330	28,043			162,000	78,972		
	<u>81,333</u>	<u>138,422</u>	<u>11,189</u>	<u>6,295</u>	<u>17,330</u>	<u>28,043</u>	<u>39,828</u>	<u>96,623</u>	<u>198,727</u>	<u>122,809</u>	<u>79</u>	<u>14,072</u>

- (i) The balance of current and non-current liabilities refers to rights arising from electricity trading agreements in the free market (Note 13).
- (ii) Refers to the sale of the Rio de Janeiro distribution center to the affiliate Votorantim Cimentos S.A., in 2019.

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(c) Company debts, guaranteed by related parties

Type	Guarantor	9/30/2020	12/31/2019
BNDES	VSA	329,112	344,316
R\$ Credit agency	VSA		29,644
Eurobonds – USD (Voto 24)	VSA	822,837	581,090
		<u>1,151,949</u>	<u>955,050</u>

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

Instrument	Debtor	Guarantor	Percentage guaranteed by the company	9/30/2020		12/31/2019	
				Debt	Amount guaranteed	Debt	Amount guaranteed
Eurobonds - USD (Voto 21)	VSA	VSA (100%), VCSA (50%) e CBA (50%)	50%	1,398,550	699,275	983,039	491,520
				<u>1,398,550</u>	<u>699,275</u>	<u>983,039</u>	<u>491,520</u>

13 Electric power future contracts

The operations carried out by the subsidiary Votener up to 2023 in the ACL resulted in a gain from the sales of the energy surplus, that was recognized at its fair value as at the date of the transaction. In the nine-month period ended September 30, 2020, the realization of fair value, through physical settlement of energy purchase and sales contracts, with total revenue amounting to R\$ 35,698. Additionally, the new position on the balance sheet date, regarding the entry of new purchase and sales contracts, resulted in an expenditure of R\$ 115,219. These amounts were recorded under “other operating revenue (expenses) net” (Note 24).

The A-0/2014 contracts were fully recognized in December 2019, but were settled only in January 2020.

	Operations in ACL	
	9/30/2020	12/31/2019
Liabilities		
Current	36,166	16,636
Non-current	136,633	76,642
	<u>172,799</u>	<u>93,278</u>

	1/1/2020 to 9/30/2020		1/1/2019 to 9/30/2019	
	Operations in ACL	Auction A-0/ 2014	Operations in ACL	Total
Realization	35,698	(79,050)	(11,689)	(90,739)
Recognition	(115,219)		34,575	34,575
Reversal		(4,982)		(4,982)
	<u>(79,521)</u>	<u>(84,032)</u>	<u>22,886</u>	<u>(61,146)</u>

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14 Investments

(a) Composition

	Information on investees as of September 30, 2020						Equity		Parent company	
	Shareholders' equity	Profit (loss) for the period	Voting ownership interest and total (%)	Voting ownership interest (%)	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	9/30/2020	12/31/2019	Balance	
									9/30/2020	12/31/2019
Investments evaluated by equity										
Subsidiaries										
Metalex Ltda.	87,465	20,394	100.00	100.00	20,394	17,051	87,465	67,071		
CBA Energia Participações S.A. (i)	263,132	53,864	33.33	100.00	17,183	10,861	86,186	91,676		
CBA Machadinho Geração de Energia Ltda.	141,232	867	100.00	100.00	867	3,099	141,232	155,366		
CBA Itapissuma Ltda.	434,830	(908)	100.00	100.00	(908)		434,830			
Affiliated companies										
Alunorte - Alumina do Norte S.A. (ii)	3,247,448	(208,677)	3.03	3.52	(6,332)	(2,238)	98,541	106,771		
Mineração Rio do Norte S.A.	863,249	(70,141)	10.00	12.50	(7,014)	8,840	86,325	98,232		
Other							44	44		
Goodwill										
Metalex Ltda.							49,430	49,430		
					24,190	37,613	984,053	568,590		

- (i) The investment in CBA Energia Participações S.A. of 33.33% represents 100% of the common shares, granting control of this investee.
(ii) The Company exercises significant influence over the activities of this investee through agreements with shareholders.

	Information on investees as of September 30, 2020						Equity		Consolidated	
	Shareholders' equity	Loss for the period	Voting ownership interest and total (%)	Voting ownership interest (%)	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	9/30/2020	12/31/2019	Balance	
									9/30/2020	12/31/2019
Investments evaluated by equity										
Affiliated companies										
Alunorte - Alumina do Norte S.A. (i)	3,247,448	(208,677)	3.03	3.52	(6,332)	(2,238)	98,541	106,771		
Mineração Rio do Norte S.A.	863,249	(70,141)	10.00	12.50	(7,014)	8,840	86,325	98,232		
Other							77	78		
					(13,346)	6,602	184,943	205,081		

- (i) The Company exercises significant influence over the activities of this investee through agreements with shareholders.

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(b) Change in investments

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
At the beginning of the period	568,590	551,234	205,081	196,879
Equity	24,190	37,613	(13,346)	6,602
Acquisition of investment (i)	375,739			
Capital increase in investees (i)	60,000	260		
Capital reduction in investees (ii)	(33,667)			
Hedge accounting of investees	(1,899)		(1,899)	
Dividends approved	(8,900)	(23,362)	(4,893)	
At the end of the period	<u>984,053</u>	<u>565,745</u>	<u>184,943</u>	<u>203,481</u>

- (i) Refers to the acquisition and capital increase in the investee CBA Itapissuma Ltda., as described in Note 1.1 (a).
- (ii) Refers to the capital reduction in the subsidiary CBA Energia Participações S.A., as described in Note 1.1 (d).

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15 Property, Plant and Equipment

(a) Composition and change

										Parent company	
										1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Construction in progress	Obligation to demobilize assets	Other	Total	Total	
At the beginning of the period											
Cost	117,841	2,493,859	5,879,024	113,246	28,986	444,643	161,893	295,190	9,534,682	9,479,658	
Accrued depreciation	(2,325)	(960,278)	(3,866,221)	(99,647)	(21,562)		(89,544)	(281,736)	(5,321,313)	(5,180,440)	
Net balance	115,516	1,533,581	2,012,803	13,599	7,424	444,643	72,349	13,454	4,213,369	4,299,218	
Additions		2,208	11,832	164	76	198,563			212,843	191,871	
Write-offs	(23)	(18,161)	(14,823)		(28)			(5,696)	(38,731)	(12,339)	
Depreciation		(39,000)	(195,869)	(2,395)	(1,245)		(5,612)	(418)	(244,539)	(280,788)	
Reversal (constitution) for asset depreciation (Impairment)		(6,512)	(5,720)		(280)	14,008	(17,851)	77	(16,278)	10,182	
Cash flow reassessment									23,141		
Transfers (i)	20,912	11,673	185,536	2,258	938	(223,509)	(49,093)	179	(51,106)	(8,111)	
At the end of the period	136,405	1,483,789	1,993,759	13,626	6,885	433,705	22,934	7,596	4,098,699	4,200,033	
Cost	139,275	2,465,114	5,919,625	115,375	29,569	433,705	118,089	289,061	9,509,813	9,473,131	
Accrued depreciation	(2,870)	(981,325)	(3,925,866)	(101,749)	(22,684)		(95,155)	(281,465)	(5,411,114)	(5,273,098)	
Net balance at the end of the period	136,405	1,483,789	1,993,759	13,626	6,885	433,705	22,934	7,596	4,098,699	4,200,033	
Average annual depreciation rates – %		3	5	20	10		2				
										Consolidated	
										1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
	Land and improvements	Buildings and constructions	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Construction in progress	Obligation to demobilize assets	Other	Total	Total	
At the beginning of the period											
Cost	132,098	2,981,030	6,176,957	113,297	29,320	447,723	161,893	295,190	10,337,508	10,276,888	
Accrued depreciation	(5,329)	(1,140,505)	(3,976,773)	(99,676)	(21,832)		(89,544)	(281,736)	(5,615,395)	(5,443,298)	
Net balance	126,769	1,840,525	2,200,184	13,621	7,488	447,723	72,349	13,454	4,722,113	4,833,590	
Additions		2,497	20,176	304	381	201,672			225,030	194,866	
Write-offs	(23)	(18,161)	(14,992)		(28)			(5,696)	(38,900)	(12,339)	
Depreciation	(217)	(53,748)	(215,069)	(2,901)	(1,803)		(5,612)	(418)	(279,768)	(304,106)	
Reversal (constitution) for asset depreciation (Impairment)		(6,512)	(5,720)		(280)	14,008	(17,851)	77	(16,278)	10,182	
Effect of company acquired and included in consolidation (ii)	559	30,696	166,856	6,775	1,854	13,050		(4,029)	215,761		
Cash flow reassessment									23,141		
Transfers (i)	20,911	13,506	187,391	2,258	939	(227,174)	(49,093)	181	(51,081)	(8,120)	
At the end of the period	147,999	1,808,803	2,338,826	20,057	8,551	449,279	22,934	3,569	4,800,018	4,714,073	
Cost	154,091	3,030,385	6,629,128	130,256	39,188	449,279	118,089	285,034	10,835,450	10,273,346	
Accrued depreciation	(6,092)	(1,221,582)	(4,290,302)	(110,199)	(30,637)		(95,155)	(281,465)	(6,035,432)	(5,559,273)	
Net balance at the end of the period	147,999	1,808,803	2,338,826	20,057	8,551	449,279	22,934	3,569	4,800,018	4,714,073	
Average annual depreciation rates – %	4	3	5	20	10		2				

(i) Transfers include the reclassification of “construction in progress” from the group of fixed assets to “Software” in the group of intangible assets, and substantially for the movement of the obligation to demobilize assets in the intangible group.

(ii) Refers the acquisition of the investment CBA Itapissuma Ltda., as described in Note 1.1 (a).

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(b) Construction in progress

	9/30/2020			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	120,101		120,101	118,478		118,478
Calciner	92,096	(92,096)		92,096	(92,096)	
Alumina refinery projects	87,383	(12,587)	74,796	56,864	(12,587)	44,277
Pot line renovation	100,262		100,262	111,161		111,161
Tijuco Alto project	52,374	(52,374)		52,374	(52,374)	
Rolling mills, extrusion and casting room projects	34,665		34,665	27,004		27,004
Mining projects	17,087		17,087	21,619		21,619
Safety, health and environmental projects	18,451		18,451	18,829		18,829
Downstream and smelter projects	26,287		26,287	20,877		20,877
Pot line projects	10,678		10,678	17,539		17,539
Hydro power plants revitalization	453		453	23,830		23,830
Other	55,545	(9,046)	46,499	67,163	(23,054)	44,109
	<u>1,184,987</u>	<u>(735,708)</u>	<u>449,279</u>	<u>1,197,439</u>	<u>(749,716)</u>	<u>447,723</u>

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16 Intangible assets

(a) Composition and change

						Parent company	
						1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
	Goodwill	Exploitation rights over natural resources	Software	Use of public assets - UBP	Other	Total	Total
At the beginning of the period							
Cost	79,722	143,899	38,529	281,829	9,597	553,576	544,738
Accrued amortization and depletion		(40,041)	(25,164)	(99,139)	(1,697)	(166,041)	(148,799)
Net balance	79,722	103,858	13,365	182,690	7,900	387,535	395,939
Additions							151
Write-offs					(7)	(7)	(1)
Amortization and depletion		(1,790)	(3,302)	(8,103)	(5)	(13,200)	(12,202)
Transfers (i)		49,093	1,778		235	51,106	8,111
At the end of the period	79,722	151,161	11,841	174,587	8,123	425,434	391,998
Cost	79,722	192,993	40,244	281,829	9,590	604,378	552,781
Accrued amortization		(41,832)	(28,403)	(107,242)	(1,467)	(178,944)	(160,783)
Net balance at the end of the period	79,722	151,161	11,841	174,587	8,123	425,434	391,998
Average annual amortization and depletion rates – %		3	20	3			
							Consolidated
						1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
	Goodwill	Exploitation rights over natural resources	Software	Use of public assets - UBP	Other	Total	Total
At the beginning of the period							
Cost	166,265	143,899	38,771	303,774	38,775	691,484	682,615
Accrued amortization and depletion		(40,041)	(25,394)	(106,876)	(27,435)	(199,746)	(181,601)
Net balance	166,265	103,858	13,377	196,898	11,340	491,738	501,014
Additions							153
Write-offs					(7)	(7)	(1)
Amortization and depletion		(1,790)	(4,409)	(8,759)	(7)	(14,965)	(12,864)
Effect of company acquired and included in consolidation (ii)			5,425			5,425	
Transfers (i)		49,093	1,753		235	51,081	8,120
At the end of the period	166,265	151,161	16,146	188,139	11,561	533,272	496,422
Cost	166,265	192,993	80,020	303,774	38,769	781,821	690,672
Accrued amortization		(41,832)	(63,874)	(115,635)	(27,208)	(248,549)	(194,250)
Net balance at the end of the period	166,265	151,161	16,146	188,139	11,561	533,272	496,422
Average annual amortization and depletion rates – %		3	20	3			

(i) Transfers include the reclassification of “construction in progress” from the group of fixed assets to “Software” in the group of intangible assets, and substantially for the movement of the obligation to demobilize assets in the intangible group.

(ii) Refers the acquisition of the investment CBA Itapissuma Ltda., as described in Note 1.1 (a).

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17 Loans and financing

(a) Composition and fair value

Type	Average annual rate (i)	Current		Non-current		Total		Parent company	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local currency									
BNDIS	TJLP + 2,20% / SELIC + 2,56% / IPCA + 4,70%	74,363	67,233	252,022	274,581	326,385	341,814	291,114	339,690
FINAME	3,50% Pre R\$	658	989	1,528	2,510	2,186	3,499	2,114	3,445
Export credit notes	114,47% CDI	11,200	8,076	1,327,435	1,078,238	1,338,635	1,086,314	1,262,069	1,081,333
Credit agency	8,50% Pre R\$		6,534		23,110		29,644		32,065
FINEP	TJLP + 1,24%	11,413	11,438	3,792	12,325	15,205	23,763	15,543	24,257
Other				598	598	598	598	595	598
		97,634	94,270	1,585,375	1,391,362	1,683,009	1,485,632	1,571,435	1,481,388
Foreign currency									
Export credit notes	3,60% Pre USD	1,232		262,109		263,341		285,998	
Eurobonds - USD	4,75% Pre USD	10,489	452	810,310	578,193	820,799	578,645	869,938	610,864
		11,721	452	1,072,419	578,193	1,084,140	578,645	1,155,936	610,864
		109,355	94,722	2,657,794	1,969,555	2,767,149	2,064,277	2,727,371	2,092,252
Interest on loans and financing		27,464	12,346						
Current portion of loans and financing (principal amount)		81,891	82,376						
		109,355	94,722						

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Type	Average annual rate (i)	Current		Non-current		Total		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local currency									
BNDES	TJLP + 2,20% / SELIC + 2,56% / IPCA + 4,70%	74,363	67,233	252,022	274,581	326,385	341,814	291,114	339,690
FINAME	3,50% Pre R\$	658	989	1,528	2,510	2,186	3,499	2,114	3,445
Debentures	107,50% CDI	30,463	31,760	30,409	60,828	60,872	92,588	113,351	93,252
Export credit notes	114,47% CDI	11,200	8,076	1,327,435	1,078,238	1,338,635	1,086,314	1,262,069	1,081,333
Credit agency	8,50% Pre R\$		6,534		23,110		29,644		32,065
FINEP	TJLP + 1,24%	11,413	11,440	3,792	12,323	15,205	23,763	15,543	24,257
Other				598	598	598	598	595	598
		128,097	126,032	1,615,784	1,452,188	1,743,881	1,578,220	1,684,786	1,574,640
Foreign currency									
Export credit notes	3,60% Pre USD	1,232		262,109		263,341		285,998	
Eurobonds - USD	4,75% Pre USD	10,489	452	810,311	578,193	820,800	578,645	869,938	610,864
		11,721	452	1,072,420	578,193	1,084,141	578,645	1,155,936	610,864
		139,818	126,484	2,688,204	2,030,381	2,828,022	2,156,865	2,840,722	2,185,504
Interest on loans and financing		27,518	13,781						
Current portion of loans and financing (principal amount)		112,300	112,703						
		139,818	126,484						

(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
R\$	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 dollar

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(b) Maturity

	2029										Parent company
	2020	2021	2022	2023	2024	2025	2026	2027	2028	As of 2029	Total
Local currency											
BNDES	19,097	71,754	42,454	30,453	30,453	30,453	26,050	12,841	12,841	49,989	326,385
FINAME	166	655	655	655	55						2,186
Export credit notes (i)	12,144	(1,259)	(1,259)	48,741	(1,259)	432,693	432,693	216,390	99,786	99,965	1,338,635
FINEP	2,881	11,376	948								15,205
Other		598									598
	34,288	83,124	42,798	79,849	29,249	463,146	458,743	229,231	112,627	149,954	1,683,009
	2.04%	4.94%	2.54%	4.74%	1.74%	27.52%	27.26%	13.62%	6.69%	8.91%	100.00%
Foreign currency											
Export credit notes		1,232			262,109						263,341
Eurobonds - USD (i)	10,896	(543)	(543)	(543)	811,532						820,799
	10,896	689	(543)	(543)	1,073,641						1,084,140
	1.01%	0.06%	(0.05%)	(0.05%)	99.03%						100.00%
	45,184	83,813	42,255	79,306	1,102,890	463,146	458,743	229,231	112,627	149,954	2,767,149
	1.63%	3.03%	1.53%	2.87%	39.86%	16.74%	16.58%	8.28%	4.07%	5.41%	100.00%
Consolidated											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	As of 2029	Total
Local currency											
BNDES	19,097	71,754	42,454	30,453	30,453	30,453	26,050	12,841	12,841	49,989	326,385
FINAME	166	655	655	655	55						2,186
Debentures	(8)	30,463	30,417								60,872
Export credit notes (i)	12,144	(1,259)	(1,259)	48,741	(1,259)	432,693	432,693	216,390	99,786	99,965	1,338,635
FINEP	2,881	11,376	948								15,205
Other		598									598
	34,280	113,587	73,215	79,849	29,249	463,146	458,743	229,231	112,627	149,954	1,743,881
	1.97%	6.51%	4.20%	4.58%	1.68%	26.56%	26.31%	13.14%	6.46%	8.59%	100.00%
Foreign currency											
Export credit notes		1,232			262,109						263,341
Eurobonds - USD (i)	10,897	(543)	(543)	(543)	811,532						820,800
	10,897	689	(543)	(543)	1,073,641						1,084,141
	1.01%	0.06%	(0.05%)	(0.05%)	99.03%						100.00%
	45,177	114,276	72,672	79,306	1,102,890	463,146	458,743	229,231	112,627	149,954	2,828,022
	1.60%	4.04%	2.57%	2.80%	39.00%	16.37%	16.22%	8.11%	3.98%	5.31%	100.00%

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

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(c) Change

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
At the beginning of the period	2,064,277	1,935,056	2,156,865	2,058,867
Fundraising (i)	533,000	1,174,880	533,000	1,174,880
Reductions of fundraising costs, net	(792)	(3,939)	(685)	(3,853)
Exchange rate variation	246,077	57,599	246,077	57,599
Accrued interest	79,809	89,186	82,027	95,197
Interest paid	(66,420)	(52,017)	(70,018)	(60,126)
Effect of company acquired and included in consolidation (ii)			1,760	
Settlements	(88,802)	(1,070,151)	(121,004)	(1,100,594)
At the end of the period	2,767,149	2,130,614	2,828,022	2,221,970

- (i) In February 2020, the Company entered into a loan agreement (NCE - export credit note) to finance its exports in the amount of R\$ 250 million, with final maturity in 2029. In May 2020, BNDES released the second tranche of a credit line loan with the entity, amounting to R\$ 33,000. In August 2020, the Company entered into another export credit note of USD 46,468, due in 2024. All operations are described in accordance with Note 17 (g).
- (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	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Brazilian Reais	97,634	94,270	1,585,375	1,391,362	1,683,009	1,485,632
US Dollar	11,721	452	1,072,419	578,193	1,084,140	578,645
	109,355	94,722	2,657,794	1,969,555	2,767,149	2,064,277

	Consolidated					
	Current		Non-current		Total	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Brazilian Reais	128,097	126,032	1,615,784	1,452,188	1,743,881	1,578,220
US Dollar	11,721	452	1,072,420	578,193	1,084,141	578,645
	139,818	126,484	2,688,204	2,030,381	2,828,022	2,156,865

(e) Composition by indexer

	Parent company					
	Current		Non-current		Total	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local currency						
TJLP	59,366	59,545	110,335	154,500	169,701	214,045
Fixed rate	658	7,523	2,126	26,219	2,784	33,742
CDI	11,200	8,076	1,327,435	1,078,238	1,338,635	1,086,314
IPCA	12,044	5,080	143,088	119,554	155,132	124,634
SELIC	14,366	14,046	2,391	12,851	16,757	26,897
	97,634	94,270	1,585,375	1,391,362	1,683,009	1,485,632
Foreign currency						
Fixed rate	11,721	452	1,072,419	578,193	1,084,140	578,645
	11,721	452	1,072,419	578,193	1,084,140	578,645
	109,355	94,722	2,657,794	1,969,555	2,767,149	2,064,277

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	Current		Non-current		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Local currency						
TJLP	59,366	59,545	110,335	154,500	169,701	214,045
Fixed rate	658	7,523	2,126	26,219	2,784	33,742
CDI	41,663	39,838	1,357,844	1,139,065	1,399,507	1,178,903
IPCA	12,044	5,080	143,088	119,554	155,132	124,634
SELIC	14,366	14,046	2,391	12,850	16,757	26,896
	128,097	126,032	1,615,784	1,452,188	1,743,881	1,578,220
Foreign currency						
Fixed rate	11,721	452	1,072,420	578,193	1,084,141	578,645
	11,721	452	1,072,420	578,193	1,084,141	578,645
	139,818	126,484	2,688,204	2,030,381	2,828,022	2,156,865

(f) Guarantees

At September 30, 2020, R\$ 1,151,949 (December 31, 2019 – R\$ 955,050) of loans and financing were guaranteed by sureties (Note 12 (c)), R\$ 142,759 (December 31, 2019 – R\$ 170,903) by lines on Company assets and R\$ 15,283 (December 31, 2019 – R\$ 23,884) by bank guarantee.

(g) Funding and amortization

(i) Export financing

In February of 2020, the Company entered into a loan agreement (NCE – export credit note) to finance its exports in the total amount of R\$ 250 million, with final maturity in 2029. The loan is characterized as “green financing” based on the guidelines of the Green Loan Principles.

The Company also entered into a swap agreement (derivative financial instrument – hedge accounting), aimed at exchanging the exposure of the CDI floating rate in Brazilian Reais to a fixed rate in US dollar, 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.

In August 2020, the Company entered into another loan agreement (NCE - export credit note) to finance its exports in the total amount of USD 46,468 (R\$ 250,000), due in 2024. This loan was also characterized as “green financing” based on the guidelines of the Green Loan Principles.

(ii) Loan with BNDES

In May 2019, the Company entered into a loan agreement with BNDES to finance a portion of its maintenance and modernization projects in the amount of R\$ 326,000, with final maturity in 2034. In May 2020, BNDES released the second tranche of this loan agreement in the amount of R\$ 33,000.

A swap term (derivative financial instrument – hedge accounting) was contracted, which aims to exchange the IPCA floating rate exposure in Brazilian Reais for a fixed rate in US dollar, resulting in a weighted average cost of 4.50% per year.

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18 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 in the income statement for the nine-month period ended September 30 were reconciled as follows based on the nominal Brazilian rate:

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Loss before income tax and social contribution	(321,894)	(89,158)	(246,071)	(29,809)
Nominal tax rates	34%	34%	34%	34%
IRPJ and CSLL calculated at nominal tax rates	109,444	30,314	83,664	10,135
Adjustments for the calculation of effective IRPJ and CSLL				
Equity	8,225	12,788	(4,538)	2,245
Tax loss and negative basis without constitution on the deferred tax	(2,207)	(132,686)	(386)	(138,391)
Temporary additions without constitution on the deferred tax			(2,159)	(222)
Reversal of deferred tax in Niquelândia (impairment) (i)	(345,368)		(345,368)	
Other permanent additions, net	(8,709)	(2,752)	(8,971)	(3,100)
IRPJ and CSLL calculated	(238,615)	(92,336)	(277,758)	(129,333)
Current			(40,336)	(32,471)
Deferred	(238,615)	(92,336)	(237,422)	(96,862)
IRPJ and CSLL in the result	(238,615)	(92,336)	(277,758)	(129,333)

(i) Deferred tax credits are recognized only to the extent that their realization is probable, based on the history of profitability and projections of future results. Based on this premise, in the third quarter of 2020, the Company and its subsidiary CBA Itapissuma, reassessed the recovery of deferred taxes recorded in its tax calculation and the technical study carried out showed that it was not possible to fully register the credit related to provisions (impairment and miscellaneous losses). Therefore, the deferred tax credit was reversed in the amount of R\$ 345,368.

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(b) Composition of deferred tax balances

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax credits on tax loss and negative basis	367,378	367,378	370,115	367,378
Tax credits on tax differences				
Provisions (impairment and miscellaneous losses)	383,214	721,401	383,214	721,401
Deferral of losses on derivative contracts	438,412	35,238	438,412	35,238
Exchange rate variation – taxation based on the cash regime	165,678	83,803	165,678	83,803
Tax, civil, labor and environmental provisions	103,277	92,255	103,277	92,255
Use of public assets – UBP	67,684	69,346	67,684	69,346
CPC 25 – Decommissioning of assets	67,212	59,547	67,212	59,547
Electric power future contracts	58,752	31,715	58,752	31,715
Provision for inventory losses	19,632	18,552	19,632	18,552
Provision for accounts receivable from customers	7,482	17,069	7,482	17,069
Environmental liabilities	10,292	9,772	10,292	9,772
Provision for participation in the result – PPR	16,694	22,170	16,694	22,170
Tax debts on tax differences				
Adjustments to property, plant and equipment useful life (depreciation)	(610,780)	(635,611)	(610,780)	(635,611)
Gain on investment acquisition (i)	(51,508)		(51,508)	
CPC 20 – Capitalized interest	(25,150)	(25,815)	(25,150)	(25,815)
CPC 12 – Adjustment to present value	(13,905)	(14,651)	(13,905)	(14,651)
Goodwill amortization	(7,392)	(7,392)	(7,392)	(7,392)
Other	(10,625)	(8,135)	(8,081)	(4,047)
	<u>986,347</u>	<u>836,642</u>	<u>991,628</u>	<u>840,730</u>

(i) Refers to the deferred tax on the gain on the advantageous purchase of CBA Itapissuma Ltda., as described in Note 1.1 (a).

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

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
At the beginning of the period	836,642	771,755	840,730	781,710
Effect on the result	(238,615)	(92,336)	(237,422)	(96,862)
Effect on other components of comprehensive income – Hedge accounting	388,320	67,932	388,320	67,932
Other				(577)
At the end of the period	<u>986,347</u>	<u>747,351</u>	<u>991,628</u>	<u>752,203</u>

(d) Realization of deferred income tax and social contribution on tax losses

	1/1/2020 to 9/30/2020	Percentage
Up to 1 year		0.00%
From 1 to 3 years	31,621	8.54%
From 3 to 5 years	127,121	34.35%
From 5 to 10 years	211,373	57.11%
	<u>370,115</u>	<u>100.00%</u>

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19 Provisions

(a) Composition and change

	Parent company						Consolidated	
	1/1/2020 to 9/30/2020						1/1/2019 to 9/30/2019	
	Judicial proceedings							
	Obligation to demobilize assets	Tax	Labor	Civil	Environmental	Total	Total	
At the beginning of the period	418,195	181,306	53,241	27,936	994	681,672	473,684	
Additions (i)		6,999	51,954	4,583	30	63,566	66,519	
Reversals		(3,422)	(8,143)	(4,373)		(15,938)	(149,806)	
Judicial deposits, net of write-offs		3,039	(10,567)	11		(7,517)	96,564	
Settlements	(7,679)	(3,239)	(8,792)	(3,700)	(12)	(23,422)	(11,909)	
Monetary restatement, net of reversals		1,868	(425)	(758)	(8)	677	13,281	
Adjustment to present value	24,613					24,613	9,295	
Cash flow reassessment	23,141					23,141		
At the end of the period	458,270	186,551	77,268	23,699	1,004	746,792	497,628	
	Judicial proceedings							
	Obligation to demobilize assets	Tax	Labor	Civil	Environmental	Total	Total	
At the beginning of the period	418,195	182,625	53,241	28,549	994	683,604	475,387	
Additions (i)		7,282	51,954	4,583	30	63,849	68,190	
Reversals		(3,422)	(8,143)	(4,206)		(15,771)	(149,806)	
Judicial deposits, net of write-offs		3,039	(10,567)	11		(7,517)	95,106	
Settlements	(7,679)	(3,239)	(8,792)	(3,700)	(12)	(23,422)	(11,909)	
Monetary restatement, net of reversals		1,868	(425)	(758)	(8)	677	13,281	
Adjustment to present value	24,613					24,613	9,295	
Cash flow reassessment	23,141					23,141		
At the end of the period	458,270	188,153	77,268	24,479	1,004	749,174	499,544	

(i) Variation refers to the annulment action proposed by the Company in 2004, regarding Environmental Labor Risk (“RAT”), currently in the appeals phase, aimed at removing the subsistence of the infraction notices drawn up by the social security agency in the period of 2003 to 2008. The Company expected to receive the same judicial provision offered in a similar lawsuit, which annulled the tax assessment notices of another Company with the same characteristics, which has not yet occurred. Therefore, out of conservatism, the updated amount in question was indicated for provisioning.

(b) Tax, civil, labor and environmental provisions and remaining judicial deposits

	9/30/2020				Parent company 12/31/2019			
	Judicial deposits	Provisioned amount	Net total	Remaining judicial deposits (i)	Judicial deposits	Provisioned amount	Net total	Remaining judicial deposits (i)
Tax	(10,895)	197,446	186,551	13,812	(13,933)	195,239	181,306	15,830
Labor	(29,713)	106,981	77,268		(19,146)	72,387	53,241	2,238
Civil (i)		23,699	23,699	953	(11)	27,947	27,936	96,394
Environmental		1,004	1,004	7		994	994	6
	(40,608)	329,130	288,522	14,772	(33,090)	296,567	263,477	114,468

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	9/30/2020							Consolidated 12/31/2019	
	Judicial deposits	Provisioned amount	Net total	Remaining judicial deposits (i)	Judicial deposits	Provisioned amount	Net total	Remaining judicial deposits (i)	
Tax	(10,895)	199,048	188,153	13,816	(13,933)	196,558	182,625	15,835	
Labor	(29,713)	106,981	77,268	292	(19,146)	72,387	53,241	2,484	
Civil (i)		24,479	24,479	953	(11)	28,560	28,549	96,394	
Environmental		1,004	1,004	546		994	994	546	
	(40,608)	331,512	290,904	15,607	(33,090)	298,499	265,409	115,259	

(i) The variation in the remaining civil judicial deposits mainly relates to the replacement of the existing guarantee, with the full withdrawal of the deposited amounts, as part of a lawsuit that discusses the contractual conditions between the parties; reversal of the provision has already occurred in due time in view of the change favorable in the second instance to the Company maintained until the present moment, whose precedent in a similar case has also followed.

(c) Proceedings considered to have a possible loss probability

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	9/30/2020
Tax	2,567,102	2,519,344	2,604,097	2,554,996
Labor	165,429	127,787	166,292	130,074
Civil	191,218	184,984	192,058	185,703
Environmental	2,073	1,497	2,073	1,497
	2,925,822	2,833,612	2,964,520	2,872,270

20 Use of public assets – UBP

Hydropower plants / Companies	Concession start date	Concession end date	Payment start date	Parent company					
				9/30/2020			12/31/2019		
				Interest	Intangible asset	Liability	Interest	Intangible asset	Liability
Salto Pilião	apr-02	apr-37	jan-10	60%	165,718	612,362	60%	173,369	538,434
Salto do Rio Verdinho	dec-02	dec-37	oct-10	100%	6,711	24,661	100%	7,003	21,720
Itupararanga	feb-04	feb-24	jan-04	100%	282	1,359	100%	344	1,562
Piraju	dec-98	dec-33	feb-03	100%	841	6,608	100%	888	6,010
Ourinhos	jul-00	jul-35	sep-05	100%	1,035	5,464	100%	1,086	4,910
					174,587	650,454		182,690	572,636
Current						41,798			39,314
Non-current assets					174,587	608,656		182,690	533,322
					174,587	650,454		182,690	572,636

Hydropower plants / Companies	Concession start date	Concession end date	Payment start date	Consolidated					
				9/30/2020			12/31/2019		
				Interest	Intangible asset	Liability	Interest	Intangible asset	Liability
Salto Pilião	apr-02	apr-37	jan-10	60%	165,720	612,363	60%	173,369	538,434
Salto do Rio Verdinho	dec-02	dec-37	oct-10	100%	6,711	24,661	100%	7,003	21,720
Itupararanga	feb-04	feb-24	jan-04	100%	282	1,359	100%	344	1,562
Piraju	dec-98	dec-33	feb-03	100%	841	6,608	100%	888	6,010
Ourinhos	jul-00	jul-35	sep-05	100%	1,035	5,464	100%	1,086	4,910
Baesa - Energética Barra Grande	may-01	may-36	jun-07	15%	11,565	48,565	15%	12,119	45,509
Enercan - Campos Novos Energia	may-00	may-35	jun-06	24%	1,985	7,250	24%	2,089	6,813
					188,139	706,270		196,898	624,958
Current						47,734			44,878
Non-current assets					188,139	658,536		196,898	580,080
					188,139	706,270		196,898	624,958

21 Shareholders' equity

(a) Share capital

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

At September 30, 2020 and December 31, 2019, the fully subscribed and paid-in share capital amounted to R\$ 4,950,095, consisting of R\$ 1,420,294,211 in registered common shares.

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22 Revenue

(a) Composition

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Gross revenue				
Sales of products and services on the local market	2,761,014	3,168,554	3,253,624	3,248,878
Sales of products on the foreign market	791,920	502,783	852,152	502,784
Electricity sales	414,859	882,170	448,715	914,939
	<u>3,967,793</u>	<u>4,553,507</u>	<u>4,554,491</u>	<u>4,666,601</u>
Taxes on sales and other deductions	(542,957)	(602,821)	(714,214)	(660,336)
Net revenue of products sold and services provided	<u>3,424,836</u>	<u>3,950,686</u>	<u>3,840,277</u>	<u>4,006,265</u>

23 Income breakdown by nature

	Consolidated			
	1/1/2020 to 9/30/2020			
	Cost of products sold and services provided (i)	Sales expenses	General and administrative expenses	Total
Raw materials, inputs and consumables	2,241,031	414	1,422	2,242,867
Employee benefit expenses	416,038	17,388	89,427	522,853
Depreciation, amortization and depletion	298,439	206	6,553	305,198
Transportation expenses	121,627		745	122,372
Maintenance and conservation	121,508	21	206	121,735
Services, miscellaneous	129,070			129,070
Third-party services	43,953	1,452	58,950	104,355
Rentals and Leases	13,718	259	3,188	17,165
Reversal for doubtful accounts		(1,468)		(1,468)
Other	54,129	2,310	15,183	71,622
	<u>3,439,513</u>	<u>20,582</u>	<u>175,674</u>	<u>3,635,769</u>

	Consolidated			
	1/1/2019 to 9/30/2019			
	Cost of products sold and services provided (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		1,484	133,833
Maintenance and conservation	112,621	14	395	113,030
Services, miscellaneous	85,564			85,564
Third-party services	38,321	1,665	48,642	88,628
Rentals and Leases	10,703	176	2,323	13,202
Provision for doubtful accounts		8,078		8,078
Other	29,213	2,584	10,300	42,097
	<u>3,467,894</u>	<u>28,212</u>	<u>152,793</u>	<u>3,648,899</u>

- (i) During the nine-month period ended September 30, 2020, the Company recorded the amount of R\$ 24,254 (September, 30, 2019 – R\$ 23,511) related to the idle production costs of the Niquelândia and São Miguel Paulista plants located in the city of Niquelândia in the State of Goiás and in the city of São Paulo, State of São Paulo, respectively.

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24 Employee benefit expenses

	Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Direct remuneration	292,676	258,642
Social charges	149,871	155,373
Benefits	80,306	68,797
	<u>522,853</u>	<u>482,812</u>

25 Other operating income (expenses), net

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Electric power future contracts (i)	(79,521)	(61,146)	(79,521)	(61,146)
Gain on investment acquisition (ii)	151,495		151,495	
Recognition of taxes recoverable (iii)	69,273	121,888	71,390	124,478
Reversal (constitution) for asset depreciation (Impairment) (Note 15)	(16,278)	10,182	(16,278)	10,182
Expenditures on non-activatable projects	(26,599)	(27,517)	(26,599)	(27,517)
Constitutions of provisions, net	(40,273)	(81,519)	(40,273)	(81,519)
Losses on sales of assets	(36,290)	(22,627)	(36,440)	(22,628)
Revenue from indemnities	11,342		11,342	
Other operating revenue, net	10,016	2,529	3,826	1,355
	<u>43,165</u>	<u>(58,210)</u>	<u>38,942</u>	<u>(56,795)</u>

- (i) Realization of the financial instruments is recognized against energy sales revenue, in accordance with the effective delivery of the energy. The Company purchased energy based on firm commitments. These transactions resulted in gains on excess energy (surplus), which were recognized at their fair values.
- (ii) Refers to the acquisition of CBA Itapissuma Ltda., as described in Note 1.1 (a).
- (iii) Refers to the recognition of PIS and COFINS credits, as described in Note 1.1 (c).

26 Net financial result

	Parent company		Consolidated	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Financial revenue				
Interest on financial assets (i)	95,882	65,094	96,115	65,194
Gains on financial investments	8,738	22,310	11,158	26,000
Reversal of monetary restatement of provisions	3,750	35,853	3,750	35,853
Interest on transactions with related parties (Note 12)	2,853	404	435	404
Monetary restatement on assets	1,359	463	1,379	521
Other financial revenue	3,605	88	6,731	891
	<u>116,187</u>	<u>124,212</u>	<u>119,568</u>	<u>128,863</u>
Financial expenses				
Interest on loans and financing (Note 17 (c))	(79,809)	(89,186)	(82,027)	(95,197)
Capitalization of interest on loans and financing – CPC 20	1,749	8,060	1,749	8,060
Interest and monetary restatement UBP	(98,649)	(27,452)	(106,422)	(31,899)
Adjustment to present value – CPC 12	(37,111)	(20,030)	(37,111)	(20,030)
Monetary restatement of provisions	(30,968)	(21,184)	(31,082)	(21,184)
PIS and COFINS on finance results	(9,024)	(4,810)	(9,721)	(4,882)
Funding expenses	(3,679)	(16,863)	(3,679)	(16,863)
Income tax on remittances of interest overseas	(3,650)	(12,523)	(3,650)	(12,523)
Derivative financial instruments		(77,098)		(77,098)
Premium paid on the repurchase of Bonds		(40,290)		(40,290)
Charge on discount operations	(7,989)	(6,961)	(7,989)	(6,961)
Interest on prepayment of receivables with related parties (Note 12)		(67,969)		(67,969)
Other financial expenses	(12,075)	(9,368)	(13,599)	(10,846)
	<u>(281,205)</u>	<u>(385,674)</u>	<u>(293,531)</u>	<u>(397,682)</u>
Exchange variations, net	(301,340)	(68,325)	(302,212)	(68,163)
	<u>(466,358)</u>	<u>(329,787)</u>	<u>(476,175)</u>	<u>(336,982)</u>

- (i) Refers mainly to the recognition of PIS and COFINS credit updates, as described in Note 1.1 (c).

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27 Subsequent events

Contract for the sale of the São Miguel Paulista Unit scheduled for December 2021

The Company signed an agreement to sell the São Miguel Paulista Unit (Níquel) on September 28, 2020. The closing of the transaction will only occur after a period of evaluations of the plant by the buyer and, if these are successful, the transaction will be concluded by December 2021. In view of the revaluation of the assets of São Miguel Paulista, and due to uncertainties regarding the fair value of these assets, the Company expects to complete the review by December 2020.