PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Paranapanema S.A.

Quarterly Financial Report

March 31, 2017

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Company information/Capital composition

Quantity of shares (Units)	Current quarter 03/31/2017
Paid-in capital	
Common	319,176,942
Preferred	0
Total	319,176,942
Treasury shares	
Common	24,505
Preferred	0
Total	24,505

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PMAM3 NOVO MERCADO BM&FBOVESPA

Individual financial statements / Balance sheet – Assets

(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
1	Total assets	3.359.970	3.601.241
1.01	Current assets	1.485.682	1.897.792
1.01.01	Cash and cash equivalents	187.224	139.492
1.01.02	Interest earning bank deposits	32.264	87.636
1.01.02.01	Interest earning bank deposits measured at fair value	32.264	87.636
1.01.03	Trade receivable	389.726	558.965
1.01.03.01	Trade accounts receivable	389.726	558.965
1.01.04	Inventory	762.210	923.995
1.01.06	Taxes recoverable	62.029	70.927
1.01.06.01	Current taxes recoverable	62.029	70.927
1.01.07	Prepaid expenses	19.506	12.332
1.01.08	Others current assets	32.723	104.445
1.01.08.03	Others	32.723	104.445
1.01.08.03.01	Derivative financial instruments	16.471	32.934
1.01.08.03.02	Others Current assets	7.638	50.646
1.01.08.03.03	Linked Bank account	8.614	20.865
1.02	Non-current assets	1.874.288	1.703.449
1.02.01	Long term assets	581.002	390.192
1.02.01.01	Interest earning bank deposits measured at fair value	4.291	6.062
1.02.01.03	Trade receivable	1.005	1.845
1.02.01.03.01	Trade accounts receivable	1.005	1.845
1.02.01.06	Deferred taxes	146.415	144.340
1.02.01.06.02	Recoverable taxes and contributions	146.415	144.340
1.02.01.07	Anticipated expenses	10.381	11.201
1.02.01.07.01	Anticipated expenses	10.381	11.201
1.02.01.09	Other non-current assets	418.910	226.744
1.02.01.09.01	Non-current assets held for sale	110.706	110.568
1.02.01.09.03	Deposits for judicial claims	34.357	33.801
1.02.01.09.05	Other non-current assets	273.847	82.375
1.02.02	Investments	12.190	9.429
1.02.02.01	Equity interest	12.190	9.429
1.02.02.01.02	Investments in equity	9.940	7.179
1.02.02.01.04	Other equity interest	2.250	2.250
1.02.03	Property, plant and equipment	1.272.458	1.294.487
1.02.03.01	Fixed assets in operation	1.201.022	1.206.437
1.02.03.03	Construction in progress	71.436	88.050
1.02.04	Intangible assets	8.638	9.341
1.02.04.01	Intangible assets	8.638	9.341

Individual financial statements / Balance sheet – Liabilities
(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2	Total liabilities	3.359.970	3.601.241
2.01	Current liabilities	2.699.227	2.946.933
2.01.01	Social and labor obligations	40.733	42.008
2.01.01.01	Social charges	40.733	42.008
2.01.02	Suppliers	91.096	212.373
2.01.02.01	Domestic suppliers	82.687	102.107
2.01.02.02	Foreign suppliers	8.409	110.266
2.01.02.02.01	Foreign suppliers	8.409	110.266
2.01.03	Tax liabilities	24.629	16.208
2.01.03.01	Federal tax liabilities	11.759	7.768
2.01.03.01.02	Excise tax	2.206	1.790
2.01.03.01.03	Withholding income tax–IRRF	1.664	3.007
2.01.03.01.04	PIS and COFINS	7.224	2.350
2.01.03.01.05	Withholding social contribution tax	394	588
2.01.03.01.07	Others	271	33
2.01.03.02	State tax liabilities	7.508	7.829
2.01.03.02.01	Value-Added Tax on Sales and Services	7.508	7.829
2.01.03.03	Municipal tax liabilities	5.362	611
2.01.03.03.01	Service tax	5.362	611
2.01.04	Loans and financing	1.821.545	1.845.131
2.01.04.01	Loans and financing	1.821.545	1.845.131
2.01.04.01.02	In foreign currency	1.821.545	1.845.131
2.01.05	Other liabilities	721.224	831.213
2.01.05.02	Others	721.224	831.213
2.01.05.02.02	Mandatory minimum dividend	24.737	24.560
2.01.05.02.04	Derivative financial instruments	85.931	154.072
2.01.05.02.05	Advances from Customers	3.767	9.332
2.01.05.02.06	Other current liabilities	51.214	47.416
2.01.05.02.07	Operation of Forfait and Credit Card	555.575	595.833
2.02	Non-current liabilities	419.047	397.298
2.02.02	Other liabilities	418	493
2.02.02.02	Others	418	493
2.02.02.02.03	Other non-current liabilities	393	465
2.02.02.02.06	Non-current suppliers	25	28
2.02.03	Deferred Taxes	211.955	207.351
2.02.03.01	Deferred income taxes and social contribution	211.955	207.351
2.02.04	Provisions	206.674	189.454
2.02.04.01	Tax, social security, labor and civil provisions	206.674	189.454
2.02.04.01.01	Tax Provision	7.976	7.635
2.02.04.01.02	Social security and labor provisions	193.483	178.136
2.02.04.01.04	Civil provisions	5.215	3.683
2.03	Equity	241.696	257.010
2.03.01	Realized capital	1.382.990	1.382.990
2.03.02	Capital reserves	-741	-741
2.03.02.05	Treasury shares	-741	-741
2.03.03	Other capital reserves	225.085	226.827
2.03.05	Retained Earnings/Losses	-327.902	-286.496
2.03.06	Adjustments to asset valuation	-1.037.736	-1.065.570

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Individual financial statements / Statement of income
(In thousands of Reais)

Code of account	Account description	1st Quarter 2017	1st Quarter 2016
3.01	Income from sales of goods and/or services	901.676	1.467.277
3.02	Cost of goods and/or services sold	-816.135	-1.382.345
3.03	Gross income	85.541	84.932
3.04	Operating expenses or income	-119.859	-72.415
3.04.01	Sales expenses	-6.307	-7.685
3.04.02	General and administrative expenses	-27.293	-24.099
3.04.02.01	General and administrative	-19.155	-17.263
3.04.02.02	Management compensation	-1.761	-1.610
3.04.02.03	Profit sharing	-6.377	-5.226
3.04.04	Other operating income	5.310	4.772
3.04.05	Other operating expenses	-94.337	-45.392
3.04.06	Equity income (loss)	2.768	-11
3.05	Loss before financial income (loss) and taxes	-34.318	12.517
3.06	Financial income (loss)	-4.227	-14.110
3.06.01	Financial income	168.232	470.751
3.06.02	Financial expenses	-172.459	-484.861
3.07	Loss before income tax	-38.545	-1.593
3.08	Income and social contribution taxes	-4.603	4.273
3.08.01	Current	0	0
3.08.02	Deferred assets	-4.603	4.273
3.09	Net income (loss) on continuing operations	-43.148	2.680
3.11	Net Income (loss) for the period	-43.148	2.680
3.99.01.01	Earnings (loss) per share - common	-0,1352	0,00840
3.99.02	Diluted earning per share		
3.99.02.01	Earnings (loss) per share - common	-0,1352	0,00840

Individual financial statements / Statement of comprehensive income
(In thousands of Reais)

Code of account	Account description	1st Quarter 2017	1st Quarter 2016
4.01	Net income for the period	-43.148	2.680
4.02	Other comprehensive income	27.834	279.643
4.02.01	Cash flow hedge – Export income	20.078	126.845
4.02.02	Cash flow hedge – NDF sales income	7.820	81.206
4.02.04	Cash flow hedge – Other debts	-40	72.416
4.02.08	Cash flow hedge – Cost Metal x Future Stock Exchange	-18	-136
4.02.06	Foreign exchange gains on foreign investment	-6	-168
4.02.07	Cash flow NDF - Capex	0	-520
4.03	Comprehensive income for the period	-15.314	282.323

Individual financial statements / Statement of cash flow - Indirect method

(In thousands of Reais)

Code of account	Account description	Three Months Ended 2017	2016
6.01	Net cash from operations activities	40.409	382.181
6.01.01	Cash generated from operations	40.937	12.098
6.01.01.01	Income (loss) before income and soc. contr. taxes	-38.545	-1.593
6.01.01.02	Residual value of written-off fixed assets	651	1
6.01.01.03	Depreciation, amortization and depletion	31.909	33.876
6.01.01.04	Equity in net income	-2.768	10
6.01.01.0	Equity in net income	0	0
6.01.01.05	Provision for losses related to lawsuits	28.510	20.094
6.01.01.07	Estimated loss	0	-12
6.01.01.08	Exchange rate variation subject to provision	23.608	-39.161
6.01.01.09	Adjustment to present value - Trade receivables and suppliers	-213	-661
6.01.01.10	Provision to cover the negative net equity	0	183
6.01.01.12	Provision for estimated loss of the recovereble value	-2.215	-639
6.01.02	Changes in assets and liabilities	-528	370.083
6.01.02.02	Trade receivable	157.699	75.550
6.01.02.04	Inventory	156.857	426.178
6.01.02.05	Recoverable taxes and contributions	6.823	18.180
6.01.02.06	Prepaid expenses	-6.354	-6.872
6.01.02.07	Deposits for judicial claims	-556	-1.268
6.01.02.08	Derivative financial instruments Assets	24.265	386.332
6.01.02.09	Goods for further sale	-138	0
6.01.02.10	Other current and non-current assets	-148.464	-46.564
6.01.02.11	Suppliers	-71.440	221.174
6.01.02.12	Operation of Forfait and Credit Card	-45.152	-434.785
6.01.02.14	Taxes payable	8.349	12.323
6.01.02.15	Additions and Write-downs related to lawsuits	-11.290	-23.541
6.01.02.16	Salaries and social security charges	-1.275	-8.655
6.01.02.18	Advances from Customers	-5.509	-52.793
6.01.02.19	Derivative financial instruments	-68.141	-150.449
6.01.02.20	Other liabilities	3.798	-44.727
6.02	Net cash used in investment activities	59.536	57.425
6.02.04	Other Investments	0	-1
6.02.06	Increase in the subsidiary company	1	1
6.02.07	Additions to Property, plant and equipment, and Intangible assets	-9.859	-15.249
6.02.08	Increase Financial investments	-49.570	-327.617
6.02.09	Redemption of financial investments	106.713	400.291
6.02.10	Linked account deposit / Guarantees	12.251	0
6.03	Net cash generated (consumed) in financing activities	-52.213	-24.670
6.03.01	New loans / financing	0	93.418
6.03.02	Amortization of loans and financing	-33.594	-98.204
6.03.03	Dividends	0	0
6.03.04	Amortization of financial charges	-18.619	-19.884
6.05	Decrease in cash and cash equivalents	47.732	414.936
6.05.01	Opening balance of cash and cash equivalents	139.492	248.151
6.05.02	Closing balance of cash and cash equivalents	187.224	663.087

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Individual financial statements / Statement of changes in equity – 01/01/2017 à 03/31/2017

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Retained earnings (loss)	Other comprehensive income	Equity
5.01	Opening balances	1.382.990	-741	-286.496	-838.743	257.010
5.03	Adjusted opening balances	1.382.990	-741	-286.496	-838.743	257.010
5.05	Total comprehensive income	0	0	-43.148	27.834	-15.314
5.05.01	Net income for the period	0	0	-43.148	0	-43.148
5.05.02	Other comprehensive income	0	0	0	27.834	27.834
5.05.02.01	Financial instruments - adjustments	0	0	0	27.840	27.840
5.05.02.03	Equity income (loss) on compreh. income-subsidiaries and associates	0	0	0	-6	-6
5.06	Internal changes in equity	0	0	1.742	-1.742	0
5.06.02	Realization of revaluation reserve	0	0	2.225	-2.225	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	-483	483	0
5.06.04	Tax incentive reserve	0	0	0	0	0
5.07	Closing balances	1.382.990	-741	-327.902	-812.651	241.696

Individual financial statements / Statement of changes in equity – 01/01/2016 to 03/31/2016

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Equity
5.01	Opening balances	1.382.990	-741	77.650	0	-1.115.423	344.476
5.03	Adjusted opening balances	1.382.990	-741	77.650	0	-1.115.423	344.476
5.05	Total comprehensive income	0	0	0	2.680	279.643	282.323
5.05.01	Net income for the period	0	0	0	2.680	0	2.680
5.05.02	Other comprehensive income	0	0	0	0	279.643	279.643
5.05.02.01	Financial instruments - adjustments	0	0	0	0	279.811	279.811
5.05.02.03	Equity income (loss) on compreh. income - subsidiaries and associates	0	0	0	0	-168	-168
5.06	Internal changes in equity	0	0	0	2.355	-2.355	0
5.06.02	Realization of revaluation reserve	0	0	0	3.003	-3.003	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-648	648	0
5.06.04	Tax incentive reserve	0	0	0	0	0	0
5.07	Closing balances	1.382.990	-741	77.650	5.035	-838.135	626.799

Individual financial statements or Statement of value added

(In thousands of Reais)

Code of account	Account description	Three Months Ended 2017	Three Months Ended 2016
7.01	Income	1.011.779	1.593.288
7.01.01	Sale of merchandise, products and services	1.009.473	1.588.347
7.01.02	Other income	4.632	3.899
7.01.04	Formation/reversal of allowance for doubtful accounts	-2.326	1.042
7.02	Inputs acquired from third parties	-910.970	-1.368.011
7.02.01	Cost of goods, merchandise and services sold	-767.813	-1.226.811
7.02.02	Materials, Energy, third party services and other	-143.157	-141.200
7.03	Gross added value	100.809	225.277
7.04	Retentions	-31.909	-33.876
7.04.01	Depreciation, amortization and depletion	-31.909	-33.876
7.05	Net added value produced	68.900	191.401
7.06	Added value received through transfers	171.000	470.741
7.06.01	Equity income (loss)	2.768	-10
7.06.02	Financial income	168.232	470.751
7.07	Total added value payable	239.900	662.142
7.08	Distribution of added value	239.900	662.142
7.08.01	Personnel	54.928	54.218
7.08.02	Taxes, duties and contributions	48.762	115.295
7.08.03	Third-party capital remuneration	179.358	489.949
7.08.04	Remuneration of own capital	-43.148	2.680
7.08.04.03	Remuneration of own capital	-43.148	2.680

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Consolidated financial statements / Balance sheet – Assets

(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
1	Total assets	3.316.191	3.544.412
1.01	Current assets	1.610.489	1.813.036
1.01.01	Cash and cash equivalents	282.536	142.824
1.01.02	Interest earning bank deposits	32.264	87.936
1.01.02.01	Interest earning bank deposits measured at fair value	32.264	87.936
1.01.03	Trade receivable	374.306	452.593
1.01.03.01	Trade accounts receivable	374.306	452.593
1.01.04	Inventory	778.435	937.369
1.01.06	Taxes recoverable	65.428	72.742
1.01.06.01	Current taxes recoverable	65.428	72.742
1.01.07	Prepaid expenses	19.941	12.829
1.01.08	Others current assets	57.579	106.743
1.01.08.03	Others	57.579	106.743
1.01.08.03.01	Derivative financial instruments	16.483	32.958
1.01.08.03.02	Others current assets	8.887	50.657
1.01.08.03.03	Linked Bank account	32.209	23.128
1.02	Non-current assets	1.705.702	1.731.376
1.02.01	Long term assets	421.232	424.152
1.02.01.01	Interest earning bank deposits measured at fair value	4.291	6.062
1.02.01.03	Trade receivable	14.665	21.497
1.02.01.03.01	Trade accounts receivable	14.665	21.497
1.02.01.06	Deferred taxes	162.111	158.647
1.02.01.06.01	Deferred income and social contribution taxes	15.672	14.208
1.02.01.06.02	Recoverable taxes and contributions	146.439	144.439
1.02.01.07	Anticipated expenses	10.381	11.201
1.02.01.07.01	Anticipated expenses	10.381	11.201
1.02.01.09	Other non-current assets	229.784	226.745
1.02.01.09.01	Non-current assets held for sale	110.706	110.568
1.02.01.09.03	Deposits for judicial claims	34.357	33.801
1.02.01.09.04	Other non-current assets	84.721	82.376
1.02.02	Investments	2.250	2.250
1.02.02.01	Equity interest	2.250	2.250
1.02.02.01.04	Other equity interest	2.250	2.250
1.02.03	Property, plant and equipment	1.273.582	1.295.633
1.02.03.01	Fixed assets in operation	1.202.146	1.207.583
1.02.03.03	Construction in progress	71.436	88.050
1.02.04	Intangible assets	8.638	9.341
1.02.04.01	Intangible assets	8.638	9.341

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PMAM3 NOVO MERCADO BM&FBOVESPA

Consolidated financial statements / Balance sheet – Liabilities

(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2017	Current quarter 12/31/2016
2	Total liabilities	3.316.191	3.544.412
2.01	Current liabilities	2.655.448	2.890.104
2.01.01	Social and labor obligations	40.977	42.306
2.01.01.01	Social charges	40.977	42.306
2.01.02	Suppliers	44.833	153.743
2.01.02.01	Domestic suppliers	36.424	43.477
2.01.02.02	Foreign suppliers	8.409	110.266
2.01.02.02.01	Foreign suppliers	8.409	110.266
2.01.03	Tax liabilities	25.058	16.470
2.01.03.01	Federal tax liabilities	12.175	8.026
2.01.03.01.02	Excise tax	2.206	1.790
2.01.03.01.03	Withholding income tax–IRRF	1.665	3.009
2.01.03.01.04	PIS and COFINS	7.224	2.606
2.01.03.01.05	Withholding social contribution tax	395	588
2.01.03.01.07	Others	271	33
2.01.03.02	State tax liabilities	7.520	7.832
2.01.03.02.01	Value-Added Tax on Sales and Services	7.520	7.832
2.01.03.03	Municipal tax liabilities	5.363	612
2.01.03.03.01	Service tax	5.363	612
2.01.04	Loans and financing	1.821.553	1.845.140
2.01.04.01	Loans and financing	1.821.553	1.845.140
2.01.04.01.02	In foreign currency	1.821.553	1.845.140
2.01.05	Other liabilities	723.027	832.445
2.01.05.02	Others	723.027	832.445
2.01.05.02.02	Mandatory minimum dividend	24.737	24.560
2.01.05.02.04	Derivative financial instruments	85.931	154.084
2.01.05.02.05	Advances from Customers	4.594	9.704
2.01.05.02.06	Other current liabilities	52.190	48.264
2.01.05.02.07	Operation of Forfait and Credit Card	555.575	595.833
2.02	Non-current liabilities	419.047	397.298
2.02.02	Other liabilities	418	493
2.02.02.02	Others	418	493
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2.02.02.02.06	Non-current suppliers	25	28
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2.02.03.01	Deferred income taxes and social contribution	211.955	207.351
2.02.04	Provisions	206.674	189.454
2.02.04.01	Tax, social security, labor and civil provisions	206.674	189.454
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2.02.04.01.02	Social security and labor provisions	193.483	178.136
2.02.04.01.04	Civil provisions	5.215	3.683
2.03	Equity	241.696	257.010
2.03.01	Realized capital	1.382.990	1.382.990
2.03.02	Capital reserves	-741	-741
2.03.02.05	Treasury shares	-741	-741
2.03.03	Other capital reserves	225.085	226.827
2.03.05	Retained Earnings/Losses	-327.902	-286.496
2.03.06	Adjustments to asset valuation	-1.037.736	-1.065.570

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PMAM3 NOVO MERCADO BM&FBOVESPA

Consolidated financial statements / Statement of income
(In thousands of Reais)

Code of account	Account description	1st Quarter 2017	1st Quarter 2016
3.01	Income from sales of goods and/or services	774.824	1.321.711
3.02	Cost of goods and/or services sold	-687.515	-1.231.962
3.03	Gross income	87.309	89.749
3.04	Operating expenses or income	-124.566	-74.199
3.04.01	Sales expenses	-6.685	-8.755
3.04.02	General and administrative expenses	-28.051	-24.755
3.04.02.01	General and administrative	-19.903	-18.042
3.04.02.02	Management compensation	-1.761	-1.610
3.04.02.03	Profit sharing	-6.387	-5.103
3.04.04	Other operating income	5.340	4.954
3.04.05	Other operating expenses	-95.170	-45.643
3.05	Loss before financial income (loss) and taxes	-37.257	15.550
3.06	Financial income (loss)	-2.337	-17.244
3.06.01	Financial income	177.578	475.083
3.06.02	Financial expenses	-179.915	-492.327
3.07	Loss before income tax	-39.594	-1.694
3.08	Income and social contribution taxes	-3.554	4.374
3.08.01	Current	-414	-130
3.08.02	Deferred assets	-3.140	4.504
3.09	Net income (loss) from continuing operations	-43.148	2.680
3.11	Net Income (loss) for the period	-43.148	2.680
3.99	Earning per share - (Reais / Shares)	-	-
3.99.01	Basic earnings per share	-	-
3.99.01.01	Earnings (loss) per share - common	-0,13519	0,00839
3.99.02	Diluted earning per share		
3.99.02.01	Earnings (loss) per share - common	-0,13519	0,00839

Consolidated financial statements / Statement of comprehensive income
(In thousands of Reais)

Code of account	Account description	1st Quarter 2017	1st Quarter 2016
4.01	Net income for the period	-43.148	2.680
4.02	Other comprehensive income	27.834	279.643
4.02.01	Cash flow hedge – Export income	20.078	126.845
4.02.02	Cash flow hedge – NDF sales income	7.820	81.206
4.02.04	Cash flow hedge – Other debts	-40	72.416
4.02.08	Cash flow hedge – Cost Metal x Future Stock Exchange	-18	-136
4.02.06	Foreign exchange gains on foreign investment	-6	-168
4.02.07	Cash flow NDF - Capex	0	-520
4.03	Comprehensive income for the period	-15.314	282.323
4.03.01	Atributed to Parent Company Share Holders	-15.314	282.323

Consolidated financial statements / Statement of cash flow - Indirect method

(In thousands of Reais)

Code of account	Account description	Three Months Ended 2017	2016
6.01	Net cash from operational activities	153.419	376.732
6.01.01	Cash generated from operations	37.560	12.604
6.01.01.01	Income (loss) before income and soc. contr. taxes	-39.594	-1.694
6.01.01.02	Residual value of written-off fixed assets	651	1
6.01.01.03	Depreciation, amortization and depletion	31.928	33.879
6.01.01.05	Provision for losses related to lawsuits	28.510	20.094
6.01.01.07	Estimated loss	0	-12
6.01.01.08	Exchange rate variation subject to provision	23.599	-39.161
6.01.01.09	Adjustment to present value - Trade receivables and suppliers	-5.064	135
6.01.01.12	Provision for estimated loss of the recovereble value	-2.470	-638
6.01.02	Changes in assets and liabilities	115.859	364.128
6.01.02.02	Trade receivable	77.870	76.468
6.01.02.04	Inventory	154.006	418.003
6.01.02.05	Recoverable taxes and contributions	5.314	17.224
6.01.02.06	Prepaid expenses	-6.292	-6.894
6.01.02.07	Deposits for judicial claims	-556	-1.268
6.01.02.08	Derivative financial instruments Assets	24.277	386.331
6.01.02.09	Goods for further sale	-138	0
6.01.02.10	Other current and non-current assets	39.425	-45.743
6.01.02.11	Suppliers	-59.098	223.082
6.01.02.12	Operation of Forfait and Credit Card	-45.152	-434.785
6.01.02.14	Taxes payable	8.102	12.319
6.01.02.15	Additions and Write-downs related to lawsuits	-11.290	-23.541
6.01.02.16	Salaries and social security charges	-1.329	-8.920
6.01.02.18	Advances from Customers	-5.054	-53.348
6.01.02.19	Derivative financial instruments	-68.153	-150.744
6.01.02.20	Other liabilities	3.927	-44.056
6.02	Net cash used in investment activities	38.506	57.257
6.02.04	Other Investments	0	-1
6.02.06	Increase in the subsidiary company	0	-167
6.02.07	Additions to Property, plant and equipment, and Intangible assets	-9.856	-15.249
6.02.08	Increase in financial investments	-378.676	-327.617
6.02.09	Redemption of financial investments	436.119	400.291
6.02.10	Linked account deposit / Guarantees	-9.081	0
6.03	Net cash generated (consumed) in financing activities	-52.213	-24.671
6.03.01	New loans / financing	0	93.417
6.03.02	Amortization of loans and financing	-33.594	-98.204
6.03.04	Amortization of financial charges	-18.619	-19.884
6.05	Decrease in cash and cash equivalents	139.712	409.318
6.05.01	Opening balance of cash and cash equivalents	142.824	253.713
6.05.02	Closing balance of cash and cash equivalents	282.536	663.031

Consolidated financial statements / Statement of changes in equity – 01/01/2017 to 03/31/2017

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Equity	Consolidated Equity
5.01	Opening balances	1.382.990	-741	0	-286.496	-838.743	257.010	257.010
5.03	Adjusted opening balances	1.382.990	-741	0	-286.496	-838.743	257.010	257.010
5.05	Total comprehensive income	0	0	0	-43.148	27.834	-15.314	-15.314
5.05.01	Net income for the period	0	0	0	-43.148	0	-43.148	-43.148
5.05.02	Other comprehensive income	0	0	0	0	27.834	27.834	27.834
5.05.02.01	Financial instruments - adjustments	0	0	0	0	27.840	27.840	27.840
5.05.02.03	Equity income (loss) on compreh. income-subsidiaries and associates	0	0	0	0	-6	-6	-6
5.06	Internal changes in equity	0	0	0	1.742	-1.742	0	0
5.06.02	Realization of revaluation reserve	0	0	0	2.225	-2.225	0	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-483	483	0	0
5.07	Closing balances	1.382.990	-741	0	-327.902	-812.651	241.696	241.696

Consolidated financial statements / Statement of changes in equity – 01/01/2016 to 03/31/2016

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Equity	Consolidated Equity
5.01	Opening balances	1.382.990	-741	77.650	0	-1.115.423	344.476	344.476
5.03	Adjusted opening balances	1.382.990	-741	77.650	0	-1.115.423	344.476	344.476
5.05	Total comprehensive income	0	0	0	2.680	279.643	282.323	282.323
5.05.01	Net income for the period	0	0	0	2.680	0	2.680	2.680
5.05.02	Other comprehensive income	0	0	0	0	279.643	279.643	279.643
5.05.02.01	Financial instruments - adjustments	0	0	0	0	279.811	279.811	279.811
5.05.02.03	Equity income (loss) on compreh. income - subsidiaries and associates	0	0	0	0	-168	-168	-168
5.06	Internal changes in equity	0	0	0	2.355	-2.355	0	0
5.06.02	Realization of revaluation reserve	0	0	0	3.003	-3.003	0	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-648	648	0	0
5.07	Closing balances	1.382.990	-741	77.650	5.035	-838.135	626.799	626.799

Consolidated financial statements or Statement of value added
(In thousands of Reais)

		Three Months Ended	
Code of account	**Account description**	**2017**	**2016**
7.01	Income	852.342	1.409.966
7.01.01	Sale of merchandise, products and services	850.305	1.405.027
7.01.02	Other income	4.661	3.899
7.01.04	Formation/reversal of allowance for doubtful accounts	-2.624	1.040
7.02	Inputs acquired from third parties	-785.001	-1.219.830
7.02.01	Cost of goods, merchandise and services sold	-639.149	-1.077.183
7.02.02	Materials, Energy, third party services and other	-145.852	-142.647
7.03	Gross added value	67.341	190.136
7.04	Retentions	-31.928	-33.879
7.04.01	Depreciation, amortization and depletion	-31.928	-33.879
7.05	Net added value produced	35.413	156.257
7.06	Added value received through transfers	177.578	475.083
7.06.02	Financial income	177.578	475.083
7.07	Total added value payable	212.991	631.340
7.08	Distribution of added value	212.991	631.340
7.08.01	Personnel	55.760	55.027
7.08.02	Taxes, duties and contributions	13.400	75.717
7.08.03	Third-party capital remuneration	186.979	497.916
7.08.04	Remuneration of own capital	-43.148	2.680
7.08.04.03	Remuneration of own capital	-43.148	2.680

MANAGEMENT COMMENTS

We are pleased to report that an important step has been taken in relation to the reprofiling of the Company's debt. On April 20, 2017, the Non-binding Memorandum of Understanding for Company Debt Renegotiation (MoU) was signed with our main creditors, formalizing significant points of understanding in the renegotiation of Paranapanema's debts. The signing of this document is a milestone in this process initiated on May 31, 2016, indicating that the Company and its creditors have reached a consensus on the main features for the debt reprofiling. Also, on the same date, the Standstill Agreement was renewed for a period of 30 days.

In relation to operational matters, in line with what was communicated to investors in the last quarter of 2016, the optimization of available resources has been the main action taken to minimize the effects of the fall in production due to the lack of financing for working capital. In 1Q17, despite lower total production, which fell by 38% compared to 1Q16, the copper production capacity utilization of the São Paulo unit reached 71%, up from 61% in 1Q16. Capacity utilization was 57% for the production of Copper products in Bahia, compared to 31% in the same quarter of the previous year. Only primary copper production, with lower value added, saw lower utilization of installed capacity at 44%, compared to 93% in 1Q16. The resulting downtime was also used for occasional maintenance in the months of February and March, already mentioned in the 4Q16 results conference call.

In addition, although the Gross Profit was 2.7% lower than in the first quarter of the previous year, at R$87.3 million, the allocation of primary copper for the production of higher value-added products contributed to a Gross Margin of 11.3% in 1Q17, which is 4.6p.p. better than that recorded in the same period of the previous year.

Another important factor was the active management of cash flow, as indicated by the positive Free Cash Flow result of R$143.6 million in the first quarter of 2017, much higher than the negative result of R$320.3 million in the previous quarter. In addition, working capital decreased by 11% compared to 4Q16, with an 18% of reduction in accounts receivable and a 17% decrease in inventory.

Given a national economic scenario that continues to show few solid indicators of resumption of activity, and with high idleness costs impacting the Company, the Net Income recorded in the quarter was negative R$43.1 million, representing a -5.6% Net Margin, a worsening of 5.8pp. compared to 1Q16.

The results of Paranapanema during the first quarter of 2017 still reflect the lack of availability of credit lines to restore the Company's working capital and resume the full utilization of its productive capacity. EBITDA in 1Q17 was negative R$5.3 million, with an EBITDA margin of -0.7%, which is 4.4 pp. lower than the 1Q16 EBITDA margin. Performance was strongly impacted by idle capacity, which cost R$59.1 million this quarter, when only 51% of installed capacity was used.

As highlighted in the previous quarter, the Company's management is fully dedicated to resuming full operational activity and generating value for shareholders. To this end, negotiations with creditors and shareholders regarding the strengthening of the capital structure are evolving, in addition to rigorous control over cash flow as a means of adjusting expenses and organizational structure.

EXPECTATIONS

At the international level, the lack of a clear strategy behind Donald Trump's recent military assaults in Syria, Afghanistan and possibly North Korea, and the lack of concrete achievements in the first 100 days of his administration increased uncertainty regarding the US economic activity scenario, which did nothing to offset the slowdown in the Chinese economy, pushing copper prices to a level of $5,600 per tonne. However, the expectation is that international demand for copper will continue to grow in the long term due to new applications in telecommunications infrastructure and power generation/transmission, especially in the automotive sector, which supports the strategy of targeting the Company's production for export while the domestic scenario remains depressed.

In Brazil, although the beginning of the year was marked by better expectations regarding economic activity and some indicators are already showing signs of market recovery, unemployment continued at record highs of 13.2% between December 2016 and February 2017, according to Brazilian Institute of Geography and Statistics (IBGE). This situation of controversial indicators (rise of market activity as well as unemployment) is typical of a process of transition from crisis to recovery. However, sales volume development is not expected to appear in the short term. According to the Central Bank's weekly survey released on April 13, 2017, modest growth of 0.4% in GDP is expected for this year.

Thus, all of these events and the Company's actions to optimize its capital structure contribute to the fact that 2017 is probably a year of moderate resumption of production and sales volumes in Paranapanema, especially during the second half of the year.

COMMENTS ON THE CONSOLIDATED ECONOMIC AND FINANCIAL PERFORMANCE

Production Volume

in tons	1Q16	1Q17	Δ %
Primary Copper	**66.357**	**31.427**	***-53%***
Copper Products	**34.331**	**31.421**	***-8%***
Rods, Wires and Others	23.584	22.571	*-4%*
Bars/Profiles/Rolled/Tubes/Fittings	10.747	8.850	*-18%*
Total Production	**100.688**	**62.848**	***-38%***
Internal Consumption	**19.503**	**12.278**	***-37%***
Production for Sale	**81.185**	**50.569**	***-38%***
Byproducts	**254.950**	**157.612**	***-38%***

% of capacity utilization			
Primary Copper	*93,0%*	*44,1%*	*-49,0 p.p.*
Copper Products			
Rods, Wires and Others	*30,5%*	*57,0%*	*26,5 p.p.*
Bars/Profiles/Rolled/Tubes/Fittings	*61,2%*	*70,8%*	*9,6 p.p.*

During 1Q17, the Company produced 31.4 thousand tonnes of Primary Copper, representing a decrease of 53% compared to the same period of the previous year. In the case of Copper Products, production was 31.4 thousand tonnes, down 8% from 1Q16, mainly due to the 18% drop in Bars/Profiles/Wires/Laminates/Pipes and Fittings. Total production in 1Q17 was 62.8 thousand tonnes, 37.8 thousand tonnes less than the same period of 2016 (-38%). These actions resulted in 38% lower available-for-sale production than in the previous year.

In byproducts, the Company produced 157.6 thousand tonnes, a reduction of 38% in relation to 1Q16.

The reduction of 38% in total production in 1Q17 compared to the same period in 2016 was due to the lower availability of raw materials due to the limited availability of credit lines and our strategy of preserving cash, as well as due to stoppages for preventive maintenance.

Sales Volume

In response to the lower availability of raw materials for production, the Total Sales Volume in 1Q17 reached 35.6 thousand tonnes, representing a reduction of 49% compared to 1Q16, mainly impacting Copper exports and the volume of byproducts.

in tons	1Q16	1Q17	∆ %
Primary Copper	**43.357**	**12.152**	***-72%***
Domestic Market	2.564	4.017	*57%*
Export Market	40.774	7.904	*-81%*
Toll	18,1	231,7	*1183%*
Copper Products	**25.851**	**23.413**	***-9%***
Rods, Wires and Others	**15.204**	**14.272**	***-6%***
Domestic Market	8.305	7.980	*-4%*
Export Market	6.184	5.546	*-10%*
Toll	715	746	*4%*
Bars/Profiles/Rolled/Tubes/Fittings	**10.647**	**9.141**	***-14%***
Domestic Market	3.687	4.293	*16%*
Export Market	2.203	2.210	*0%*
Toll	4.757	2.638	*-45%*
Total Sales Volume	**69.208**	**35.565**	***-49%***
% of Total Production	*85,2%*	*70,3%*	*-14,9 p.p.*
Byproducts	**220.744**	**192.841**	***-13%***
Domestic Market	220.518	192.628	*-13%*
Export Market	226,0	213,2	*-6%*

In Primary Copper, the Company sold 12.2 Ktonnes in 1Q17, down 72% compared to the same period of the previous year. Of the total sales of this segment in the year, 65% was destined for the foreign market and 35% for the domestic market.

In Copper Products, 23.4 Ktonnes were traded in 1Q17, down 9% on 1Q16. Of the total sales in this segment, 67% were destined for the domestic market and 33% for the foreign market.

In Byproducts, sales volume reached 192.8 Ktonnes in 1Q17, a reduction of 13% compared to 1Q16.

NET REVENUE[1]

In R$ thd, except otherwise stated	1Q16	1Q17	Δ %
Primary Copper	**764.770**	**240.193**	***-69%***
% of Revenue	*57,9%*	*31,0%*	-26,9 p.p.
Domestic Market	59.512	95.300	*60%*
Export Market	705.234	144.850	*-79%*
Toll	24	43	*74%*
Copper Products	**430.632**	**411.679**	***-4%***
% of Revenue	*32,6%*	*53,1%*	*20,6 p.p.*
Rods, Wires and Others	**289.710**	**261.096**	***-10%***
Domestic Market	171.238	150.175	*-12%*
Export Market	117.025	109.668	*-6%*
Toll	1.446	1.253	*-13%*
Bars/Profiles/Rolled/Tubes/Fittings	**140.923**	**150.583**	***7%***
Domestic Market	81.337	95.121	*17%*
Export Market	44.966	45.705	*2%*
Toll	14.620	9.757	*-33%*
Byproducts	**126.307**	**122.951**	***-3%***
% of Revenue	*9,6%*	*15,9%*	*6,3 p.p.*
Domestic Market	42.291	27.625	*-35%*
Export Market	84.016	95.326	*13%*
Total Net Revenue	**1.321.710**	**774.824**	***-41%***
Domestic Market [%]	27%	48%	*77%*
Export Market [%]	72%	51%	*-29%*
Toll [%]	1,2%	1,4%	*17%*
REINTEGRA[2] Contribution	**667**	**5.421**	***713%***

Total Net Revenue totaled R$774.8 million in 1Q17, down 41% on 1Q16. Of the total revenue for the year, 48.9% came from the domestic market (28% in 1Q16) and 51.1% from the foreign market (72% in 1Q16).

In Primary Copper, Net Revenue reached R$240.2 million in 1Q17, 69% lower than in 1Q16 due to lower exports, as well as the devaluation of the US Dollar in the period. Of the total revenue of this segment in the year, 40% came from the domestic market and 60% from the foreign market.

In Copper Products, Net Revenue reached R$411.7 million in 1Q17, down 4% compared to 1Q16, where Bar, Profiles, Wires, Laminates, Tubes and Connections reached R$150.6 million in the year, up 7% Compared to the same period of the previous year, and Rebar, Wire and Other totaled R$261.1 million in the year, a reduction of 10% compared to 1Q16 of the total revenue from this segment, 62% came from the domestic market and 38% from the foreign market.

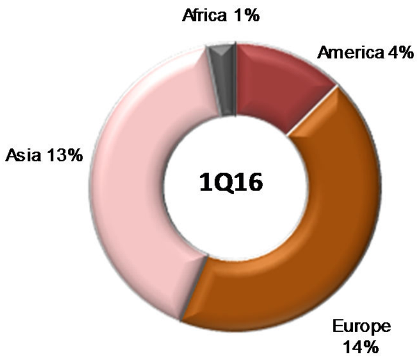
In Byproducts, Net Revenue totaled R$122.9 million in 1Q17, 3% lower than 1Q16. Of the total revenue from this segment, 22% came from the domestic market and 78% from the foreign market.

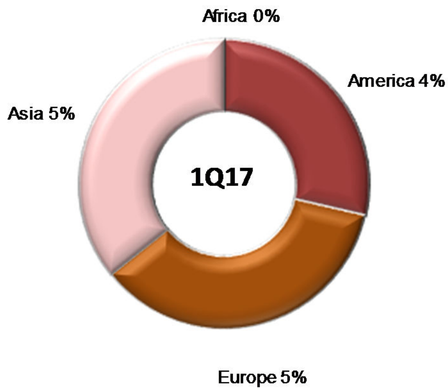
As can be seen in the graphs below, Asia and Europe continue to be the main destinations for sales in the foreign market, while in the domestic market follows the predominance of sales in the consumer electronics and civil construction sectors.

Net Revenue Breakdown

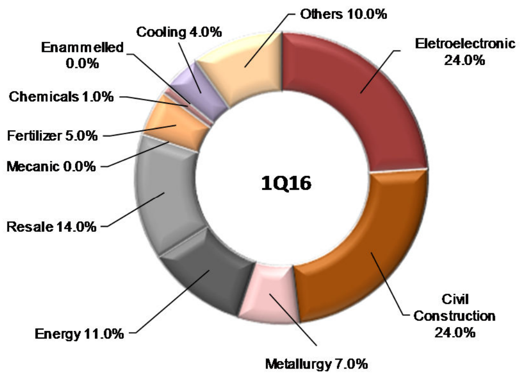
¹ Net Revenue considers hedge (hedge accounting). For an assessment of the behavior of Net Revenue without the impact of hedge accounting, see Attachment IV.
² REINTEGRA Special Regime to Reimburse the Taxation Amounts for exporting companies. A fiscal incentive that makes it possible, within specific conditions, for some Brazilian exporting companies to recover between 0.1% and 3% of export revenue.

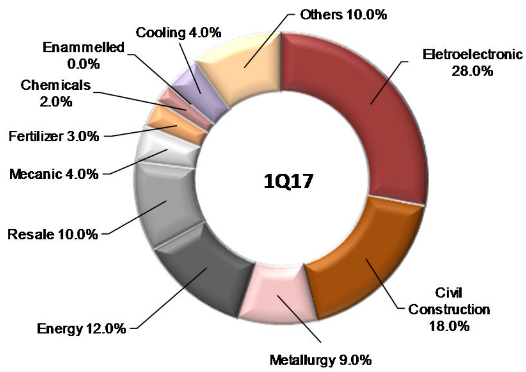
EM Revenue by Continent





DM Revenue by product segment





COSTS OF GOODS SOLD (COGS)

In R$ thd, except otherwise stated	1Q16	1Q17	Δ %
Metal Cost	(1,077,182)	(585,919)	*46%*
Transformation Cost	(154,780)	(101,596)	*34%*
Total COGS	**(1,231,962)**	**(687,515)**	***44%***
COGS Total/ton sold	*17.8*	*19.3*	*9%*
Metal Cost/ton sold	*15.6*	*16.5*	*6%*
Transformation Cost/ton sold	*2.236*	*2.857*	*28%*

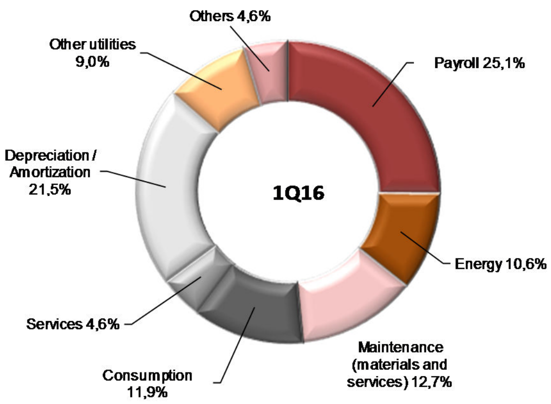
The 1Q17 COGS amounted to R$687.5 million, down 44% compared to 1Q16.

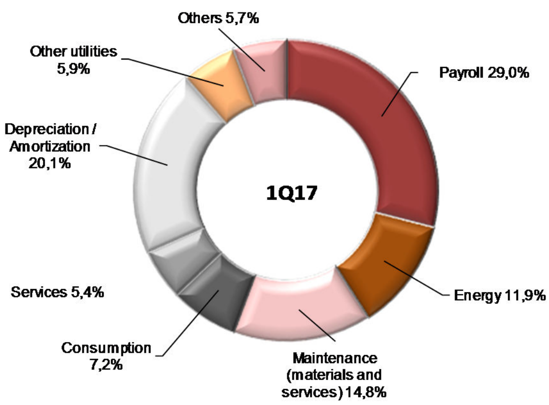
The Cost of Metal in Reais fell by 46% in the period, totaling R$585.9 million, as result of the decrease in sales volume and the price of the metal in Reais in the period.

The Cost of Transformation decreased by 34% in 1Q17 compared to 1Q16.

However, the Cost of Processing per tonne sold increased by 28% compared to the same period of 2016, due to the smaller scale of production and inflation during the period.

Composition of the Cost of Transformation - Annual





GROSS PROFIT

In R$ thd, except otherwise stated	1Q16	1Q17	Δ %
Net Revenue	**1.321.710**	**774.824**	***-41%***
Total COGS	**(1.231.962)**	**(687.515)**	***44%***
(-) Metal Cost	(1.077.182)	(585.919)	*46%*
(-) Transformation Cost	(154.780)	(101.596)	*34%*
Gross Profit	**89.748**	**87.309**	***-3%***
% of Revenue	*6,8%*	*11,3%*	*4,5 p.p.*
TC/RC (reduces metal cost)	*119.027*	*42.354*	*-64%*
Premiums	*244.528*	*188.905*	*-23%*
Premium/Net Revenue [%]	*18,5%*	*24,4%*	*5,9 p.p.*
Premium/ton sold	*3,53*	*5,31*	*50%*

Gross Profit reached R$87.3 million in 1Q17, down 3% compared to 1Q16. Gross Margin grew 4.5 p.p. in 1Q16 compared to the same quarter of 2016, resulting in 11.3% of Net Revenue in 1Q17.

Among the positive highlights, the Premium per tonne sold improved by 50% when compared to 1Q17 and 1Q16.

The reduction of the cost of the metal (TC/RC) showed a reduction of 64%, totaling R$42.3 million due to the decrease in volume and the blend of concentrate used in the production of the products sold in the period.

OPERATING EXPENSES

In R$ thd, except otherwise stated	1Q16	1Q17	Δ %
Total Operating Expenses	**(74.199)**	**(124.566)**	***-68%***
Sales Expenses	(8.755)	(6.685)	*24%*
G&A Expenses and Management Compensation	(19.652)	(21.664)	*-10%*
Employee Profit Sharing	(5.103)	(6.387)	*-25%*
Other Operating, net	(40.689)	(89.830)	*-121%*
Total Expenses/Net Revenue [%]	*5,6%*	*16,1%*	*10,5 p.p.*
Recurring Expenses/Gross Profit [%]*	*36,2%*	*42,0%*	*5,9 p.p.*
Recurring Expenses/ton sold*	*0,47*	*1,03*	*120%*
Non-recurring items:			
Provisions for contingencies **	(20.094)	(28.510)	*-42%*
Other provisions**	(4.190)	(256)	*94%*
Total Non-recurring Items:	**(41.726)**	**(87.857)**	***-111%***
Total Recurring Items:	**(32.473)**	**(36.709)**	**-13%**

Total Expenses reached R$124.6 million in 1Q17, an increase of 68% compared to 1Q16. This increase was mainly due to Other Net Operating Expenses, which totaled R$89.8 million in 1Q17, a 121% increase compared to 1Q16 and R$59.1 million due to idle capacity, R$41.6 million Relation to 1Q16 and R$28.5 of provisions for contingencies. In 2017, Total Operating Expenses compared to Net Revenue increased by 10.5 pp (from 5.6% in 2016 to 16.1% in 2017).

Recurring Expenses in 1Q17 amounted to R$36.8 million, an increase of 13%, or R$4.2 million compared to 1Q16, mainly due to expenses related to the debt reprofiling process.

Non-recurring expenses increased significantly, reaching R$87.9 million in 1Q17, an increase of 111% compared to 1Q16, mainly due to idle capacity and the provision for contingencies.

Selling Expenses totaled R$6.7 million and decreased by 24% in 1Q17 compared to 1Q16, due to actions to re-adjust expenses and organizational structure.

General and Administrative Expenses reached R$21.7 million in 1Q17, an increase of 10% compared to 1Q16.

Employee Participation increased by 25% in 1Q17 compared to 1Q16 as result of the Long-Term Incentive (ILP) provision relatively to prior year results.

FINANCIAL RESULT

In R$ thd, except otherwise stated	1Q16	1Q17	∆ %
Financial Income	**28.039**	**17.576**	*-37%*
Financial Expenses	**(49.877)**	**(39.439)**	*21%*
Net FX Variance	**(4.217)**	**18.709**	*544%*
Other Financial Income/Expenses	**(48)**	**811**	*1790%*
Hedge Operations:	**8.859**	**6**	***-100%***
Metal Hedge	17.358	1.412	*-92%*
Cash Flow Hedge (revenue and debt)	(7.318)	(1.379)	*81%*
Other Derivatives	(1.181)	(27)	*98%*
Net Financial Result	**(17.244)**	**(2.337)**	***86%***

Net Financial Result for 1Q17 was R$2.3 million negative, showing a significant improvement compared to 1Q16, and reflects the economic conditions in the period.

The Net Foreign Exchange Variation in 1Q17 was positive at R$18.7 million. During 1Q17, the US Dollar reached an average rate of R$3.15 (19.4% lower than the average rate in 1Q16 - R$3.90), with minimum rates of R$3.05 and a maximum of R$3.27.

NET RESULT

In R$ thd, except otherwise stated	1Q16	1Q17	∆ %
Result before Taxes	(1,694)	(39,594)	*-2237%*
Income Tax and Social Contribution	4,374	(3,554)	*-181%*
Net Result	**2,680**	**(43,148)**	***-1710%***
% of Revenues	*0.2%*	*-5.6%*	*-5.8 p.p.*

In 1Q17, Net Income was negative R$43.1 million negative, a result generated mainly by the lower utilization of installed capacity, generating higher spending on idle capacity.

In the quarter, the net margin on revenue was -5.6%, a worsening of 5.8pp. Compared to the same quarter of the previous year.

EBITDA AND ADJUSTED EBITDA

In R$ thd, except otherwise stated	1Q16	1Q17	Δ %
Net Profit	**2.680**	**(43.148)**	***-1710%***
(+) Taxes	(4.374)	3.554	*181%*
(-) Net Financial Result	17.244	2.337	*-86%*
EBIT	**15.550**	**(37.257)**	***-340%***
(+) Depreciation and Amortization	33.879	31.928	*-6%*
EBITDA	**49.429**	**(5.329)**	***-111%***
% of Revenue	*3,7%*	*-0,7%*	*-4,4 p.p.*
(+) Non-Recurring Items	(41.726)	(87.857)	*-111%*
Adjusted EBITDA	**91.155**	**82.528**	***-9%***
% of Revenue	*6,9%*	*10,7%*	*3,8 p.p.*

The Company's EBITDA was negative R$5.3 million in 1Q17, down 111% compared to 1Q16. The EBITDA margin was 0.7% negative in 1Q17, being -4.4 p.p. less than the number recorded in the same period of 2016 (3.7%).

Adjusted EBITDA reached R$82.5 million in 1Q17, down 9% compared to 1Q16. Adjusted EBITDA margin was 10.7% in 1Q17 compared to 6.9% in 1Q16, a change of 3.8 p.p.

WORKING CAPITAL

In R$ thd, except otherwise stated	1Q16	1Q17	Δ %
Account Receivable	474.090	388.971	*-18%*
Inventory	937.369	778.435	*-17%*
Recoverable Tax	217.181	211.867	*-2%*
Suppliers and Forfaiting and Credit Letter	(749.604)	(600.433)	*20%*
Advances from clients	(9.704)	(4.594)	*53%*
Total Working Capital	**869.332**	**774.246**	***-11%***
Change in Total Working Capital (compared with last quarter)	*318.576*	*(95.086)*	

Total Working Capital in 1Q17 was R$774.2 million, 11% lower than in 4Q16.

The balance of Accounts Receivable decreased by 18% in 1Q17 compared to 4Q16.

In relation to Inventory, there was a reduction of R$158.9 million in 1Q17 (17%) compared to 4Q16.

The Customer Advances account decreased by R$5.1 million (53%) in 1Q16 compared to 4Q16.

INVESTMENTS (Permanent Assets)

In R$ thd, except otherwise stated	1Q16	1Q16	∆ %
Fixed Assets	1.295.633	1.273.582	*-2%*
Intangibles	9.341	8.638	*-8%*
Others	2.250	2.250	*0%*
Total Investments	**1.307.224**	**1.284.470**	***-2%***
Depreciation	37.843	31.928	*-16%*
Depreciation/Net Revenue	*2,9%*	*4,1%*	*1,3 p.p.*

In the quarter, Total Investments reached R$1,284.5 million, down 1.7% compared to the previous quarter.

INDEBTEDNESS

In R$ thd, except otherwise stated	1Q16	1Q17	∆ %
Short Term	1,845,140	1,821,553	*-1%*
Derivatives	154,084	85,931	*-44%*
Total Indebtedness	**1,999,224**	**1,907,484**	***-5%***
Cash and Cash Equivalents	142,824	282,536	*98%*
Financial Investments	93,998	36,555	*-61%*
Collection Account[1]	23,128	32,209	39%
Derivatives	32,958	16,483	*-50%*
Total Cash	**292,908**	**367,783**	***26%***
Net Debt	**1,706,316**	**1,539,701**	***-10%***
LTM Adjusted EBITDA	355,445	346,818	-2%
Net Debt / LTM Adjusted EBITDA	4.80x	4.44x	*(0.36) x*
LC and Forfait	**595,833**	**555,575**	**-7%**
Net Debt + LC Forfait / LTM Adjusted EBITDA	6.48x	6.04x	(0.44) x

The Indebtedness in Reais in 1Q17 reached R$1,907.5 million (without Letters of Credit and Forfaits), representing a reduction of 5% compared to 4Q16. However, the total of the LC and Forfait lines, which are used for financing from suppliers, dropped by 7% compared to 4Q16.

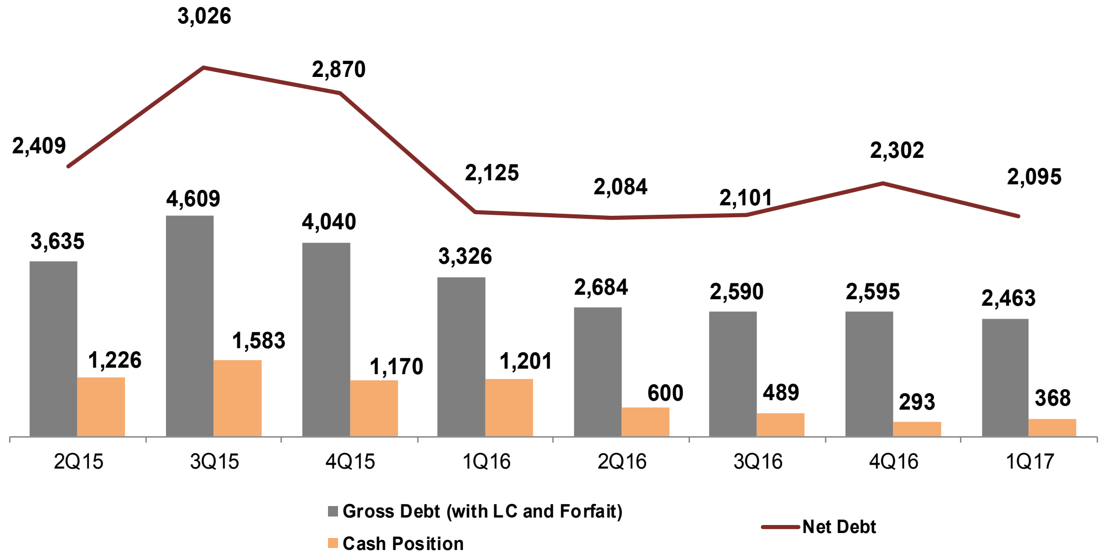
Total Cash at the end of 1Q17 reached R$367.8 million, an increase of R$74.9 million (26%) compared to 4Q16.

[1] Escrow Account: Foreign currency received and amount received from national customers withheld by the custodian bank as collateral to amortize loan installments.

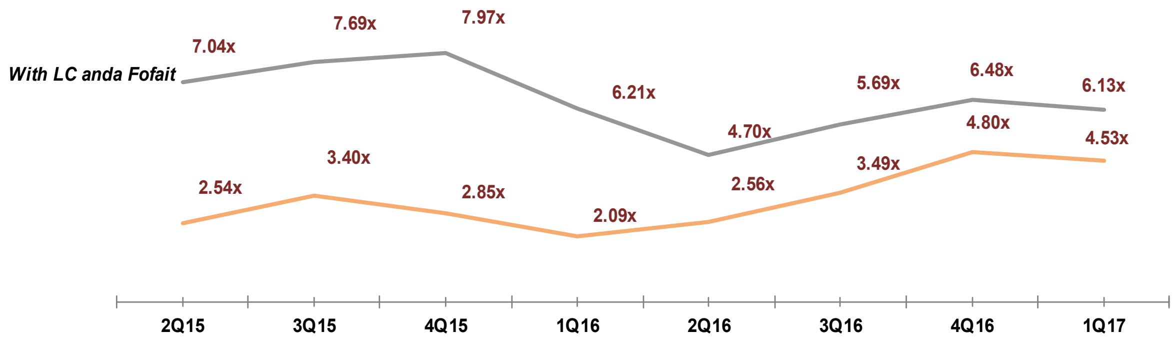
The accumulated Net Debt/Adjusted EBITDA ratio in the last 12 months, used for covenants in some financing agreements, reached 4.44x, being 0.36x lower than the 4Q16 leverage. The Company continues negotiations with its creditors regarding the reprofiling of its debt, in relation to which the criteria and targets of covenants will be adjusted.

For the purposes of managerial analysis, when considering LC and Forfait operations, the leverage would reach 6.04x in 1Q17, 0.44x lower compared to 4Q16.

Below are the graphs and chart with the profile of the Company's indebtedness:



Leveraging and Net Debt/LTM Adjusted EBITDA:



CASH FLOW

In R$ thd, except otherwise stated	1Q16	1Q16	∆ %
Cash and Cash Equivalents at the beginning of period	**161.440**	**142.824**	***-12%***
Operational Activities *(without LC and Forfait*)*	(306.109)	198.571	*165%*
Investment Activities	166.743	38.506	*-77%*
Financing	*125.821*	*57.443*	*-54%*
Collection account	*69.048*	*(9.081)*	*(1)*
Capex	*(26.248)*	*(9.856)*	*62%*
Others	*(1.878)*	*0*	*n.a*
Financing Activities	120.750	(97.365)	*-181%*
Increase (Decrease) of Cash	**(18.616)**	**139.712**	***850%***
Cash and Cash Equivalents at the end of period	**142.824**	**282.536**	*98%*
% Adjusted EBITDA conversion to Operating Cash	*-30%*	*42%*	

At the close of 1Q17, the Company had cash and cash equivalents of R$282.5 million, an increase of 98% compared to 4Q16.

The cash generated from Operating Activities was R$198.6 million (excluding LC and Forfait).

Within Investment Activities, there was a reduction in financial investments compared to 4Q16.

In relation to Financing Activities, during 1Q17 the movement was R$97.4 million related to debt and Forfait/LC (partially rolled over to other debt instruments), resulting from the scenario of reduction of credit limits with banks, in the context of debt reprofiling.

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The Company complies with the rules of the New Market Arbitration Chamber, as set forth in its Bylaws.

Paranapanema contracted PwC Auditores Independentes in 2017 to provide audit services for its financial statements.

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Balance sheets
As at March 31, 2017 and 2016
(In thousands of Reais)

		Parent company		Consolidated	
ASSETS	**Notes**	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
Cash and cash equivalents	05	**187.224**	139.492	**282.536**	142.824
Financial investments	05	**32.264**	87.636	**32.264**	87.936
Linked account deposits/guarantees	06	**8.614**	20.865	**32.209**	23.128
Accounts receivables	07	**389.726**	558.965	**374.306**	452.593
Inventory	08	**762.210**	923.995	**778.435**	937.369
Tax recoverables	09	**62.029**	70.927	**65.428**	72.742
Other Current assets	10.1	**7.638**	50.646	**8.887**	50.657
Derivatives	28	**16.471**	32.934	**16.483**	32.958
Prepaid expenses		**19.506**	12.332	**19.941**	12.829
Total current assets		**1.485.682**	1.897.792	**1.610.489**	1.813.036
Interest earning bank deposits	05	**4.291**	6.062	**4.291**	6.062
Accounts receivable	07	**1.005**	1.845	**14.665**	21.497
Tax recoverables	09	**146.415**	144.340	**146.439**	144.439
Maintained assets for sale	11	**110.706**	110.568	**110.706**	110.568
Deferred Income Tax and Social Contribution	26.1	**-**	-	**15.672**	14.208
Legal deposits	10.2	**34.357**	33.801	**34.357**	33.801
Other non-current assets	10.1	**273.847**	82.375	**84.721**	82.376
Prepaid expenses		**10.381**	11.201	**10.381**	11.201
		581.002	390.192	**421.232**	424.152
Investments	12	**9.940**	7.179	**-**	-
Other Investments		**2.250**	2.250	**2.250**	2.250
Property, plant and equipment	13	**1.272.458**	1.294.487	**1.273.582**	1.295.633
Intangible assets	13	**8.638**	9.341	**8.638**	9.341
		1.293.286	1.313.257	**1.284.470**	1.307.224
Total non-current assets		**1.874.288**	1.703.449	**1.705.702**	1.731.376
Total assets		**3.359.970**	3.601.241	**3.316.191**	3.544.412

The accompanying notes are an integral part of the Quarterly Information (ITR)

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Balance sheets
As at March 31, 2017 and 2016
(In thousands of Reais)

		Parent company		Consolidated	
LIABILITIES	**Notes**	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
Suppliers	14	**91.096**	212.373	**44.833**	153.743
Forfaiting and Letter of Credit Operations	15	**555.575**	595.833	**555.575**	595.833
Loans and financing	16	**1.821.545**	1.845.131	**1.821.553**	1.845.140
Derivatives	28	**85.931**	154.072	**85.931**	154.084
Payroll and related charges	17	**40.733**	42.008	**40.977**	42.306
Tax payable	18	**24.629**	16.208	**24.644**	16.470
Income tax and Social contribution for the current year	26.2	**-**	-	**414**	-
Cash and cash equivalents	20	**24.737**	24.560	**24.737**	24.560
Advances from clients	20	**3.767**	9.332	**4.594**	9.704
Other current liabilities	20	**51.214**	47.416	**52.190**	48.264
Total current liabilities		**2.699.227**	2.946.933	**2.655.448**	2.890.104
Suppliers	14	**25**	28	**25**	28
Tax payable	18	**393**	465	**393**	465
Legal deposits	19	**206.674**	189.454	**206.674**	189.454
Deferred Income Tax and Social Contribution	26.1	**211.955**	207.351	**211.955**	207.351
Total non-current liabilities		**419.047**	397.298	**419.047**	397.298
Total liabilities		**3.118.274**	3.344.231	**3.074.495**	3.287.402
Paid-in Capital		**1.382.990**	1.382.990	**1.382.990**	1.382.990
Revaluation reserves		**225.085**	226.827	**225.085**	226.827
Equity valuation adjustments		**(1.037.736)**	(1.065.570)	**(1.037.736)**	(1.065.570)
Treasury shares		**(741)**	(741)	**(741)**	(741)
Retained earnings		**(327.902)**	(286.496)	**(327.902)**	(286.496)
Shareholders' Equity	21	**241.696**	257.010	**241.696**	257.010
Total Shareholders' equity		**241.696**	257.010	**241.696**	257.010
Total liabilities and equity		**3.359.970**	3.601.241	**3.316.191**	3.544.412
Net equity per share – in Brazilian reais (R$)		**0,76**	0,81		

The accompanying notes are an integral part of the Quarterly Information (ITR)

Statements of income
Years ended March 31, 2017 and 2016
(In thousands of Reais, except earnings per share)

		Parent company		Consolidated	
	Notes	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Net sales	22	**901.676**	1.467.277	**774.824**	1.321.711
Cost of goods sold	23	**(816.135)**	(1.382.345)	**(687.515)**	(1.231.962)
Gross income		**85.541**	84.932	**87.309**	89.749
Commercial	23	**(6.307)**	(7.685)	**(6.685)**	(8.755)
General and administrative	23	**(19.155)**	(17.263)	**(19.903)**	(18.042)
Management fees	12.d	**(1.761)**	(1.610)	**(1.761)**	(1.610)
Equity	12.1	**2.768**	(11)	**-**	-
General and administrative		**(6.377)**	(5.226)	**(6.387)**	(5.103)
Other operating expenses	24	**(94.337)**	(45.392)	**(95.170)**	(45.643)
Other operating income	24	**5.310**	4.772	**5.340**	4.954
Operating revenue and expenses		**(119.859)**	(72.415)	**(124.566)**	(74.199)
Operating income (loss) before financial income (loss)		**(34.318)**	12.517	**(37.257)**	15.550
Financial expenses	25	**(172.459)**	(484.861)	**(179.915)**	(492.327)
Financial income	25	**168.232**	470.751	**177.578**	475.083
Income (loss) before income and social contribution taxes		**(38.545)**	(1.593)	**(39.594)**	(1.694)
Income tax for the current year	26.2	**-**	-	**(302)**	(94)
Social contribution for the current year	26.2	**-**	-	**(112)**	(36)
Deferred income and social contribution taxes	26	**(4.603)**	4.273	**(3.140)**	4.504
		(4.603)	4.273	**(3.554)**	4.374
Income (or loss) for the year from continued operating activities		**(43.148)**	2.680	**(43.148)**	2.680
Income (or loss) for the year		**(43.148)**	2.680	**(43.148)**	2.680
Earnings (loss) per share - common		**(0,1352)**	0,0084		

The accompanying notes are an integral part of the Quarterly Information (ITR)

Statements of comprehensive income
Three month periods ended March 31
(In thousands of Reais)

	Parent company		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Income (loss) for the year	**(43.148)**	2.680	**(43.148)**	2.680
Other comprehensive income	**27.834**	279.643	**27.834**	279.643
Hedge Cash flow – Export income ACC/PPE	**20.078**	126.845	**20.078**	126.845
Hedge Cash flow – NDF sales income	**7.820**	81.206	**7.820**	81.206
Hedge Cash flow – Cost Metal x Future Stock Exchange	**(18)**	(136)	**(18)**	(136)
Hedge Cash flow NDF - Capex	**-**	(520)	**-**	(520)
Hedge Cash flow – Other debts	**(40)**	72.416	**(40)**	72.416
Earnings from Foreign exchange on foreign investment	**(6)**	(168)	**(6)**	(168)
Comprehensive income for the year	**(15.314)**	**282.323**	**(15.314)**	**282.323**
Allocated to:				
Controlling shareholders			**(15.314)**	282.323
Non-controlling shareholders				

The accompanying notes are an integral part of the Quarterly Information (ITR)

Statements of changes in equity
Periods ending on March 31
(In thousands of Reais)

	Paid in capital	Treasury shares	Profit reserve: Legal reserve	Profit reserve: Profit retention reserve	Accumulated earnings (loss)	Equity valuation adjustment	Revaluation reserve	Partners shareholders' Equity	Consolidated shareholders' equity
December 31, 2015	1.382.990	(741)	5.092	72.558	-	(1.351.272)	235.849	344.476	344.476
MTM financial instruments, net of taxes	-	-	-	-	-	279.811	-	279.811	279.811
Earnings and losses from foreign exchange variations - Foreign investment	-	-	-	-	-	(168)	-	(168)	(168)
Equity evaluation adjustment	-	-	-	-	3.003	-	(3.003)	-	-
Tax on realization of equity evaluation adjustment	-	-	-	-	(648)	-	648	-	-
Other comprehensive income	-	-	-	-	2.355	279.643	(2.355)	279.643	279.643
Income for the year	-	-	-	-	2.680	-	-	2.680	2.680
March 31, 2016	1.382.990	(741)	5.092	72.558	5.035	(1.071.629)	233.494	626.799	626.799
December 31, 2016	1.382.990	(741)	-	-	(286.496)	(1.065.570)	226.827	257.010	257.010
MTM financial instruments, net of taxes	-	-	-	-	-	27.840		27.840	27.840
Earnings and losses from foreign exchange variations - Foreign investment	-	-	-	-	-	(6)	-	(6)	(6)
Equity evaluation adjustment	-	-	-	-	2.225	-	(2.225)	-	-
Tax on realization of equity evaluation adjustment	-	-	-	-	(483)	-	483	-	-
Other comprehensive income	-	-	-	-	1.742	27.834	(1.742)	27.834	27.834
Loss for the year	-	-	-	-	(43.148)	-	-	(43.148)	(43.148)
March 31, 2017	1.382.990	(741)	-	-	(327.902)	(1.037.736)	225.085	241.696	241.696

The accompanying notes are an integral part of the Quarterly Information (ITR)

Statements of cash flow
Three month periods ended March 31
(In thousands of Reais)

	Parent company		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Income before taxes	**(38.545)**	(1.593)	**(39.594)**	(1.694)
Adjustments for reconcile net profit				
with funds provided by (used in) operating activities				
Residual value of written-off fixed assets	**651**	1	**651**	1
Depreciation and amortization	**31.909**	33.876	**31.928**	33.879
Equity in net income	**(2.768)**	10	**-**	-
(Reversion)/Provision for recoverable value estimated loss	**(2.215)**	(639)	**(2.470)**	(638)
Reversions of others estimated losses	**-**	(12)	**-**	(12)
Provision judicial losses	**28.510**	20.094	**28.510**	20.094
Present value adjustment - receivables and suppliers	**(213)**	(661)	**(5.064)**	135
Losses (Gains) on financial charges	**23.608**	(39.161)	**23.599**	(39.161)
Shareholder's equity provisions	**-**	183	**-**	-
	40.937	12.098	**37.560**	12.604
(Increase) decrease in assets				
Accounts receivable	**157.699**	75.550	**77.870**	76.468
Inventory	**156.857**	426.178	**154.006**	418.003
Tax recoverable	**6.823**	18.180	**5.314**	17.224
Prepaid expenses	**(6.354)**	(6.872)	**(6.292)**	(6.894)
Legal deposits	**(556)**	(1.268)	**(556)**	(1.268)
Derivatives	**24.265**	386.332	**24.277**	386.331
Maintained assets for sale	**(138)**	-	**(138)**	-
Other current and non-current liabilities	**(148.464)**	(46.564)	**39.425**	(45.743)
Increase (decrease) in liabilities				
Suppliers	**(71.440)**	221.174	**(59.098)**	223.082
Forfaiting and Credit letter operations	**(45.152)**	(434.785)	**(45.152)**	(434.785)
Taxes payable	**8.349**	12.323	**8.102**	12.319
Write-offs for judicial demands	**(11.290)**	(23.541)	**(11.290)**	(23.541)
Payroll and social charges	**(1.275)**	(8.655)	**(1.329)**	(8.920)
Derivatives	**(68.141)**	(150.449)	**(68.153)**	(150.744)
Advances from clients	**(5.509)**	(52.793)	**(5.054)**	(53.348)
Other current and non-current liabilities	**3.798**	(44.727)	**3.927**	(44.056)
	40.409	382.181	**153.419**	376.732
Financial investments	**(49.570)**	(327.617)	**(378.676)**	(327.617)
Redemption of financial investments	**106.713**	400.291	**436.119**	400.291
Other Investments	**-**	(1)	**-**	(1)
Linked account deposits / Guarantees	**12.251**		**(9.081)**	
Variance of subsidiaries	**1**	1	**-**	(167)
Fixed assets and intangible additions	**(9.859)**	(15.249)	**(9.856)**	(15.249)
Net cash generated by investing activities	**59.536**	57.425	**38.506**	57.257
Financing activities				
Loans and Financing	**-**	93.418	**-**	93.417
Amortization of loans and financing	**(33.594)**	(98.204)	**(33.594)**	(98.204)
Amortization of financial charges	**(18.619)**	(19.884)	**(18.619)**	(19.884)
	(52.213)	(24.670)	**(52.213)**	(24.671)
Decrease in cash and cash equivalents	**47.732**	414.936	**139.712**	409.318
Cash and cash equivalents at the beginning of the year	**139.492**	248.151	**142.824**	253.713
Cash and cash equivalents at the end of the year	**187.224**	663.087	**282.536**	663.031
Decrease in cash and cash equivalents	**47.732**	414.936	**139.712**	409.318

The accompanying notes are an integral part of the Quarterly Information (ITR)

Statements of added value
Three month periods ended March 31
(In thousands of Reais)

	Parent company				Consolidated			
		1st Quarter 2017		1st Quarter 2016		1st Quarter 2017		1st Quarter 2016
Income								
Sale of goods and services		**1.009.473**		1.588.347		**850.305**		1.405.027
(Provision) reversal of credits for doubtful accounts		**(2.326)**		1.042		**(2.624)**		1.040
Other income		**4.632**		3.899		**4.661**		3.899
Inputs acquired from third parties (Including taxes)								
Cost of goods and services sold		**(767.813)**		(1.226.811)		**(639.149)**		(1.077.183)
Materials, Energy, Third party services and other		**(143.157)**		(141.200)		**(145.852)**		(142.647)
Net added value		**100.809**		225.277		**67.341**		190.136
Retentions								
Depreciation and amortization		**(31.909)**		(33.876)		**(31.928)**		(33.879)
Net added value		**68.900**		191.401		**35.413**		156.257
Received from third parties								
Equity equivalence result		**2.768**		(10)		**-**		-
Financial income		**168.232**		470.751		**177.578**		475.083
Total Net added value payable		**239.900**		662.142		**212.991**		631.340
				-				
Net added value payable	100%	**239.900**	100%	662.142	100%	**212.991**	100%	631.340
Personnel and charges	22,9%	**54.928**	8%	54.218	26,2%	**55.760**	9%	55.027
Taxes and contributions	20,3%	**48.762**	17%	115.295	6,3%	**13.400**	12%	75.717
Interest and rents	74,8%	**179.358**	74%	489.949	87,8%	**186.979**	79%	497.916
Net income (loss) for the year	-18,0%	**(43.148)**	0%	2.680	-20,3%	**(43.148)**	0%	2.680

The accompanying notes are an integral part of the Quarterly Information (ITR)

01. Operations

Paranapanema S.A., ("Paranapanema", the "Parent" or the "Company") is a publicly-traded corporation headquartered in the city of Dias D'Ávila, in the State of Bahia, at Via do Cobre, n° 3.700, West Industrial Area, Prédio Administrativo I, Complexo Petroquímico de Camaçari - COPEC.

The Company's individual and consolidated Quarterly Financial Report for the period ended March 31, 2017 includes the Company and its subsidiaries and should be read in conjunction with the Reference Form (FRE). The Company and its subsidiaries are engaged in industrial activities related to the transformation and processing of ores and their byproducts, and metallurgical activities for ferrous and non-ferrous products such as strips, bars and profiles, tubes, rods, cast, manufactured and semi-manufactured industrial parts and components intended for domestic and export markets.

The Company incurred an individual and consolidated net loss of R$43,148. The consolidated net working capital, which corresponds to the difference between current assets and current liabilities, as of March 31, 2017, was negative R$1,044,959 (negative R$343,542 as of December 31, 2016). This increase is mainly due to the reclassification of total loans from non-current liabilities to current liabilities due to breaches of covenant clauses in some long term debt contracts. These covenants are subject to review in the debt reprofiling process and will be redefined based on the business plan.

The Company's Quarterly Financial for the year ended March 31, 2017 were prepared based on an assumption of operational continuity in line with the business plan, which includes projected cash flow. Several financial and business assumptions were considered for these projections, as well as new capital injections, new credit lines and the intensification of actions to monetize non-operating assets, reprofile the Company's debt and readjust the capital structure. Management believes that the business plan presented is adequate, within reasonable assumptions for its realization. It should be noted, however, that there are unforeseeable external variables which can impair the Company's capacity to continue its operations.

Paranapanema's business model relies heavily on investments and financing obtained through bank credit lines and financing. As a result of constraints on the credit market in the Brazilian domestic market in 2016 and early 2017, the Company has been working hard to implement measures to strengthen and readjust its capital structure, liquidity and debt profile. The Company is assisted by RK Partners in this process.

On April 20, 2017, Paranapanema disclosed to the market that it had signed the Non-Binding Memorandum of Understanding for Debt Renegotiation (MoU) with its main creditors ("Consenting Creditors").

On the same date, the Company formalized with the Consenting Creditors a Standstill Agreement for a term of 30 (thirty) days counting from the present date. Under this Standstill Agreement, which is subject to termination clauses common to contracts of this nature, the Consenting Creditors commit not to take measures to collect their credits, including abstaining from accelerating the due dates of obligations to pay principal or interest, not to execute guarantees, or not to make voluntary appointments at credit protection agencies as a result of the financial instruments and/or bank debt listed in the Standstill Agreement.

Within the scope of referred MoU, the Company and Consenting Creditors will undertake their best efforts to advance in negotiations, in good faith, under the terms and conditions of the debt renegotiation process with the Consenting Creditors, who represent 84% of the total Company debt ("Renegotiation" and "Debt subject to MoU")

The Company expects by the end of Renegotiation to sign with all stakeholders the final contracts related to the restructuring and reprofiling of debts subject to the MoU, creating conditions for the Company to readjust its capital structure. Under MoU terms, the signing of the final contracts is subject to certain suspensive conditions, including obtaining approval from the Consenting Creditors' Credit Committees, which might not happen.

The MoU predicts that the Final Contracts can cover term extensions, fees/interest reductions, grant amortization grace periods, as well as permitting the partial conversion of debt into equity and/or Company debt convertible securities.

Additionally, as previously communicated, the Company has maintained points of agreement with some shareholders and with potential strategic investors to raise new capital.

The Company's Management will keep the market informed about the signing of the Final Contracts, emphasizing that non-approval could affect the success of the business plan, and the assumption of business continuity in the elaboration of the Company individual and consolidated Financial Statements. On the approval date of these Financial Statements, it is not possible to estimate potential impacts on operations and the respective effects on Company assets and financials in case the Final Contracts are not approved.

Paranapanema's shares have been listed and traded on the BM&F BOVESPA S.A. - Stock, Commodities and Futures Exchange since 1971, and in the "New Market" segment since 2012 under the code PMAM3.

Group entities – "Subsidiaries"

The Company had the following equity in its direct subsidiaries at the respective dates:

Subsidiaries	03/31/2017	12/31/2016
CDPC-Centro de Distrib. de Produtos de Cobre Ltda Company with headquarters in the city of Santo Andre, in the State of São Paulo, Brazil. Its key business purpose is the marketing and distribution of copper, goods and other ores, alloys and their resulting products and byproducts.	99,99%	99,99%
Caraíba Incorporated Ltd. Company with headquarters in the Cayman Islands, established on July 8, 2005. The Company is currently inactive	100,00%	100,00%
Paraibuna Agropecuária Ltda. Company with headquarters in the city of Santo Andre, in the State of São Paulo, Brazil. The business purpose is to carry out agricultural and pastoral activities. The Company is currently inactive.	99,98%	99,98%
Paranapanema Netherlands B.V. Company with headquarters in the city of Amsterdam, The Netherlands, established on April 09, 2014. The Company is currently inactive.	100,00%	100,00%
Rio Negro Mineração e Com Ltda Company with headquarters in the city of Santo Andre, state of São Paulo, Brazil, established on July 30, 1974. The Company is currently inactive.	99,99%	99,99%

02. Preparation basis

A) Declaration of compliance (in relation to IFRS and CPC standards)

The Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), IAS 34 – "Interim Financial Reporting", and in accordance with the accounting practices adopted in Brazil, CPC 21 (R1) – "Interim Statements".

The presentation of the individual and consolidated Statement of Value Added (DVA) is required by Brazilian corporate law and by the accounting practices adopted in Brazil applicable to publicly-held companies. IFRS does not require the presentation of this statement. As a consequence, under IFRS, this statement is presented as supplementary information, without prejudice to the Quarterly Financial Report.

The issuance of the Individual and Consolidated Financial Statements was authorized by the Company's Board of Directors at a meeting held on May 15, 2017.

Measuring basis

The consolidated Quarterly Financial Report information was prepared based on a historical costs basis, except for the following material items recognized in the balance sheets:

- Derivative financial instruments measured at fair value;
- Non-derivative financial instruments designated and measured at fair value through profit or loss;
- Hedged metals inventory measured at fair value in R$ through profit or loss.

B) Functional currency and presentation currency

This individual and consolidated Quarterly Financial Statements are being presented in Brazilian Reais (R$), the functional currency of the Company. All financial information presented in Brazilian Reais has been rounded to the nearest thousands, except as otherwise indicated.

C) Use of estimates and judgments

The preparation of individual and consolidated Financial Statements information according to IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. The actual results could differ from these estimates.

Estimates and assumptions are reviewed continuously, and revisions to estimates are recognized prospectively.

D) Uncertainty regarding assumptions and estimates

Information on uncertainties related to assumptions and estimates that carry a significant risk of resulting in a material adjustment during the year ending December 31, 2017 are included in the following notes:

- Note 13 – Fixed Assets: Main assumptions on the recoverable values of assets and a substantive analysis of the useful life;

- Note 19 - Provision for Judicial Claims: The main assumptions regarding the probability and size of cash disbursements;

- Note 26 - Deferred income and social contribution taxes: Availability of future taxable profits to offset accumulated losses;

- Note 28 - Derivative financial instruments.

03. Measuring the fair value

A number of Company accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, additional information regarding the assumptions used to determine the fair values is disclosed in the notes specific to the respective assets or liabilities.

A) Forward exchange rate agreements and interest rate swaps

The fair values of exchange rate forward contracts and interest rate swap contracts are based on brokerage prices. These quotations are tested for reasonableness by estimating the discounted future cash flow based on contract conditions and maturities, and using market interest rates of similar instruments on the measurement date. The fair values reflect the instrument credit risk and include adjustments to consider the credit risk of Paranapanema, its subsidiaries and counterparties, when appropriate.

B) Metal inventory

The fair value of metals inventory is marked-to-market using the USD future price curve of the London Metal Exchange (LME) and the London Bullion Market Association (LBMA) converted into R$ using the month end exchange rate (PTAX). Future prices variations are reflected at each production stage considering the estimated time to sell this inventory.

C) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value upon initial recognition and, at each annual reporting date for disclosure purposes. The fair value is calculated based on the present value of principal and future cash flow, discounted at market interest rate on the measurement date. For convertible debt securities, the market interest rate is determined with reference to similar liabilities that do not have a conversion option. For financial leases, the interest rate is calculated by referring to similar lease agreements.

04. Main accounting policies

The Quarterly Financial Report follows the same principles, methods and GAAPs, except where indicated, as the annual Financial Statements as at December 31, 2016.

New standards and interpretations not yet adopted

A number of new standards, changes in standards and interpretations will be effective for years beginning after January 1, 2017 and were not adopted for the preparation of these interim financial statements. Those that may be relevant to the Company are mentioned below. The Company has not yet analyzed potential impacts of the adoption of these new standards.

A) Disclosure Initiative (Review of CPC 3 (R2)/IAS 7)

The amendments require additional disclosure to allow users of financial statements to understand and evaluate changes in liabilities arising from financing activities, changes in cash flow and any other changes.

Changes are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted only for quarterly financial statements in accordance with IFRS.

B) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to CPC 32/IAS 12)

Changes clarify the accounting of deferred tax assets for unrealized losses on debt instruments measured at fair value. Changes are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted only for quarterly financial statements in accordance with IFRS.

C) IFRS 9 (CPC 48) – "Financial Instruments"

IFRS 9 (CPC 48) replaces existing guidance in IAS 39 (CPC 38) – "Financial Instruments": "Recognition and Measurement". IFRS 9 (CPC 48) includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard maintains the existing guidance on the recognition and derecognition of financial instruments in IAS 39. IFRS 9 (CPC 48) is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted only for Quarterly Financial Statements in accordance with IFRS. The Company is evaluating the potential impact on its quarterly financial statements.

D) IFRS 15 (CPC 47) – "Revenue from Contracts with Customers"

IFRS 15 (CPC 47) introduces a comprehensive framework for determining whether and when a revenue is recognized, and how revenue is measured. IFRS 15 (CPC 47) replaces the current revenue recognition standards, including CPC 30 (IAS 18) – "Revenue", CPC 17 (IAS 11) – "Construction Contracts" and CPC 30 Interpretation A (IFRIC 13) – "Customer Loyalty Program Agreements". IFRS 15 (CPC 47) is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted only for quarterly financial statements in accordance with IFRSs. The Company is evaluating the potential impact on its quarterly financial statements.

E) Changes to CPC 36 – "Consolidated Statements" (IFRS 10) and CPC 18 – "Investments in Subsidiaries and Joint Ventures" (IAS 28)

Changes to CPC 36 and CPC 18 in relation to sales or contributions of assets between an investor and an associated company or jointly controlled enterprise.

There are no other IFRS or IFRIC interpretations that significantly impact the Company's quarterly financial statements, which have not yet come into effect and that could have a material impact on the Company.

05. Cash and cash equivalents and interest earning bank deposits

		Parent company		Consolidated	
	Notes	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Cash and banks		**184.033**	134.501	**184.245**	137.833
Interest earning bank deposits	(b)	**-**	-	**95.100**	-
Foreign exchange received	(a)	**3.191**	4.991	**3.191**	4.991
Cash and cash equivalents		**187.224**	139.492	**282.536**	142.824
Interest earning bank deposits	(c)	**36.555**	93.698	**36.555**	93.998
Interest earning bank deposits		**36.555**	93.698	**36.555**	93.998
		223.779	233.190	**319.091**	236.822
Interest earning bank deposits current assets		**32.264**	87.636	**32.264**	87.936
Interest earning bank deposits non-current assets		**4.291**	6.062	**4.291**	6.062

a) Cash held in foreign currency

Refer to cash in foreign currency (mainly USD) received from clients abroad which are pending exchange rate liquidation, compensation of any financing related to pre-export payments, or other cash settlements by the Company and its subsidiaries in foreign currency.

b) Cash savings classified as cash and cash equivalents

Refers to bank savings certificates and buyback debentures at Market value, which maturity is equal or less than 90 days. They are highly liquid low interest fluctuation risks. On March 31, 2017 these savings yielded 96.66% of CDI, measured at fair value through P&L.

c) Financial Investments

Refer to bank deposit certificates and buyback debentures reflecting normal market conditions as of the Financial Statement closing dates, and yields an average of 96.66% of CDI as at March 31, 2017 (91.33% in December 31, 2016) in the consolidated statements, measured at fair value.

As of March 31, 2017, the Company had R$36,555 (R$50,053 as at December 31, 2016) of financial savings given as guarantees of electricity power purchase transactions in the free market, future US Dollar denominated working capital, and bank guarantees.

Following Paranapanema's investment policy, the Company keeps its cash surplus in low risk saving accounts or treasury bonds held by first-line financial institutions (based on ratings from the main credit agencies).

06. Bank Collateral Account

Of the total amount of R$32,209, in the consolidated statement, R$2,042 refers to foreign currency received, withheld by Banco Bradesco - New York as collateral for the payment of short term installments of the export prepayment loan (PPE) and R$30,167 refers to amounts received from collections, withheld by Banco do Brasil as collateral for the amortization of short term loan installments.

	Parent company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Amortization of portions of export prepayment loans (PPE)	**2.042**	7.964	**2.042**	7.964
Amortization of short-term loans	**6.572**	12.901	**30.167**	15.164
Current assets	**8.614**	20.865	**32.209**	23.128

07. Trade accounts receivable

		Parent company		Consolidated	
	Notes	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Domestic clients:					
Third parties		**169.115**	166.389	**256.643**	264.753
Adjustment to present value - Third-parties		**(893)**	(961)	**(6.678)**	(1.574)
Related parties	*12.2*	**82.451**	183.379	**-**	-
AVP Related parties	*12.2*	**(577)**	(282)	**-**	-
Estimated loss on recoverable value		**(54.897)**	(52.256)	**(56.526)**	(53.630)
Foreign clients:					
Third parties		**196.567**	265.970	**196.567**	265.970
Adjustment to present value		**(440)**	(409)	**(440)**	(409)
Estimated loss on recoverable value		**(595)**	(1.020)	**(595)**	(1.020)
		390.731	560.810	**388.971**	474.090
Current assets		**389.726**	558.965	**374.306**	452.593
Non-current assets		**1.005**	1.845	**14.665**	21.497

The aging of accounts receivable, net of any impairment losses, is as follows:

	Parent company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Due in more than 120 days	**1,638**	2,627	**25,688**	23,197
Due in 91 to 120 days	**4,689**	3,490	**16,755**	3,620
Due in 61 to 90 days	**57,390**	36,684	**51,630**	45,065
Due in 31 to 60 days	**158,612**	111,507	**108,846**	132,124
Due in 30 days	**138,570**	343,032	**160,477**	252,779
Overdue up to 30 days	**12,980**	63,551	**8,216**	14,168
Overdue from 31 to 60 days	**17,774**	511	**17,821**	4,060
Overdue from 61 to 90 days	**4**	-	**4**	-
Overdue for more than 120 days	**984**	860	**6,652**	860
	392,641	562,262	**396,089**	475,873
Adjustment to present value	**(1,910)**	(1,652)	**(7,118)**	(1,983)
Other	**-**	200	**-**	200
	390,731	560,810	**388,971**	474,090
Current assets	**389,726**	558,965	**374,306**	452,593
Non-current assets	**1,005**	1,845	**14,665**	21,497

The Company is exposed to credit risk due to defaults on accounts receivable. The Company mitigates this risk applying policies and standards for credit monitoring and overdue bills. The Company establishes provisions for estimated losses on doubtful accounts (PECLD) to reduce the recoverable value of accounts receivable whenever it identifies evidence that amounts may not be received.

Changes in the Estimated Doubtful Accounts Provision are shown below:

	Parent company	Consolidated
Balance as of December 31, 2016	(53.276)	(54.650)
Provisions for the year	**(2.326)**	**(2.624)**
Realized	**110**	**153**
Balance as of March 31, 2017	**(55.492)**	**(57.121)**

The balance of estimated losses on trade accounts receivable is composed of trade receivables overdue for more than 60 days and trade receivables where there is any evidence that cash may not be received, except when backed by collateral or cash in advance open balances. The collateral balance was R$6,652 as of March 31, 2017 (R$860 as at December, 31, 2016). Expenses subject to the recognition of a provision for doubtful receivables are recorded in the statements of income, under the caption “Other operating income (expenses)”.

08. Inventory

	Parent company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Raw materials	**332.110**	265.977	**332.110**	265.977
Work in progress	**121.081**	218.567	**121.081**	218.567
Finished products	**177.528**	234.343	**177.528**	234.343
Imports in transit	**-**	57.433	**-**	57.433
Advances to suppliers for purchases of raw material	**98.436**	111.223	**98.436**	111.223
Maintenance materials and others	**18.486**	20.068	**18.486**	20.068
Resale material	**1.220**	3.939	**17.445**	17.313
Raw material in transit	**13.349**	12.445	**13.349**	12.445
Current assets	**762.210**	923.995	**778.435**	937.369

Inventory is initially measured at historical cost and, subsequently, under the inventory hedge accounting program (see Note 28.6.3), the portion related to the cost of metal (Copper, Gold, Silver, Lead, Zinc and Tin) is adjusted to the average market price in US Dollars based on the future market price curve. The translation of each metal price from USD to R$ is made using the closing exchange rate for the month.

The reduction in the period was R$161,785 in the parent statement and R$158,934 in the consolidated statement and refers mainly to the Company’s cash preservation by adjusting inventory levels to the available working capital.

The Company offered 255 tonnes of electrolytic copper rods as guarantee for a fiscal lawsuit which on March 31, 2017 totaled R$4,668. In case of an unfavorable decision, the full amount will be paid in cash.

09. Recoverable taxes and contributions

		Parent company			
		03/31/2017		12/31/2016	
	Notes	Current assets	Non-current assets	Current assets	Non-current assets
Value-added tax on sales and services–ICMS	(a)	**23.344**	**104.213**	24.889	99.147
Import license fee	(b)	**-**	**32.342**	-	32.105
Taxes on fixed assets recoverable		**9.877**	**15.475**	9.658	16.499
Income and social contribution taxes to be refunded	(c)	**104**	**18.253**	364	18.249
Reintegra	(d)	**8.476**	**-**	835	2.220
Credit retirement	(f)	**8.895**	**-**	11.688	-
Contribution for social security funding–COFINS	(e)	**6.492**	**-**	7.763	-
Contribution for social security funding–COFINS-Export.	(e)	**-**	**3**	-	3
Social integration program - PIS	(e)	**943**	**1.704**	1.261	1.692
Social integration program–PIS - Export	(e)	**310**	**-**	310	-
Withholding income tax–IRRF		**574**	**-**	11.427	-
Excise tax–IPI		**703**	**271**	511	271
Estimated loss on recoverable value	(g)	**-**	**(25.846)**	-	(25.846)
Other		**2.311**	**-**	2.221	-
		62.029	**146.415**	70.927	144.340

		Consolidated			
		03/31/2017		12/31/2016	
	Notes	Current assets	Non-current assets	Current assets	Non-current assets
Value-added tax on sales and services–ICMS	(a)	**24.743**	**104.213**	25.640	99.147
Import license fee	(b)	**-**	**32.342**	-	32.105
Taxes on fixed assets recoverable		**9.891**	**15.475**	9.671	16.499
Income and social contribution taxes to be refunded	(c)	**399**	**18.277**	657	18.349
Reintegra	(d)	**8.476**	**-**	835	2.220
Credit retirement	(f)	**8.895**	**-**	11.688	-
Contribution for social security funding–COFINS	(e)	**6.887**	**-**	8.166	-
Contribution for social security funding–COFINS-Export.	(e)	**-**	**3**	-	3
Social integration program - PIS	(e)	**1.041**	**1.704**	1.349	1.691
Social integration program–PIS - Export	(e)	**310**	**-**	310	-
Withholding income tax–IRRF		**1.332**	**-**	11.427	-
Excise tax–IPI		**703**	**271**	511	271
Prepaid income and social contribution taxes		**440**	**-**	266	-
Estimated loss on recoverable value	(g)	**-**	**(25.846)**	-	(25.846)
Other		**2.311**	**-**	2.222	-
		65.428	**146.439**	72.742	144.439

a) Refers substantially to the credit balance on the circulation of goods and services (ICMS), generated from its operations in the Santo André-SP unit, as shown at its net realizable value. The Company is working to develop operations to utilize this credit. This amount is net of R$7,897 provision as unrecoverable credit in cases of unforeseeable realization (g).

b) The reimbursement of amounts related to Importation License (IL) with actions against the Federal Government for tax overpayment. Presently, the case is in judicial execution phase.

c) Refers to income tax (IT) and social contribution (SC) credits to be recovered from previous fiscal years. For the amounts classified as non-current assets, the Company has already applied for a refund through judicial proceedings and is waiting for a decision to compensate or receive the amount. This amount is net of a provision of R$17,949 for unrecoverable credit (g).

d) The Federal Program for tax reimbursement to export Companies (REINTEGRA) amounts were calculated in accordance with the parameters defined in Law 12.546/2011, with amendments based on Law 12.844/2013.

e) Refers mainly to federal tax credits based on Law 10.637/02 (PIS) and 10.866/03 (COFINS) related to the non-cumulative calculation regime.

f) Refers to credits arising from past employer contributions to social security on employees' constitutional holiday supplements, indemnification for dismissal without prior notice, and the first 15 days of sick leave/accidents. The amount initially recorded in 2016 was R$17,065 under "tax recovery" in other operating revenue, and R$6,610 in financial interest income. The amount has already been offset against social security debts.

g) The provision for loss on income tax credits in respect to several lawsuits in the amount of R$17,949 (item c). The Company's legal advisors classified lawsuits to recover these credits as remote, and the constitution of a provision for loss in the amount of R$7,897 related to ICMS credits with no foreseeable compensation (item a).

Management projects that the future taxable income for the Company and its subsidiaries will be adequate to realize the tax credits mentioned above.

These estimates are annually reviewed to ensure that any eventual change in the prospects of collection is reflected in our financial statements.

10. Other current and non-current assets

10.1 Other accounts receivable

		Parent company			
		03/31/2017		12/31/2016	
	Note	Current assets	Non-current assets	Current assets	Non-current assets
	(a)	**-**	**189.125**	-	-
Municipal writs of payment	(b)	**-**	**68.453**	-	66.272
City of Manaus	(c)	**-**	**8.924**	-	8.924
Federal writs of payments	(d)	**-**	**6.665**	42.308	6.500
Collective Plan Brasilprev Recovery	(e)	**4.410**	**-**	4.297	-
Advances to employees		**1.611**	**-**	1.739	-
Amount receivable - Disposal of Cibrafértil		**1.001**	**-**	1.001	-
Advances to suppliers		**78**	**-**	70	-
Accounts receivable from insurance		**-**	**-**	500	-
Margin call deposits		**-**	**-**	133	-
Other		**538**	**680**	598	679
		7.638	**273.847**	50.646	82.375

		Consolidated			
		03/31/2017		12/31/2016	
	Note	Current assets	Non-current assets	Current assets	Non-current assets
Municipal writs of payment	(b)	**-**	**68.453**	-	66.272
City of Manaus	(c)	**-**	**8.924**	-	8.924
Federal writs of payments	(d)	**-**	**6.665**	42.308	6.500
Collective Plan Brasilprev Recovery	(e)	**4.410**	**-**	4.297	-
Advances to employees		**1.625**	**-**	1.750	-
Amount receivable - Disposal of Cibrafértil		**1.001**	**-**	1.001	-
Advances to suppliers		**78**	**-**	70	-
Accounts receivable from insurance		**1.231**	**-**	500	-
Margin call deposits		**-**	**-**	133	-
Other		***542***	**679**	598	680
		8.887	**84.721**	50.657	82.376

a) The subsidiary CDPC is providing cash management services to the parent company, based on the contract signed January 2, 2017. This contract does not transfer the ownership of resources, which will always be held by the parent company, as set out under Note 12.4 item b)

b) Refers to writs of payment from the Cities of São Paulo, Santo André and Manaus, to be received starting in 2017.

c) Refers to the lawsuit of a former Paranapanema construction company against the City of Manaus to collect the amounts incurred in the infrastructure work on the Flores road grid. The final ruling from the Court was favorable to the Company, but the Court has not presented the final ruling on the updated amount to be reimbursed.

d) Refers to several writs of payment to be collected, being the most relevant the IOF over financial assets paid between April 1990 and October 1991, in compliance with Law nº 8.033/90 (a.k.a. the Collor Plan) in the amount of R$42,308, which was collected on January 12, 2017.

e) Refers to the collective account of the private pension plan, under the administration of BrasilPrev, the sum total of which was formed with the amounts not released by the company according to the criteria described in Note 31.

It is defined in the contract that the amount accumulated in the collective reserve may be used to adjust or improve the benefits or to settle its future contributions to present employees.

10.2. Judicial deposits

	Parent company/Consolidated	
	03/31/2017	**12/31/2016**
Labor	**19,380**	18,957
Tax	**8,178**	7,965
Social Security	**1,216**	1,216
Writs of payment	**3,734**	3,734
Civil	**827**	908
Other	**1,022**	1,021
Non-current assets	**34,357**	33,801

11. Assets held-for-sale

Represented by properties available for sale in the amount of R$110,706 as at March 31, 2017, measured at the acquisition cost less accumulated depreciation, which are lower than expected realization values. This group of assets includes real estate no longer used in the Company's operations, and real estate legally confiscated from customers which defaulted against the Company. These assets are available for immediate sale under current conditions, and the Company has intensified its actions to monetize these properties, as they are part of the plan to readjust its capital structure.

On April 11, 2016, the Company signed with Plano Madeira Empreendimentos Imobiliários Ltda., a subsidiary of Plano & Plano Construções e Empreendimentos Ltda., the Sale and Purchase Agreements with resolving Clauses and Other Covenants ("Transaction"). The Transaction subject is the land on which the old Capuava plant is installed, shut down in February 2015, with a total area of approximately 150,000 m², covering the municipalities of Santo Andre and Maua.

The amount to be paid under the Transaction is fixed at a certain percentage of sales value (PSV) of the condo project to be released onsite. The current reference value provides approximately

R$150 million in revenue. This cash inflow will follow the sales flow of this enterprise. The closing of the Transaction is subject to the fulfillment of certain resolute clauses, which are common for transactions of this nature.

The Company, together with Plano & Plano, has been following contractual conditions precedent regarding both legal due diligence and environmental due diligence, and to date, have not impeded the continuation of the Transaction, which has evolved into next contractual phases, including working with public institutions to develop the condo project.

The Company offered four real estate properties as guarantees to a financial institution with the amount of R$5,425 as at March 31, 2017. If there is an unfavorable decision, the amount will be paid in cash.

12. Investments and related parties

12.1 Summary information and investment movements in 31 March, 2017

	Note	CDPC - Centro Distrib. Prods. Cobre Ltda.	CINC - Caraiba International	Paraibuna Agropec. Ltda.	Total
Summarized financial information of subsidiaries					
Current assets		253,758	186	-	**253,944**
Non-current assets		29,970	-	598	**30,568**
Current liabilities		85,446	-	-	**85,446**
Non-current liabilities	10.1 a)	189,125	-	-	**189,125**
Equity		9,157	186	598	**9,941**
Capital		27,000	3	6,400	**33,403**
Income from sales of goods and/or services		286,413	-	-	**286,413**
Cost of goods and/or services sold		(284,644)	-	-	**(284,644)**
Gross income		**1,769**	**-**	**-**	**1,769**
Operating expenses or income		(1,928)	(13)	-	**(1,941)**
Loss before financial income (loss) and taxes		**(159)**	**(13)**	**-**	**(172)**
Financial income (loss)		1,892	(3)	-	**1,889**
Loss before income tax		**1,733**	**(16)**	**-**	**1,717**
Income and social contribution taxes		1,050	-	-	**1,050**
Net Income (loss) for the period		**2,783**	**(16)**	**-**	**2,767**
Balance as of December 31, 2016		**6,373**	**208**	**598**	**7,179**
Foreign exchange variation of foreign investment		-	(6)	-	**(6)**
Equity in net income of subsidiaries		2,784	(16)	-	**2,768**
Balance as of March 31, 2017		**9,157**	**186**	**598**	**9,941**

12.2 Balances and parent company's transactions with related parties:

Direct subsidiaries	Current assets	Current liabilities	Sales of goods and services	Purchase of goods and services
Accounts receivable / payable				
CDPC -Centro de Distr. de Prods. Cobre Ltda.	**82,451**	**47,530**	**287,374**	**(125,891)**
Adjustment to present value CDPC	**(577)**	**(180)**	**-**	**-**
	81,874	**47,350**	**287,374**	**(125,891)**
Other accounts receivable / payable				
CDPC -Centro de Distr. de Prods. Cobre Ltda.	**189,125**	**-**	**-**	**-**
	189,125	**-**	**-**	**-**
Total on December 31, 2017	**270,999**	**47,350**	**287,374**	**(125,891)**
Total on December 31, 2016	183,097	59,641		
Total on March 31, 2016			322,890	(142,788)

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12.3 Fees of Directors and Fiscal Council

The Company considered as "key management personnel", as intended by CVM Resolution 642/2010 and IAS 24/CPC 05 (R1), the members of its Executive Board, the Board of Directors and Audit Committee. The Company has no controlling shareholder and no Shareholders' Agreement.

	Notas	1st Quarter 2017				1st Quarter 2016			
		Statutory Board	Administrative Council	Supervisory Board	Total	Statutory Board	Administrative Council	Supervisory Board	Total
Salary or pro-labore		**516**	**360**	**172**	1.048	744	426	172	1342
Labor Benefits		**78**	**-**	**-**	78	-	-	-	-
Social Burdens		**103**	**72**	**34**	209	149	85	34	268
Fixed Remuneration		**697**	**432**	**206**	**1.335**	**893**	**511**	**206**	**1.610**
Post-employment benefit		**27**	**-**	**-**	27	20	-	-	20
Others		**399**	**-**	**-**	399	-	-	-	-
Other Remuneration		**426**	**-**	**-**	**426**	**20**	**-**	**-**	**20**
Management fees		**1.123**	**432**	**206**	**1.761**	**913**	**511**	**206**	**1.630**
Bonus (ICP)	**32**	**1.160**	**-**	**-**	1.160	626	-	-	626
Bonus (ILP)	**32**	**2**	**-**	**-**	2	251	-	-	251
Social Burdens		**232**	**-**	**-**	232	176			176
Variable Remuneration	**32**	**1.394**	**-**	**-**	**1.394**	**1.053**	**-**	**-**	**1.053**
Total Remuneration		**2.517**	**432**	**206**	**3.155**	**1.966**	**511**	**206**	**2.683**

The members of the Fiscal Board and the Board of Directors are not parties to contracts for additional business benefits, such as post-employment benefits or other long term benefits and compensation based on shares.

12.4 Related Party transactions

a) Caixa Econômica Federal

The Board of Directors, in compliance with the Company's Related Party Policy, authorized the Company to contract credit lines up to R$370,000 with Caixa Econômica Federal (CEF), a shareholder with 17.23% of the total shares. The contract is bound by the terms and conditions offered by CEF, which are equal to or more competitive than other credit lines available to the Company.

On March31, 2017 the company has loans related to anticipation of foreign currency contracts (ACC), with Caixa Economica Federal in the amount of R$190,807.

b) Centro de Distribuição de Produtos de Cobre Ltda. (CDPC)

The Company signed a cost sharing agreement on January 2, 2015 with its subsidiary CDPC which provides the charge of expenses, costs and its related labor contributions and taxes related to shared resources. Given the not-for-profit nature of this contract, neither party will charge any premium for the shared services and costs.

On January 2, 2017, the Parent Company signed with its subsidiary CDPC a cash, receivables and accounts payable management service contract, which includes activities such as collection, receipts and payments of general bills, the allocation of resources and investments, and other related activities. This contract does not transfer the ownership of resources, which will always be held by the parent Company.

13. Property, plant and equipment and intangibles

		Parent company					
	Annual average depreciation rate-%	12/31/2016	Additions	Write-offs	Transfers	Depreciation Amortization	03/31/2017
PROPERTY, PLANT AND EQUIPMENT							
Land		119.684	-	-	-	-	119.684
Industrial landfill		8.573	-	-	-	-	8.573
Improvements		15.435	-	-	-	-	15.435
Buildings		265.505	-	-	2.481	-	267.986
Installations		36.435	-	-	6.906	-	43.341
Machinery and equipment		1.528.335	-	(3.861)	17.933	-	1.542.407
Furniture and fixtures		19.817	-	-	8	-	19.825
Vehicles		1.339	-	(49)	-	-	1.290
Property, plant and equipment in progress		88.050	9.828	-	(26.442)	-	71.436
Provision for impairment losses		(25.083)	-	-	-	-	(25.083)
Spare parts		62.245	-	-	(1.015)	-	61.230
Cost		2.120.335	**9.828**	**(3.910)**	**(129)**	**-**	**2.126.124**
Industrial landfill	25	(8.573)	-	-	-	-	(8.573)
Improvements	2,2	(8.684)	-	-	-	(332)	(9.016)
Buildings	2,2	(65.710)	-	-	-	(2.344)	(68.054)
Installations	2,2	(9.285)	-	-	-	(551)	(9.836)
Machinery and equipment	8,5	(718.886)	-	3.210	-	(27.429)	(743.105)
Furniture and fixtures	10	(13.716)	-	-	-	(396)	(14.112)
Vehicles	20	(994)	-	49	-	(25)	(970)
Accumulated depreciation:		(825.848)	**-**	**3.259**	**-**	**(31.077)**	**(853.666)**
Total Assets		1.294.487	**9.828**	**(651)**	**(129)**	**(31.077)**	**1.272.458**
INTANGIBLES							
ERP/Software		55.904	-	-	129	-	56.033
Cost		55.904	**-**	**-**	**129**	**-**	**56.033**
ERP/Software	20	(46.563)	-	-	-	(832)	(47.395)
Accumulated amortization:		(46.563)	**-**	**-**	**-**	**(832)**	**(47.395)**
Intangible assests		9.341	**-**	**-**	**129**	**(832)**	**8.638**

	Annual average depreciation rate-%	Consolidated					
		12/31/2016	Additions	Write-offs	Transfers	Depreciation Amortization	03/31/2017
PROPERTY, PLANT AND EQUIPMENT							
Land		120.283	-	-	-	-	120.283
Industrial landfill		8.573	-	-	-	-	8.573
Improvements		15.929		-	-	-	15.929
Buildings		265.505	-	(3)	2.481	-	267.983
Installations		36.435	-	-	6.906	-	43.341
Machinery and equipment		1.528.434	-	(3.861)	17.933	-	1.542.506
Furniture and fixtures		19.885	-	-	8	-	19.893
Vehicles		1.339	-	(49)	-	-	1.290
Property, plant and equipment in progress		88.050	9.825	3	(26.442)	-	71.436
Provision for impairment losses		(25.083)	-	-	-	-	(25.083)
Spare parts		62.248	-	-	(1.015)	-	61.233
Cost		2.121.598	**9.825**	**(3.910)**	**(129)**	**-**	**2.127.384**
Industrial landfill	25	(8.573)	-	-	-	-	(8.573)
Improvements	2,2	(8.684)	-	-	-	(348)	(9.032)
Buildings	2,2	(65.710)	-	-	-	(2.344)	(68.054)
Installations	2,2	(9.285)	-	-	-	(551)	(9.836)
Machinery and equipment	8,5	(718.937)	-	3.210	-	(27.432)	(743.159)
Furniture and fixtures	10	(13.780)	-	-	-	(396)	(14.176)
Vehicles	20	(996)	-	49	-	(25)	(972)
Accumulated depreciation:		(825.965)	**-**	**3.259**	**-**	**(31.096)**	**(853.802)**
Total Assets		1.295.633	**9.825**	**(651)**	**(129)**	**(31.096)**	**1.273.582**
INTANGIBLES							
ERP/Software		55.904	-	-	129	-	56.033
Cost		55.904	**-**	**-**	**129**	**-**	**56.033**
ERP/Software	20	(46.563)	-	-	-	(832)	(47.395)
Accumulated amortization:		(46.563)	**-**	**-**	**-**	**(832)**	**(47.395)**
Intangible assests		9.341	**-**	**-**	**129**	**(832)**	**8.638**

13.1. Property, plant and equipment in progress

As at March 31, 2017, the balance of the account property, plant and equipment in progress presented in the parent company and consolidated were R$71436 (at December 31, 2016), and was substantially represented by:

13.1.1. The unit of Dias D'Ávila-BA has a balance of R$44,569 as at March 31, 2017 (R$54,404 as at December 31, 2016), referring to several projects arising from the need to improve the production of copper cathodes. The main projects are: i) Maintenance and improvement of operational activities; ii) Purchase of refractories; iii) Revamp of the electric furnace; iv) Recovery of Sulfuric Acid Plant phase-2; (v) Maintenance of the gas handling system; and vi) Technological updating and operational maintenance of the factory.

13.1.2. The Santo André-SP unit has a balance of R$28,867 as at March 31, 2017 (R$33,646 as at December 31, 2016), with the main projects being aimed at maintaining and improving operational activities and corporate safety.

13.1.3. As at December 31, 2016, a provision of R$25,083 was recorded for projects in progress related to equipment purchased and not expected to be installed as a result of the re-adjustment of investments in Capex for the preservation of cash.

13.2. Losses for non-recoverability of fixed and intangible assets (impairment)

In compliance with IAS 36/CPC 01 (R1) – “Impairment of Assets”, the Company performed annual impairment testing on its assets as at December 31, 2016, which were estimated based on the market values and discounted cash flow, and found that the estimated market value is in excess of the net book value on the assessment date. Also, there was no evidence of loss of value of individual assets or groups of relevant assets except for the provisions made pursuant to Item 13.1.3. Occasional impairment impacts were highlighted in the notes to the financial statements, when relevant.

13.3. Fixed assets in guarantee

The Company offered fixed assets that are part of its property, plant and equipment as guarantees in relation to tax lawsuits that, as of March 31, 2017 totaled R$10,390 (R$10,395 as at December 31, 2016). In the event of an unfavorable decision on any proceeding, the amounts will be paid in cash.

The Company provided fixed assets as collateral for loans used for projects related to production line expansion and technological updating, which as of March 31, 2017 totaled R$342,621 (R$344,371 as of December 31, 2016).

14. Trade payables

		Parent company		Consolidated	
	Notes	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Domestic					
Goods		**13,718**	12,382	**13,720**	12,382
Freight and transportation		**6,678**	9,649	**7,668**	10,527
Services		**5,947**	10,487	**6,045**	10,621
Electric power/Water and sewage/Gas		**6,835**	7,022	**6,835**	7,022
Insurance		**2,213**	3,003	**2,213**	3,003
Others		**85**	78	**85**	78
Related parties	12.2	**47,350**	59,641	**-**	-
Adjustment to present value		**(114)**	(127)	**(117)**	(128)
		82,712	102,135	**36,449**	43,505
Foreign					
Goods		**8,409**	110,266	**8,409**	110,266
		8,409	110,266	**8,409**	110,266
Current liabilities		**91,121**	212,401	**44,858**	153,771
Current liabilities		**91,096**	212,373	**44,833**	153,743
Non-current liabilities		**25**	28	**25**	28

The quarter reduction of R$121.280, mainly in foreign suppliers with variance of R$101.857, reflects Company policy to adjust raw-material purchases to the availability of working capital, with the purpose of preserving cash.

15. Forfait and Letter of Credit Operations

These operations relate to signed purchase contracts of copper concentrate with suppliers that use banking operations called "forfaiting". In such transactions, suppliers transfer their security receiving rights to the banks which, in turn, become the creditors of the operations. This type of transaction does not significantly alter the prices and other conditions set by the Company's suppliers. However, the use of financial institutions allows suppliers to extend payment terms to customers and, at the same time, anticipate the receipt of payment for forward sales, contributing to the improvement of operating cash flow.

Considering the characteristics of such transactions and awareness of how our suppliers are funding their operations, the amounts related to these transactions are presented in a specific caption. The terms and conditions are presented below:

			Parent company/Consolidated			
			03/31/2017		12/31/2016	
	Interest rate	Prazo	US$	R$	US$	R$
Letter of credit	VC + 1,3% a 4,3% a.a.	**up to 360 days**	41.534	131.596	42.263	137.738
Forfaiting - Foreign Suppliers	VC + 2,8% a 5,7% a.a.	**up to 360 days**	133.814	423.979	140.559	458.095
			175.348	**555.575**	**182.822**	**595.833**

Due to the Company's debt reprofiling process, Forfait operations were renewed under the FINIMP debt instrument during 1Q17. This instrument is recorded in Loans and financing.

16. Loans and financing

		Parent company		Consolidated	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
Short-term loans					
Foreign trade loans	*3% to 8%*	**572,173**	582,273	**572,173**	582,273
		572,173	582,273	**572,173**	582,273
Obtained in the long term					
Foreign loans					
Import financing	*up to 3%*	**316,431**	299,321	**316,431**	299,321
Loans in foreign currency	*3% to 7%*	**598,548**	616,082	**598,548**	616,082
		914,979	915,403	**914,979**	915,403
Domestic loans					
Project financing	*2,5% to 18,5%*	**34,743**	39,639	**34,751**	39,648
Banco do Nordeste do Brasil – FNE	*5% to 10%*	**96,303**	96,248	**96,303**	96,248
Working capital	*CDI + 3% a.m.*	**128,246**	137,960	**128,246**	137,960
Credit Export Notes - NCE	*8%*	**75,101**	73,608	**75,101**	73,608
		334,393	347,455	**334,401**	347,464
Current liabilities		**1,821,545**	1,845,131	**1,821,553**	1,845,140

As at March 31, 2017 and December 31, 2017, Total Loans and Financing balances were updated and fully recorded in current liabilities due to breaches of covenants as well as defaults on other debts. The amount reclassified to current liabilities totaled R$361,242. As described in Note 1, the Company is adopting a series of measures for capital restructuring that include the renegotiation of debt reprofiling and new standards for covenants.

The table below states loans and financing in thousands of USD as of March 31, 2017. The Company presented a consolidated position in the amount of USD574,913, fully recorded in current liabilities, of which USD114,014 was reclassified as a result of the breaches of covenants (USD566,150 as of December 31, 2016, with USD133,001 reclassified due to the covenant breach).

		Em USD Mil			
		Parent company		Consolidated	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016
Short-term loans					
Foreign trade loans	*3% to 8%*	**180,587**	178,661	**180,587**	178,661
		180,587	178,661	**180,587**	178,661
Obtained in the long term					
Foreign loans					
Import financing	*up to 3%*	**99,871**	91,842	**99,871**	91,842
Loans in foreign currency	*3% to 7%*	**188,912**	189,034	**188,912**	189,034
		288,783	280,876	**288,783**	280,876
Domestic loans					
Project financing	*2,5% to 18,5%*	**10,965**	12,163	**10,968**	12,165
Banco do Nordeste do Brasil – FNE	*5% to 10%*	**30,395**	29,532	**30,395**	29,532
Working capital	*CDI + 3% a.m.*	**40,477**	42,331	**40,477**	42,331
Credit Export Notes - NCE	*8%*	**23,703**	22,585	**23,703**	22,585
		105,540	106,611	**105,543**	106,613
Current liabilities		**574,910**	566,148	**574,913**	566,150

Guarantees:

As at March 31, 2017, the long term loans and financing named FINEM (BNDES), FINAME (BNDES), FNE (BNB) and FINIMP are guaranteed by property, plant and equipment items. The net book value of these assets is R$342,621, sufficient to cover the respective loans, of which R$259,035 in land and facilities and R$83,586 in machinery and equipment (Note 13.3).

On March 31, 2017, the pre-export payment (PPE) financial instrument was backed-up by a cash collateral account in foreign currency, in order partially to compensate short term installments, per Note 6.

Covenants:

The Company has pre-export bank loans (PPE) in the amount of R$598,548 as at March 31, 2017 (R$616,082 as at December 31, 2016). Under the terms of the contracts, these loans will be paid over the next three years. The contracts contain covenants measured quarterly by the cumulative result of the last 12 month period, measured on the basis of net debt divided by Adjusted EBITDA, which may not exceed 3.5x; The index of current assets divided by current liabilities (Current Liquidity), which must be greater than or equal to 0.85; and the net debt ratio divided by shareholders' equity, which should be less than or equal to 0.85. As a result of the debt restatement, the indices measured by the Company at the end of March 31, 2017 were: net debt divided by Adjusted EBITDA (4.64 x), current assets index divided by current liabilities (Current Liquidity) (0.61x) and the net debt ratio divided by shareholders' equity (1.20x).

17. Salaries and social security charges

	Parent company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Provisions for vacations	**22.200**	25.308	**22.270**	25.377
Profit sharing	**8.884**	9.658	**9.020**	9.842
Provisions for 13th month's salary	**3.329**	-	**3.341**	-
Social security	**4.785**	5.113	**4.800**	5.150
Contribution to the Severance Indemnity Fund	**798**	1.431	**801**	1.436
Social security	**443**	469	**443**	469
Other	**294**	29	**302**	32
Current liabilities	**40.733**	42.008	**40.977**	42.306

18. Taxes and contributions payable

	Parent company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Contribution for social security funding–COFINS	**5.940**	1.886	**5.940**	2.097
Value-added tax on sales and services - ICMS	**7.901**	8.294	**7.913**	8.297
Social Integration Program–PIS	**1.284**	464	**1.284**	509
Property tax urban	**5.130**	175	**5.130**	175
Excise Tax - IPI	**2.206**	1.790	**2.206**	1.790
Withholding income tax–IRRF	**1.664**	3.007	**1.665**	3.009
Withheld PIS, COFINS, income tax and Social contribution on services	**394**	588	**395**	588
ISS - Service Tax	**232**	436	**233**	437
Other	**271**	33	**271**	33
	25.022	16.673	**25.037**	16.935
Current liabilities	**24.629**	16.208	**24.644**	16.470
Non-current liabilities	**393**	465	**393**	465

The Brazilian tax system is based on self-filing, where tax filing declarations are available for review by the fiscal authorities for a period of five years from the filing date.

19. Provision for judicial claims

19.1 Risk provisions

The Company makes provisions for tax, labor and civil lawsuits and administrative proceedings against the Company and its subsidiaries when the likelihood of losses is deemed probable by its Legal Counsel.

	Parent company/Consolidated	
	03/31/2017	12/31/2016
Tax	**7,976**	7,635
Labor	**193,483**	178,136
Civil	**5,215**	3,683
Non-current liabilities	**206,674**	189,454

The provision for civil lawsuits consists mainly of indemnity suits in connection with contractual disputes.

The provision for labor contingencies refers to lawsuits in progress in the Labor Court which, individually, are not material to the Company's business.

The changes in provisions are shown below:

	Parent company/Consolidated			
	Labor	Civil	Tax	Total
December 31, 2016	178,136	3,683	7,635	189,454
Provision (Reversal)	26,637	1,532	341	28,510
Write-offs	(11,290)	-	-	(11,290)
March 31,2017	**193,483**	**5,215**	**7,976**	**206,674**

19.2 Risks assessed as possible

In addition to the above-mentioned lawsuits, there are other lawsuits in progress where the likelihood of loss is deemed possible by Legal Counsel. Therefore, in accordance with the accounting practices adopted by the Company, no provisions were recorded.

Most relevant proceedings are of tax nature and are commented on in items from "a" to "b":

	Parent company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Labor	**255.551**	260.700	**255.551**	260.700
Tax	**823.381**	811.989	**854.807**	879.647
Social security	**22.614**	22.695	**22.614**	22.695
Civil	**999.297**	979.402	**999.297**	979.402
	2.100.843	2.074.786	**2.132.269**	2.142.444

a) Social Contribution on Net Income (CSLL)

In 1994, the company Caraíba Metais S.A., incorporated by Paranapanema S.A. on November 13, 2009, obtained a final court decision that it is not required to pay Social Contribution on Net Income (CSLL) as established by Law 7.689/88.

The decision was challenged by the National Treasury through a motion for a new trial proposed in 1994, requiring the payment of CSLL by Caraíba Metais S. A. The motion for a new trial was accepted and the final ruling was favorable to the Federal Government on March 29, 2010.

The Company, based on its legal advisors' opinion, believes the decision that canceled Caraíba Metais S.A.'s right not to paying CSLL cannot be retroactively applied to the years before 2010. For this reason, the incorporated Caraíba Metais S.A. has not recorded a provision for this contribution since 1992. Also, in years prior to this date Caraíba Metais S.A. presented a Net Loss and was exempt from paying CSLL.

However, the Brazilian Internal Revenue Service filled four infraction notices for not paying CSLL for the calendar years 1996-2008. Two infraction notices are already in the Tax Execution phase, and payments were guaranteed by the Company through treasury bonds deposited in a judicial account created for this purpose.

On March 31, 2017, the Company estimated unprovisioned amounts of R$481,182 (R$474,507 as of December 31, 2016). The tax counselors assessed R$387,384 as representing a possible risk of loss and R$93,798 as a remote risk.

b) Isolated IPI and IRPJ fine

Refers to a tax infraction notice (Proceeding no. 13502.000085/2009-63) charging the Company with an "isolated" fine for offsetting IPI and IRPJ over the period 2004–2006.

On August 24, 2010, the Company obtained partial success in the Appeal Court related to the lack of a legal basis for the enforcement of an “isolated / non-cumulative” fine.

As of March 31, 2017, the Company estimates the updated amount not subject to provision as being R$92,075 (R$90,519 as of December 31, 2016).

Based on the final ruling on the Administrative Proceeding by the CARF, the Company awaits the Government to file a recourse action to continue the discussion in the judicial court.

c) Contract UBS Pactual S.A. and Santander S.A.

Paranapanema concluded on August 22, 2008 the Private Instrument parameter exchange (swap) with the banks UBS Pactual SA ("BTG Pactual") and Banco Santander (Brazil) SA ("Santander" and together with BTG Pactual, the "Banks"), whose underlying value was the price of Paranapanema’s shares (the "Agreements"). The Banks on April 20, 2009 submitted notifications to Paranapanema charging in respect of swap contracts, the total amount of R$208,500, adjusted under the terms of the contracts. The Company believes that this amount is not due. Because of this disagreement, in April 2010, Santander initiated arbitration proceedings before the Arbitration and Mediation Center of the Chamber of Commerce Brazil-Canada (CAM-CCBC), whose judgment, in favor of Santander, required the payment of R$292,000, restated from the dates set out in the judgment, the IGP-M + 1% per month. That judgment was an annulment action proposed by Paranapanema in common law, which was upheld in the first and second instance, determining the annulment of the decision by CAM-CCBC. The annulment action is pending judgment of the appeals addressed to the Superior Courts filed by Paranapanema and by BTG Pactual. In view of the annulment of the award, and although there are still some appeals pending trial, Santander required the initiation of a new arbitration before the CAM-CCBC. The new arbitration was established, becoming Number 02/2015/SEC1 (the "Arbitration"). This arbitration involves Santander, BTG Pactual and the Company. On August 1, 2016, the Directorate of CAM-CCBC informed the parties that, on the basis of requests from the applicants, it had defined the amount involved in the arbitration as being R$631,693. The reported value may be reassessed at any time during the course of the arbitration.

As of March 31, 2017, the Company estimates total amount not provisioned of R$660.534 (R$634.168 on December 31, 2016), assessing the loss risk as possible.

20. Other current liabilities

		Parent company		Consolidated	
	Notes	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Dividends payable	(a)	**24.737**	24.560	**24.737**	24.560
Attorneys' Fees and Services		**15.456**	15.760	**15.456**	15.760
Various provisions		**14.526**	9.462	**14.527**	9.463
Sales commissions		**8.801**	8.570	**8.888**	8.649
Provision environmental expenses	(b)	**6.760**	5.719	**6.760**	5.719
Guest credits	(c)	**4.524**	6.791	**5.414**	7.559
Advances from Customers	(d)	**3.767**	9.332	**4.594**	9.704
Others		**1.147**	1.114	**1.145**	1.114
Current liabilities		**79.718**	81.308	**81.521**	82.528
Dividends payable		**24.737**	24.560	**24.737**	24.560
Advances from Customers		**3.767**	9.332	**4.594**	9.704
Other current liabilities		**51.214**	47.416	**52.190**	48.264
		79.718	81.308	**81.521**	82.528

a) Mandatory minimum dividend equivalent to 25% of net income adjusted by the legal reserve, with monetary updates based on the IGP-M, as Note 21j.

b) Refers to expenditure forecasted to fulfill obligations under the Conduct Adjustment Agreement (TAC – Termo de Ajuste de Conduta) signed on December 04, 2015 between the Public Ministry of Bahia, Paranapanema and other companies. The agreement objective is to implement mitigation, reparation and compensation measures related to the environmental impacts within the Ilha da Maré area.

c) Customer Credits refer to adjustment between price parameters, volumes and/or metal content yields charged temporarily at invoicing, and final transaction parameters.

d) Advances from customers (mainly from export sales) where the final sales price is later adjusted by volume, metal yields or quality verified by customers.

21. Equity

a) Capital

The subscribed and paid-in capital, as of March 31, 2017 and December 31, 2016 is R$1,382,990 (one billion, three hundred eighty-two million, nine hundred ninety thousand Reais), represented by 319,176,942 registered shares, and all of them are common, nominative and with no par value.

The ownership structure of the Company is as follows:

	03/31/2017		12/31/2016	
	%	Commoan	%	Commoan
Caixa de Previd. dos Func. do Banco do Brasil - PREVI	23.96%	**76,468,727**	23.96%	76,468,727
Caixa Econômica Federal	17.23%	**54,990,591**	17.23%	54,990,591
Bonsucex Holding S.A.	13.61%	**43,427,178**	12.56%	40,074,383
Fund. Petrobras de Seguridade Social - PETROS	11.81%	**37,702,021**	11.81%	37,702,021
Sul America Investimentos DTVM S.A.		**-**	6.87%	21,928,000
Treasury shares	0.01%	**24,505**	0.01%	24,505
Market	33.39%	**106,563,920**	27.57%	87,988,715
Quantity of shares		**319,176,942**		**319,176,942**

b) Authorized capital

The Company's management is authorized to increase its capital independently of a decision by a Shareholders' Meeting, up to the limit of R$2,500,000 (two billion and five hundred million Reais), through a resolution of the Board of Directors, which will also establish issuance and placement conditions of said securities among the assumptions permitted by law.

c) Rights of shares

Each year, the shareholders will receive minimum dividends of 25% of net income calculated pursuant to the terms of Brazilian Public Corporate Law, and they must be paid within a maximum period of 60 days after the date on which they are declared by the General Shareholders' Meeting. And, shareholders are entitled with voting rights to all shares that comprise capital, which is fully subscribed and paid-in.

In accordance with the BM&FBOVESPA S.A New Market segment regulation, owners of common shares have the right to sell their shares for the same prices as shares negotiated through a controlling group/shareholder (tag along rights of 100%).

d) Legal reserve

Brazilian Public Corporate Law requires corporations to allocate 5% of their net income for the year to the legal reserve, before profit sharing, limiting this reserve to 20% of the paid-in capital.

e) Treasury shares

As of March 31, 2017 and December 31, 2016, the Company had 24,505 common shares in treasury. The market value of the total treasury shares, calculated based on last stock exchange quotation as of March 31, 2017 is R$33 (R$37 as at December 31,2016).

f) Tax incentive reserve

Paranapanema is a tax beneficiary until 2020 of a 75% fixed reduction in the income tax rate and additions calculated based on the operating profit. This profit is calculated based on the net income for the period, excluding the tax benefits of: (i) financial results, and (ii) capital gains. This tax benefit is under the Regulation of Tax Incentives of the Northeast Development Superintendence - SUDENE, as established by Minister of National Integration - MIN No. 283 of 04.07.2013 (the "Regulation"),

According to Article 11, "the amount of tax not paid because of tax benefits described in this Regulation may not be distributed to partners or shareholders and constitutes the tax incentive reserve, which can only be used to offset losses or increase capital." Thus, it is an obligation of the Company to allocate to the tax incentive reserve account the amount arising from the tax benefit (tax amount not paid), which, by definition, does not go into net income, because it does not arise from the delivery of goods or services by the Company.

g) Equity evaluation adjustments

The reserve for equity evaluation adjustments includes:

- Net variations of financial instruments' fair value used as a cash flow hedge, which will later be recognized in the Profit or loss upon liquidation. (see Note 28).

- Accumulated translation adjustments including all foreign currency differences deriving from the translation of the quarterly information of subsidiaries with foreign operations.

Changes in equity valuation adjustments

	Hedge Cash Flow					
	Export revenue ACC/PPE	NDF Sales Revenue	Metal Cost x Exchange future	Other Debts	Exchange Variation Investment Exterior	Total
December 31, 2016	(454.790)	(185.635)	85	(425.127)	(103)	(1.065.570)
Other comprehensive income	20.078	7.820	(18)	(40)	(6)	27.834
March 31, 2017	(434.712)	(177.815)	67	(425.167)	(109)	**(1.037.736)**

h) Market value of Company's shares

The market value of the Company's shares, in accordance with the latest average quotation of shares traded at BM&FBOVESPA, corresponded on March 31, 2017 to R$430,889 (R$481,957 as at December 31, 2016). The Company presents shareholders' equity of R$241,696 (R$257,010 as at December 31, 2016), with the Statement of Financial Position value of shares being R$0.76 (R$8,81 as at December 31, 2016).

i) (Loss) earnings per share

The basic calculation of (loss) earnings per share is made by dividing the net income (loss) for the period attributable to the Company's common shareholders by the weighted average number of common shares outstanding during the period.

The diluted (loss) earnings per share is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period, plus the weighted average number of common shares that would be issued on conversion of all common shares with dilutive potential into common shares

.

The following table shows the result data and shares used in the calculation of basic loss per share:

	03/31/2017	03/31/2016
Loss (Income) attributable to holders of the parent company's common shares - income per share	(43,148)	2,680
Weighted average of the quantity of shares to the profit and diluted income per share (*)	319,152,437	319,152,437
Basic and diluted loss (income) per share	(0.13520)	0.00840

(*) The weighted average quantity of shares considers the effect of changes in the weighted average quantity of shares within this period (except treasury shares).

There were no other transactions involving common shares or potential common shares between March 31, 2017 and the publication of these Financial Statements.

j) Profit Allocation

The Company's bylaws provide a mandatory minimum dividend payment of 25% of adjusted net income after the establishment of the legal reserve, in compliance with the Public Companies (S.A.) regulations.

Payment of Dividends

The Ordinary and Extraordinary Shareholders' Meeting (AGOE) held on April 28, 2017 unanimously approved the renewal of the postponement date for dividend payments declared in the Ordinary Shareholders' Meeting held on April 29, 2016 (AGO 2016). Dividends will be paid until December 31, 2019 including monetary adjustments based on the inflation index IGP-M from June 24, 2016 to the effective payment date.

22. Net revenue from sales

a) *Breakdown of net revenue*

		Parent company		Consolidated	
		1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Gross sales		**1,024,437**	1,693,007	**862,482**	1,514,214
Domestic market		**616,341**	636,218	**454,386**	457,425
Foreign market		**408,096**	1,056,789	**408,096**	1,056,789
Taxes and sales deductions		**(122,761)**	(225,730)	**(87,658)**	(192,503)
Excise Tax - IPI		**(5,616)**	(4,773)	**(5,616)**	(4,773)
Value-added tax on sales and services - ICMS		**(60,605)**	(63,924)	**(42,474)**	(41,356)
Tax Incentive Fiscal ICMS - Desenvolve	(I)	**21,863**	18,813	**21,863**	18,813
Social Integration Program–PIS		**(9,211)**	(9,623)	**(6,701)**	(6,614)
Contribution for social security funding–COFINS		**(42,426)**	(44,326)	**(30,867)**	(30,466)
Other taxes and sales deductions		**(26,766)**	(121,897)	**(23,863)**	(128,107)
Net revenue from sales		**901,676**	1,467,277	**774,824**	1,321,711
Net revenue - DM		**506,126**	516,036	**379,274**	370,470
Net revenue - FM		**395,550**	951,241	**395,550**	951,241
		901,676	1,467,277	**774,824**	1,321,711

(I). The industrial headquarters located in Dias d'Ávila, in the State of Bahia, was granted a tax incentive of ICMS, within the scope of the Industrial Development and Economic Integration Program of the State of Bahia - DESENVOLVE. In August 2016, by Decree No. 16,970, Law 13,564 the Government established that every company enjoying fiscal and financial benefits, or incentives that result in a reduction in the value of ICMS paid, shall contribute the corresponding amount of 10% of the benefit or incentive to the State Fund to Combat and Eradicate Poverty.

b) Geographical information – revenue from clients abroad

	Parent company / Consolidated	
	1st Quarter 2017	1st Quarter 2016
America	**126,243**	140,741
Europe	**138,990**	464,109
Asia	**139,736**	450,541
Africa	**3,127**	1,398
	408,096	1,056,789

Exports to Europe and Asia are basically represented by sales to trading companies, where the main destination was China.

23. Expenses per type

		Parent company		Consolidated	
		1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Metal Cost		**(714.583)**	(1.226.808)	**(585.919)**	(1.077.182)
Personnel and Benefits		**(55.353)**	(58.726)	**(56.204)**	(59.718)
Depreciation		**(31.909)**	(33.876)	**(31.928)**	(33.879)
Electricity/Water/Gas/Fuel and Lube Oil		**(27.279)**	(32.138)	**(27.305)**	(32.145)
Services rendered by third parties and others		**(14.824)**	(22.829)	**(15.041)**	(23.256)
Maintenance		**(21.274)**	(16.825)	**(21.229)**	(16.911)
Petrochemicals stock used / absorbed		**(21.789)**	(20.584)	**(21.692)**	(19.614)
Rent		**(6.899)**	(5.088)	**(7.064)**	(5.590)
Inssues institutional and legal		**(2.966)**	(3.407)	**(2.975)**	(3.413)
Informatics / Telecommunications		**(1.944)**	(1.717)	**(1.958)**	(1.745)
Other Expenses		**(1.048)**	(1.516)	**(1.056)**	(1.521)
Travel expenses		**(590)**	(728)	**(591)**	(736)
Sales and Marketing		**(230)**	(493)	**(232)**	(491)
Transfer idleness for expense	(a)	**59.091**	17.442	**59.091**	17.442
		(841.597)	(1.407.293)	**(714.103)**	(1.258.759)
Cost of products sold		**(816.135)**	(1.382.345)	**(687.515)**	(1.231.962)
Sales expenses		**(6.307)**	(7.685)	**(6.685)**	(8.755)
Administrative and general expenses		**(19.155)**	(17.263)	**(19.903)**	(18.042)
		(841.597)	(1.407.293)	**(714.103)**	(1.258.759)

a) The reclassification of idle capacity to the expenses for the year relates to the lower volume of production as result of re-adjusting the level of acquisition of raw materials to the availability of working capital in order to preserve cash.

24. Other operating income (expenses)

	Notes	Parent company 1st Quarter 2017	Parent company 1st Quarter 2016	Consolidated 1st Quarter 2017	Consolidated 1st Quarter 2016
Sundry recoveries		**4.320**	306	**4.320**	306
Energy sales revenue		**477**	2.826	**477**	2.826
Sundry sales		**234**	304	**234**	304
Leasing of property and equipment.		**50**	51	**50**	51
Reversal of estimated loss for allowance for doubtful accounts	07	**-**	1.042	**-**	1.042
Tax recoveries		**-**	385	**29**	385
Reversal of other estimated loss		**-**	13	**-**	13
Reversal de Provision PL negative de controlled	12	**-**	(182)	**-**	-
Other operating income		**229**	27	**230**	27
Total of other operating income		**5.310**	4.772	**5.340**	4.954
Idle capacity	23	**(59.091)**	(17.442)	**(59.091)**	(17.442)
Provision for judicial claims	19	**(28.510)**	(20.094)	**(28.510)**	(20.094)
Provision for liquid credits. doubtful	07	**(2.326)**	-	**(2.624)**	(2)
Severance pay		**(1.789)**	-	**(1.789)**	-
PIS and COFINS on other income		**(1.421)**	(1.521)	**(1.653)**	(1.725)
Written-off property, plant and equipment assets cost		**(651)**	(1)	**(651)**	(1)
Provision for judicial claims		**(257)**	(4.191)	**(257)**	(4.191)
Tax assessment notice fines		**(75)**	(234)	**(141)**	(275)
Sundry sales cost		**(28)**	(719)	**(28)**	(719)
Low tax credits		**-**	(906)	**-**	(906)
Other operating expenses		**(189)**	(284)	**(426)**	(288)
Total of other operating income		**(94.337)**	(45.392)	**(95.170)**	(45.643)
Total of other operating income (expenses), net		**(89.027)**	(40.620)	**(89.830)**	(40.689)

25. Financial income (expenses)

	Note	Parent company 1st Quarter 2017	Parent company 1st Quarter 2016	Consolidated 1st Quarter 2017	Consolidated 1st Quarter 2016
Liability foreign exchange fluctuations	a	**(69.521)**	(275.970)	**(69.521)**	(275.970)
Derivative financial instruments	b	**(60.877)**	(159.320)	**(60.877)**	(159.320)
Interest expenses		**(30.355)**	(27.291)	**(34.864)**	(31.396)
Adjustment to present value		**(4.796)**	(15.163)	**(7.479)**	(18.481)
Hedge on fair value of inventory		**(4.541)**	(3.360)	**(4.541)**	(3.360)
Bank expenses / IOF		**(1.319)**	(1.419)	**(1.401)**	(1.434)
Liability monetary variation		**(331)**	(1.869)	**(331)**	(1.869)
Other financial expenses		**(719)**	(469)	**(901)**	(497)
Total financial expenses		**(172.459)**	(484.861)	**(179.915)**	(492.327)
Asset foreign exchange fluctuation	a	**87.921**	272.135	**87.921**	272.135
Derivative financial instruments	b	**57.418**	148.543	**57.442**	148.590
Adjustment to present value		**6.337**	6.984	**10.671**	11.137
Interest income		**5.049**	16.771	**9.809**	16.902
Hedge on fair value of inventry		**7.834**	22.949	**7.834**	22.949
Monetary variation – assets		**788**	1.487	**788**	1.487
Other financial income		**2.885**	1.882	**3.113**	1.883
Total financial income		**168.232**	470.751	**177.578**	475.083
Total financial income		**(4.227)**	(14.110)	**(2.337)**	(17.244)

(a) Exchange Variation: Refers to the restatement of assets and liabilities exposed in foreign currency, mainly in USD, the appreciation of which against the Real during the period generated considerable exchange variations, on both the asset and liability sides. Despite this, the consolidated result of the Company's exchange rate variation is practically neutralized during the periods, as shown below:

	Parent company		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Negative exchange variation	**(69.521)**	(275.970)	**(69.521)**	(275.970)
Exchange variation gain	**87.921**	272.135	**87.921**	272.135
Net effect of exchange rate variation	**18.400**	(3.835)	**18.400**	(3.835)

(b) Derivative financial instruments

	Parent company		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Financial expenses derivative financial instruments	**(60.877)**	(159.320)	**(60.877)**	(159.320)
Financial income derivative financial instruments	**57.418**	148.543	**57.442**	148.590
Net effect of derivative financial instruments	**(3.459)**	(10.777)	**(3.435)**	(10.730)

26. Deferred income and social contribution taxes

26.1. Deferred income and social contribution taxes

Deferred income and social contribution taxes have the following sources:

		03/31/2017			12/31/2016		
	Note	Paranapanema S/A	CDPC - Centro de Distrib. de Prod. de Cobre Ltda.	Total	Paranapanema S/A	CDPC - Centro de Distrib. de Prod. de Cobre Ltda.	Total
Aliquot		**25%**	**34%**		25%	34%	
Credits on tax losses		**1.410.572**	**38.704**	**1.449.276**	1.336.590	39.233	1.375.823
Income tax over fiscal loss		**352.643**	**13.160**	**365.803**	334.148	13.339	347.487
Credits on tax losses		**(294.685)**	**-**	**(294.685)**	(278.401)	-	(278.401)
Income tax over fiscal loss	a)	**57.958**	**13.160**	**71.118**	55.747	13.339	69.086
Net exchange variations		**(965.872)**	**-**	**(965.872)**	(929.585)	-	(929.585)
Estimated losses (reversals) on allowance for doubtful assets		**55.492**	**1.629**	**57.121**	53.277	1.374	54.651
Provisions for lawsuits		**206.674**	**-**	**206.674**	189.454	-	189.454
Estimated loss (reversal) on recoverable inventory sums		**4.440**	**-**	**4.440**	15.648	-	15.648
Estimated sundry losses (reversals)		**28.874**	**-**	**28.874**	28.874	-	28.874
Provisions (Reversals) for financial instruments and others		**(107.377)**	**347**	**(107.030)**	(108.965)	571	(108.394)
Management profit sharing and others		**3.379**	**28**	**3.407**	6.688	76	6.764
Provision for adjustment at present value		**1.616**	**5.385**	**7.001**	1.321	534	1.855
Total Temporary differences		**(772.774)**	**7.389**	**(765.385)**	(743.288)	2.555	(740.733)
Income tax on temporary differences	b)	**(193.194)**	**2.512**	**(190.682)**	(185.822)	869	(184.953)
Deferred income tax and social contribution		**(135.236)**	**15.672**	**(119.564)**	(130.075)	14.208	(115.867)
Tax on revaluation reserve	c)	**(76.719)**	**-**	**(76.719)**	(77.276)	-	(77.276)
		(211.955)	**15.672**	**(196.283)**	(207.351)	14.208	(193.143)
Non-current assets		**-**	**15.672**	**15.672**	-	14.208	14.208
Non-current liabilities		**(211.955)**	**-**	**(211.955)**	(207.351)	-	(207.351)

a) The Company has tax losses generated in Brazil in the amount of R$1,449,276 (R$1,375,823 at December 31, 2016), subject to offsetting against future taxable income.

Due to the uncertainty regarding future taxable income, considering the existence of tax losses and the full utilization of tax credits, an estimated loss in the amount of R$294,685 (R$278,401 as of December 31,2016) on previously deferred tax assets was recorded. In order to support independent judgments from external auditors, based on assumptions and estimates about future events, it is necessary that all negotiations among stakeholders and implementations related to the debt reprofiling of the Company be duly concluded.

The Company will continuously monitor income tax credits and, based upon concrete estimates indicating the realization of taxable income, the provision for losses will be reversed in favor of the Company. In Brazil, the offsetting of tax losses has no statute of limitations, being limited only to 30% of annual profits.

b) On March 31, 2017, the Company has in the account "Deferred income tax" amounts calculated on temporarily non-deductible expenses on the calculation of taxable income for income tax purposes, which are available for future offsetting against the said tax.

c) Realization of deferred income tax on valuation adjustment to equity is proportional to the revaluation reserve realization.

Based on this technical study of the generation of future taxable income, Paranapanema estimates that it will be able to recover these tax credits on tax losses.

The Company has a 75% exemption for income tax and nonrefundable additional taxes on earnings from exploration and production of copper and its byproducts up to the base period of 2020.

Income tax benefits enjoyed by the Company depend on the recognition of a capital reserve at an amount equivalent to the tax that was not paid. Recognized tax incentive reserves may only be used to increase capital or absorb losses.

The reconciliation between the tax expense as calculated by the combined nominal rates and the income and social contribution tax expense charged to income is presented below:

	Parent company		Consolidated	
	1st Quarter 2017	1st Quarter 2016	1st Quarter 2017	1st Quarter 2016
Loss before income tax	**(38,545)**	(1,593)	**(39,594)**	(1,694)
Nominal combined statutory rates	**25%**	25%	**25%e 34%**	25% e 34%
Income tax	**(9,636)**	398	**(8,049)**	541
Permanent additions	**(1,573)**	89	**(1,573)**	90
Realization of revaluation reserve (depreciation/write-off)	**633**	686	**633**	686
Provision for doubtful credit	**554**	(160)	**641**	(159)
Provision for litigation	**4,305**	(862)	**4,305**	(862)
Other Deductible provisions	**(3,159)**	(33,306)	**(1,602)**	(33,015)
Net exchange variance (cash basis)	**(9,072)**	(26,106)	**(9,072)**	(26,106)
Shareholders' deficit	**-**	46	**-**	-
Deferred income tax and social contribution on tax losses				
Tax loss and negative basis of social contribution	**12,788**	62,737	**10,606**	62,448
Deferred income tax on revaluation reserve	**557**	751	**557**	751
Current income tax credits	**(4,603)**	4,273	**(3,554)**	4,374
Income tax for the current year	**-**	-	**(302)**	(94)
Social contribution for the current year	**-**	-	**(112)**	(36)
Deferred income tax	**(5,160)**	3,522	**(4,085)**	3,753
Deferred social contribution	**-**	-	**388**	-
Deferred income tax on revaluation reserve	**557**	751	**557**	751
Credit (expense) from income and social contribution taxes	**(4,603)**	4,273	**(3,554)**	4,374
Total effective rate	**11.94%**	-268.24%	**8.98%**	-258.21%
Current effective rate	**0.00%**	0.00%	**1.05%**	7.67%

27. Operating segments

The Company operates in the copper segment, which includes the production and sale of electrolytic refined copper, its by-products and related services, as well as semi-finished copper and its alloys.

28. Financial instruments

28.1 Financial risk management policy

The Company recognizes that certain financial risks such as variations in commodities prices, foreign exchange (FX) rates and interest rates are inherent in the business. However, the Company's policy is to avoid unnecessary risks and guarantee that the business risk exposure has been identified and measured and that it can be controlled and minimized using the most effective and efficient methods to eliminate, reduce or transfer such exposure.

The Board of Directors has the Finance, Risks and Contingencies Committee to assist the establishment of risk management policies and guarantee that proper procedures are in place at the Company so that all risk exposures can be identified and evaluated. In addition, the Committee must monitor these exposures to ensure that they are within established limits. Identified business risks are as follows:

- Interest rate risk inherent to the Company's debts.
- Foreign exchange risk and commodities price risk deriving from raw materials and sold products, forecasted transactions and firm commitments.
- Foreign exchange risk deriving from assets and liabilities such as: investments abroad and loans, inventory linked to commodities whose prices are denominated in foreign currency, among others.
- Basis risk arising from differences in timing volume, or indexation that can possibly occur between the contracting and settlement of hedging instruments and objects.

Risk Management policy permits to the Company to use approved derivative financial instruments to minimize exposure to market risks: Foreign exchange, Commodities and Interest Rates.

Derivative instruments are only used for hedging purposes as they limit the financial exposure associated with the risks identified in certain Company assets and liabilities. The use of derivatives is not automatic nor necessarily the only answer to managing business risk. Their use is permitted only after verifying that the derivative chosen may minimize risks within certain tolerance levels established by this policy.

The Company carries out hedge transactions using derivative or non-derivative financial instruments and makes such transactions fit into the hedge accounting rules, such as those defined by the CVM Resolution No. 604 (CPC 38). Not all hedge transactions with derivatives can be designated for hedge accounting.

28.2 Fair value methodologies

Derivative financial instruments are measured at fair value and recognized in their respective Statement of Financial Position accounts. The fair value measurement methodology involves verifiable parameters extracted from the BM&F futures markets (Foreign Exchange Coupon and Fixed Coupon), LME (copper, zinc, tin and lead) and LBMA (gold and silver), British Bankers' Association (LIBOR), Reuters, and Bloomberg (USD spot).

The Company measures its FX derivatives fair value by calculating the present value of the future price discounted by the market curve (Pre- and FX Coupon), all values published by Bloomberg and BM&FBOVESPA. The fair values of embedded derivatives are calculated based on the average of the spot price published by LME and LBMA.

28.3 Embedded derivatives

Purchase or sale contracts with price adjustment clauses for raw materials such as copper which are based on market prices at a date subsequent to the shipment or delivery date are considered embedded derivatives that require segregation and separate accounting. According to CPC 38/AG30 the cash flow adjustment of payments indexed to raw materials prices (such as copper, for example) embedded in financial liabilities or assets are not closely related to the principal instrument because the risks inherent in the principal contract and embedded derivative are not similar. An embedded derivative that is separated from its host contract and is accounted for separately at fair value through profit or loss like any other derivative instrument can be designated as a hedge instrument in a relation of hedge accounting, such as a fair value hedge of copper inventory.

Purchase contracts for copper concentrate and sales contracts for copper products normally include a provisional price on the shipment date, with the final price based on the monthly average copper price at LME for a certain future period. This period normally varies from 30 to 120 days after the shipment or billing date. This purchase of concentrate and the sale of products with provisional price contains an embedded derivative that must be separated from the main contract and calculated as a separate derivative in the statement of income (loss).

28.4 Classification of financial instruments

Financial assets and liabilities are classified into three measurement categories: assets and liabilities at fair value through profit or loss, loans and receivables and other liabilities measured at amortized cost method.

Classification of financial assets and liabilities is as follows:

Parent company

	Notes	Loans and receivables	At fair value through profit or loss	Other liabilities – Amortized cost method	Book value 03/31/2017	Fair value 03/31/2017
Financial assets						
Cash and cash equivalents	05	-	187.224	-	187.224	187.224
Interest earnings bank deposits	05	-	36.555	-	36.555	36.555
Linked Bank account	06	-	8.614	-	8.614	8.614
Trade accounts receivable	07	390.731	-	-	390.731	390.731
Financial instr. - Hedge Accounting	28	-	9.657	-	9.657	9.657
Financial instr. - Other Derivatives	28	-	6.814	-	6.814	6.814
Total assets		390.731	248.864	-	639.595	639.595
Financial liabilities						
Suppliers	14	-	-	91.121	91.121	91.121
Securitization of accounts payable	15	-	-	555.575	555.575	555.575
Advances of Customers	20	-	-	3.767	3.767	3.767
Customer credit	20	-	-	4.524	4.524	4.524
Loans and financing	16	-	-	1.821.545	1.821.545	1.821.545
Financial instr. - Hedge Accounting	28	-	8.417	-	8.417	8.417
Financial instr. - Other Derivatives	28	-	77.514	-	77.514	77.514
Total liabilities		-	85.931	2.476.532	2.562.463	2.562.463

Parent company

	Notes	Loans and receivables	At fair value through profit or loss	Other liabilities – Amortized cost method	Book value 12/31/2016	Fair value 12/31/2016
Financial assets						
Cash and cash equivalents	05	-	139.492	-	139.492	139.492
Interest earnings bank deposits	05	-	93.698	-	93.698	93.698
Linked Bank account	06	-	20.865	-	20.865	20.865
Trade accounts receivable	07	560.810	-	-	560.810	560.810
Financial instr. - Hedge Accounting	28	-	27.234	-	27.234	27.234
Financial instr. - Other Derivatives	28	-	5.700	-	5.700	5.700
Total assets		560.810	286.989	-	847.799	847.799
Financial liabilities						
Suppliers	14	-	-	212.401	212.401	212.401
Securitization of accounts payable	15	-	-	595.833	595.833	595.833
Advances of Customers	20	-	-	9.332	9.332	9.332
Customer credit	20	-	-	6.791	6.791	6.791
Loans and financing	16	-	-	1.845.131	1.845.131	2.446.753
Financial instr. - Other Derivatives	28	-	154.072	-	154.072	154.072
Total liabilities		-	154.072	2.669.488	2.823.560	3.425.182

Consolidated

	Notes	Loans and receivables	At fair value through profit or loss	Other liabilities Amortized cost method	Book value 03/31/2017	Fair value 03/31/2017
Financial assets						
Cash and cash equivalents	05	-	282.536	-	282.536	282.536
Interest earnings bank deposits	05	-	36.555	-	36.555	36.555
Linked Bank account	06	-	32.209	-	32.209	32.209
Trade accounts receivable	07	388.971	-	-	388.971	388.971
Financial instr. - Hedge Accounting	28	-	9.657	-	9.657	9.657
Financial instr. - Other Derivatives	28	-	6.826	-	6.826	6.826
Total assets		388.971	367.783	-	756.754	756.754
Financial liabilities						
Suppliers	14	-	-	44.858	44.858	44.858
Securitization of accounts payable	15	-	-	555.575	555.575	555.575
Advances of Customers	20	-	-	4.594	4.594	4.594
Customer credit	20	-	-	5.414	5.414	5.414
Loans and financing	16	-	-	1.821.553	1.821.553	1.821.553
Financial instr. - Hedge Accounting	28	-	8.417	-	8.417	8.417
Financial instr. - Other Derivatives	28	-	77.514	-	77.514	77.514
Total liabilities		-	85.931	2.431.994	2.517.925	2.517.925

Consolidated

	Notes	Loans and receivables	At fair value through profit or loss	Other liabilities Amortized cost method	Book value 12/31/2016	Fair value 12/31/2016
Financial assets						
Cash and cash equivalents	05	-	142.824	-	142.824	142.824
Interest earnings bank deposits	05	-	93.998	-	93.998	93.998
Linked Bank account	06	-	23.128	-	23.128	23.128
Trade accounts receivable	07	474.090	-	-	474.090	474.090
Financial instr. - Hedge Accounting	28	-	27.234	-	27.234	27.234
Financial instr. - Other Derivatives	28	-	5.724	-	5.724	5.724
Total assets		474.090	292.908	-	766.998	766.998
Financial liabilities						
Suppliers	14	-	-	153.771	153.771	153.771
Securitization of accounts payable	15	-	-	595.833	595.833	595.833
Advances of Customers	20	-	-	9.704	9.704	9.704
Customer credit	20	-	-	7.559	7.559	7.559
Loans and financing	16	-	-	1.845.140	1.845.140	2.446.753
Financial instr. - Other Derivatives	28	-	154.084	-	154.084	154.084
Total liabilities		-	154.084	2.612.007	2.766.091	3.367.704

Fair value hierarchy

The Company discloses its assets and liabilities at fair value, based on the relevant accounting pronouncements that define fair value, and the structure for determining fair value, which refers to evaluation criteria and practices and requires certain disclosures related to fair value.

Financial assets and liabilities recorded at fair value are classified and disclosed according to the following levels:

Level 1 – prices quoted (not adjusted) in active markets for identical assets and liabilities as of the measurement date. A price that is quoted in an active market provides a more reliable evidence of fair value and should be used whenever available.

Level 2 – quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in non-active markets (i.e., markets where few transactions are made for those assets or liabilities), data other than observable quoted prices for an asset or liability and data derived from or corroborated mostly by data observable in the market by correlation or other means.

Level 3 –unobservable inputs for an asset or liability. Unobservable inputs should be used to measure the fair value when observable inputs are not available, and should reflect the business unit's expectations of what market players would use as assumptions for pricing an asset or a liability, including risk assumptions.

No financial instrument held by the Company has Level 3 category characteristics.

We present below the parent company and consolidated assets and liabilities measured at fair value on March 31, 2017 and December 31, 2016:

		Parent company			Consolidated		
	Notes	Level 1	Level 2	03/31/2017	Level 1	Level 2	03/31/2017
Financial assets							
Cash and cash equivalents	05	187.224	-	187.224	282.536	-	282.536
Interest earning bank deposits	05	-	36.555	36.555	-	36.555	36.555
Financial instr. - Hedge Accounting	28	-	9.657	9.657	-	9.657	9.657
Banco Conta vinculada	06	-	8.614	8.614	-	32.209	32.209
Financial instr. - Other Derivatives	28	-	6.814	6.814	-	6.826	6.826
Total assets		187.224	61.640	248.864	282.536	85.247	367.783
Financial liabilities							
Suppliers	14	-	91.121	91.121	-	44.858	44.858
Forfait and Credit letter operations	15	-	555.575	555.575	-	555.575	555.575
Loans and financing	16	-	1.821.545	1.821.545	-	1.821.553	1.821.553
Advances of Customers	20	-	3.767	3.767	-	4.594	4.594
Customer credit	20	-	4.524	4.524	-	5.414	5.414
Financial instr. - Hedge Accounting	28	-	8.417	8.417	-	8.417	8.417
Financial instr. - Other Derivatives	28	-	77.514	77.514	-	77.514	77.514
Total liabilities		-	2.562.463	2.562.463	-	2.517.925	2.517.925

	Notes	Parent company Level 1	Parent company Level 2	Parent company 12/31/2016	Consolidated Level 1	Consolidated Level 2	Consolidated 12/31/2016
Financial assets							
Cash and cash equivalents	05	139.492	-	139.492	142.824	-	142.824
Interest earning bank deposits	05	-	93.698	93.698	-	93.998	93.998
Financial instr. - Hedge Accounting	28	-	27.234	27.234	-	27.234	27.234
Banco Conta vinculada	06	-	20.865	20.865	-	23.128	23.128
Financial instr. - Other Derivatives	28	-	5.700	5.700	-	5.724	5.724
Total assets		139.492	147.497	286.989	142.824	150.084	292.908
Financial liabilities							
Suppliers	14	-	212.401	212.401	-	153.771	153.771
Forfait and Credit letter operations	15	-	595.833	595.833	-	595.833	595.833
Loans and financing	16	-	1.845.131	1.845.131	-	1.845.140	1.845.140
Advances of Customers	20	-	9.332	9.332	-	9.704	9.704
Customer credit	20	-	6.791	6.791	-	7.559	7.559
Financial instr. - Other Derivatives	28	-	154.072	154.072	-	154.084	154.084
Total liabilities		-	2.823.560	2.823.560	-	2.766.091	2.766.091

Summary of consolidated derivative financial instruments on March 31, 2017.

Instrument	Position	Index	Reference Value 1st Quarter 2017	Reference Value 1st Quarter 2016	Fair value 1st Quarter 2017	Fair value 1st Quarter 2016
Designated for hedge accounting						
Foreign exchange rate risk						
NDF	Sold	USD/BRL	(177.814) US$	(351.823) US$	5.284	6.047
Total					**5.284**	**6.047**
Risk of commodity prices						
NDF	Purchased	Copper	4.050 tons	4.300 tons	8.417	11.583
Firm commitment for sales	Sold	Copper	(4.050) tons	(4.300) tons	(8.417)	(11.583)
NDF	Sold	Copper	(7.407) tons	(7.407) tons	926	(2.950)
NDF	Sold	Gold	- Oz	(11.225) Oz	-	3.182
NDF	Sold	Silver	(192.651) Oz	(333.888) Oz	134	1.132
NDF	Sold	Zinc/Tin/Lead	(1.210) tons	(1.230) tons	423	(399)
Embedded derivative	Sold	Copper	(29.596) tons	(44.348) tons	11.136	16.412
Embedded derivative	Sold	Gold	(9.103) Oz	(11.096) Oz	87	2.420
Embedded derivative	Sold	Silver	(211.633) Oz	(352.908) Oz	84	1.390
Total					**12.790**	**21.187**
Total derivatives designated for hedge accounting					**18.074**	**27.234**
Not designated for hedge accounting						
Metal Derivatives						
NDF	Sold	Copper	(3.373) tons	(2.348) tons	(12.101)	(38.714)
NDF	Sold	Gold	(10.065) Oz	(11.165) Oz	(479)	-
NDF	Sold	Silver	(268.384) Oz	(196.565) Oz	(1.299)	-
NDF	Sold	Zinc/Tin/Lead	- tons	(65) tons	-	456
Total Metal Derivatives					**(13.879)**	**(38.258)**
Embedded derivatives						
Embedded derivative	Purchased	Copper	(582) tons	- tons	(74.666)	(112.107)
Embedded derivative	Comprado	Gold	8.243 Oz	5.593 Oz	-	(1.197)
Embedded derivative	Purchased	Silver	333.693 Oz	352.396 Oz	-	1.170
Total					**(74.666)**	**(112.134)**
Hedge Econômico - Variação Cambial USD/BRL						
Futuros BM&F	Purchased	USD Futuro	-	-	738	1.702
Total					**738**	**1.702**
Risk of interest rate						
Swap	Purchased	Libor 3M/6M + VC	59.904 US$	59.904 US$	147.383	196.767
Swap	Sold	Pre + VC (Foreign exchang	(59.904) US$	(59.904) US$	(147.098)	(196.437)
Total					**285**	**330**
Total others derivatives					**(87.522)**	**(148.360)**
Total					**(69.448)**	**(121.126)**
Current Assets					**16.483**	**32.958**
Current liabilities					**(85.931)**	**(154.084)**

28.5 Market risks

28.5.1 Foreign exchange risk

The company has assets and liabilities denominated or indexed to foreign currency, as well as futures operations that will involve income and costs denominated or indexed to foreign currency.

The Policy establishes that risk management has as its objective the hedging against the exchange risk of forecasted flow denominated in foreign currency using over-the-counter operations (NDF - Non-Deliverable Forward) and non-derivative financial instruments (liabilities indexed to US Dollars).

The foreign currency exposure is shown in the table below:

		Parent company / Consolidated	
		03/31/2017	12/31/2016
	Position	USD	USD
Object			
Accounts receivable	Purchased	1,037,694	1,351,816
Instrument			
NDF - Designated to hedge accounting	Sold	(177,814)	(351,823)
Loans and financing	Sold	(434,713)	(632,985)
Suppliers	Sold	(425,167)	(367,008)
Loans and financing	Sold	(147,904)	(64,342)
Suppliers	Sold	(22,845)	(28,639)
Total net exposure		**(170,749)**	**(92,981)**

28.5.2 Interest rate risk

The Company has floating exposure to LIBOR, CDI (interbank deposit certificate), TJLP (long term interest rate), and Interest Rate Resolution 635/87 derived from investments and loans. LIBOR risk is concentrated on Trade Finance transactions which comprised LIBOR x Fixed rate transactions, as cash flow hedges.

Exposure to interest rates is shown in the table below:

		Parent company/Consolidated	
			Notional
		03/31/2017	12/31/2016
Designated to hedge accounting			
Loans and financing	LIBOR	(620,224)	(643,359)
Derivatives – Swap	LIBOR	144,964	154,494
		(475,260)	**(488,865)**
Not designated to hedge accounting			
Loans and financing	TJLP	(17,961)	(19,288)
		(17,961)	**(19,288)**
Loans and financing	INTEREST RATE RES.63	(9,236)	(10,135)
		(9,236)	**(10,135)**
Investments	PRE	128,750	223,595
Loans and financing	PRE	(291,739)	166,766
		(162,989)	**390,361**

28.5.3 Commodities risk

Paranapanema's business activities comprise acquiring raw materials and selling finished products, both benchmarked against the amounts of metals contained therein, and prices of these metals in international exchanges (London Metal Exchange and London Bullion Market Association).

The origin of commodity risk is the mismatch between sell and buy prices of the metals contained in the finished products and raw materials.

The Company's Market Risk Policy establishes that the exposure to commodities risk of each metal is given by the mismatch between volumes of this metal already priced for purchase and the amounts of this metal already priced for sale, and sets risk exposure limits.

Due to this exposure, the Company has a strategy of keeping all inventory metal costs in USD fluctuating (mark-to market), and only fixing the metal prices when they are sold and the price is known.

Parent company/Consolidated

Copper		03/31/2017		12/31/2016	
	Position	Reference value	Exposure	Reference value	Exposure
Assets, net	Purchased	28.976 tons	520.149	36.395 tons	652.495
Designated for hedge accounting					
Embedded derivative	Sold	-16.485 tons	(314.430)	-29.903 tons	(533.399)
Firm commitments	Sold	-3.975 tons	(73.665)	-4.845 tons	(86.863)
NDF	Sold	-15.767 tons	(292.187)	-1.250 tons	(22.410)
Not designated for hedge accounting					
Embedded derivative	Sold	-582 tons	(10.786)	00 tons	-
Firm commitments	Purchased	2.057 tons	38.118	-1.999 tons	(35.839)
NDF	Sold	-3.373 tons	(62.513)	-2.348 tons	(42.089)
Total net exposure		**-9.149 tons**	**(195.314)**	**-3.950 tons**	**(68.105)**

Parent company/Consolidated

Gold		03/31/2017		12/31/2016	
	Position	Reference value	Exposure	Reference value	Exposure
Assets, net	Purchased	5.963 Oz	23.489	14.015 Oz	52.641
Designated for hedge accounting					
Embedded derivative	Sold	-2.003 Oz	(7.891)	-9.777 Oz	(36.725)
NDF	Sold	00 Oz	-	-1.732 Oz	(6.505)
Not designated for hedge accounting					
Embedded derivative	Purchased	8.243 Oz	32.471	5.593 Oz	21.008
Firm commitments	Purchased	164 Oz	646	00 Oz	-
NDF	Sold	-10.065 Oz	(39.648)	-11.165 Oz	(41.938)
Total net exposure		**2.302 Oz**	**9.067**	**-3.066 Oz**	**(11.519)**

Parent company/Consolidated

Silver		03/31/2017		12/31/2016	
	Position	Reference value	Exposure	Reference value	Exposure
Assets, net	Purchased	206.040 Oz	11.790	477.669 Oz	25.282
Designated for hedge accounting					
Embedded derivative	Sold	-44.607 Oz	(2.552)	-202.953 Oz	(10.742)
NDF	Sold	-192.951 Oz	(11.041)	-333.888 Oz	(17.672)
Not designated for hedge accounting					
Embedded derivative	Purchased	333.693 Oz	19.094	352.396 Oz	18.652
Firm commitments	Purchased	6.539 Oz	374	00 Oz	-
NDF	Sold	-268.384 Oz	(15.357)	-196.565 Oz	(10.404)
Total net exposure		**40.330 Oz**	**2.308**	**96.659 Oz**	**5.116**

					Parent company/Consolidated
Other		03/31/2017		12/31/2016	
	Position	Reference value	Exposure	Reference value	Exposure
Assets, net	Purchased	1.058 tons	11.121	1.117 tons	11.497
Designated for hedge accounting					
NDF	Sold	-1.035 tons	(11.008)	-1.120 tons	(9.268)
Not designated for hedge accounting					
Firm commitments	Sold	-78 tons	(734)	-78 tons	(701)
NDF	Sold	00 tons	-	-65 tons	(2.603)
Total net exposure		**-55 tons**	**(621)**	**-146 tons**	**(1.075)**

28.5.4 Sensitivity analysis

In order to measure the impact on the Company's Net Income (Loss) and Shareholders' Equity arising from the variations in the financial market rates, stress scenarios were constructed in relation to the rates effective as of March 31, 2017. As required by CVM Instruction no. 475/08, the Company carried out a sensitivity analysis using the probable scenario, and scenarios for a 25% and 50% decrease and increase.

	Notional	Unit	Risk factors	Probable scenario	Falling scenario 25%	Falling scenario 50%	Rising scenario 25%	Rising scenario 50%
					Impact on comprehensive income			
Foreign exchange rate risk								
Subject to hedge								
Liabilities	$ 1.037.694	USD	USD	**(3.287.829)**	**(821.958)**	**(1.643.915)**	**821.958**	**1.643.915**
Hedge instrument								
NDF - Cash flow hedge	$ 177.814	USD	USD	**(563.386)**	**140.847**	**281.693**	**(140.847)**	**(281.693)**
Suppliers	$ -425.167	USD	USD	**(1.347.099)**	**336.775**	**673.550**	**(336.775)**	**(673.550)**
Loans	$ -434.713	USD	USD	**(1.377.344)**	**344.336**	**688.672**	**(344.336)**	**(688.672)**
Total	**$ 355.628**			**(6.575.658)**	**-**	**-**	**-**	**-**
					Impact on profit or loss			
Foreign exchange rate risk								
Other non-derivative financial instruments								
Liabilities	$ -170.749	USD	USD	**(541.002)**	**135.251**	**270.501**	**(135.251)**	**(270.501)**
Total	**$ -170.749**			**(541.002)**	**135.251**	**270.501**	**(135.251)**	**(270.501)**
Interest rate risk								
Subject to hedge								
Liabilities	$ 195.753	USD	LIBOR	**(650.184)**	**1.232**	**2.028**	**(358)**	**(1.153)**
Hedge instrument								
Swap - Cash flow hedge	$ 59.904	USD	LIBOR	**240**	**(138)**	**(370)**	**325**	**556**
Other non-derivative financial instruments								
Liabilities	$ -17.961	BRL	TJLP	**23.750**	**(5.411)**	**(6.496)**	**(6.490)**	**(5.859)**
Assets	$ 128.750	BRL	PRÉ	**130.378**	**203**	**245**	**119**	**79**
Liabilities	$ -291.739	BRL	PRÉ	**(280.108)**	**9.803**	**20.859**	**(9.924)**	**(18.751)**
Total	**$ 74.707**			**(775.924)**	**5.689**	**16.266**	**(16.328)**	**(25.128)**
Commodity price risk								
Hedge instrument								
NDF (Copper) - Fair value hedge	(3.975)	ton	*Cobre*	**(73.665)**	**18.416**	**36.833**	**(18.416)**	**(36.833)**
NDF (Copper) - Fair value hedge Inventories	(15.767)	ton	*Cobre*	**(22.410)**	**5.603**	**11.205**	**(5.603)**	**(11.205)**
Embedded derivative (Cooper) - Fair Value Hedge	(16.485)	ton	*Cobre*	**(292.187)**	**73.047**	**146.094**	**(73.047)**	**(146.094)**
Not designated for hedge accounting								
NDF	(3.373)	ton	*Cobre*	**(62.513)**	**15.628**	**31.257**	**(15.628)**	**(31.257)**
Embedded derivative	(582)	ton	*Cobre*	**(10.786)**	**2.697**	**5.393**	**(2.697)**	**(5.393)**
Total	**(40.182)**			**(461.561)**	**115.391**	**230.782**	**(115.391)**	**(230.782)**
Not designated for hedge accounting								
NDF	(10.065)	Oz	*Gold*	**(39.648)**	**9.912**	**19.824**	**(9.912)**	**(19.824)**
Embedded derivative	8.243	Oz	*Gold*	**32.471**	**(8.118)**	**(16.236)**	**8.118**	**16.236**
Hedge instrument								
Embedded derivative	(2.003)	Oz	*Gold*	**(7.891)**	**1.973**	**3.946**	**(1.973)**	**(3.946)**
Total	**(3.825)**			**(15.068)**	**3.767**	**7.534**	**(3.767)**	**(7.534)**
Not designated for hedge accounting								
NDF	(268.384)	Oz	*Silver*	**(15.357)**	**3.839**	**7.679**	**(3.839)**	**(7.679)**
Embedded derivative	333.693	Oz	*Silver*	**19.094**	**(4.774)**	**(9.547)**	**4.774**	**9.547**
Hedge instrument								
NDF	(192.951)	Oz	*Silver*	**(11.041)**	**2.760**	**5.521**	**(2.760)**	**(5.521)**
Embedded derivative	(44.607)	Oz	*Silver*	**(2.552)**	**638**	**1.276**	**(638)**	**(1.276)**
Total	**(172.249)**			**(9.856)**	**2.463**	**4.929**	**(2.463)**	**(4.929)**
Hedge instrument								
NDF (Zinc, Lead and Tin)	(1.035)	ton	*Other Metals*	**(11.008)**	**2.752**	**5.504**	**(2.752)**	**(5.504)**
Total	**(1.035)**			**(11.008)**	**2.752**	**5.504**	**(2.752)**	**(5.504)**

Assumptions:						
Foreign exchange rate	Ptax - USD/BRL	3,1684	2,3763	1,5842	3,9605	4,7526
Copper price	*Official Price Cash LME*	$5.849	$4.387	$2.925	$7.311	$8.774
Gold price	*Official Price Cash LBMA*	$1.243	$932	$622	$1.554	$1.865
Silver price	*Official Price Cash LBMA*	$18	$14	$9	$23	$27
Zinc price	*Official Price Cash LME*	$2.783	$2.087	$1.391	$3.478	$4.174
Tin price	*Official Price Cash LME*	$20.100	$15.075	$10.050	$25.125	$30.150
Lead price	*Official Price Cash LME*	$2.310	$1.733	$1.155	$2.888	$3.465

28.6 Hedge accounting

Paranapanema adopted the following hedge accounting programs:

28.6.1 US Dollar Revenue Cash Flow Hedge

The program's purpose is to ensure that a percentage of revenue equivalent to the sales premium pegged to the US Dollar is not impacted by exchange variations. The derivative and income combination will result in a fixed/constant cash inflow based on the derivative financial instrument's US Dollar rate collateralized by the derivative financial instrument.

The hedged item refers to a percentage of revenue equivalent to highly probable future sales premium indexed to dollar. The hedging instrument contracted for this program is USD/R$ (NDF - Non-Deliverable Forward) currency contracts. Besides the derivative instruments, the Company also uses, as authorized by CVM Resolution No. 604/09, the variations in the exchange rates of non-derivative financial instruments such as Advance of Foreign Exchange Contract (ACC), Prepayment of Exports (PPE) and debt contracts in US Dollars to mitigate the exchange risk arising from its highly probable future sales in foreign currency. This program was implemented since November 2013 for the ACC and PPE instruments, and since March 2013 for the other debts as hedge instruments.

The foreign exchange (FX) variation on debt in USD is credited in OCI and debited from Loans and Financing when the adjustment is positive. In case of a negative adjustment, the Loans and Financing account is credited and the debit is registered in OCI. The corresponding balance in OCI is recognized within Operating Profit or Loss only when the hedged item (the revenue percentage equivalent to the sales premium) matures and the hedge relationship is effective.

Based on CPC 38, hedge instruments can be rolled over until the hedged item expected realization month. The realization month is defined at the hedge relationship designation date.

28.6.2 Firm Sales Commitment Fair Value Hedge

The Firm Sale Commitment hedge's purpose is to protect fair value in US Dollars of the fixed sales price of copper against unfavorable trends in the price of copper quoted on the London Metal Exchange (LME).

The hedge covers future copper sales in US Dollars with a pre-fixed price for clients in fixed sale commitments. The hedging instrument is copper derivatives quoted on the London Metal Exchange (LME).

The metal price mark-to-market adjustments on derivative contracts designated as hedges are recognized within Operational Profit or Loss as well as metal price adjustments on firm sales contracts (the "hedged item"). The Derivative Financial Instrument account in Assets is debited against Operational Profit when adjustments are positive and credited in Liabilities against Operational Loss when adjustments are negative.

28.6.3 Inventory Fair Value Hedge

The objective of the Fair Value hedge of inventory is to hedge the fair value of metal prices (copper, zinc, lead and tin) in Reais (R$), keeping the metal cost floating at market value until it is sold.

Hedge instruments are embedded derivatives in copper concentrate supply contracts. This program has been implemented since March 2013. On June 1, 2015, an inventory fair value hedge was implemented using mercantile exchange derivatives as a hedging instruments to protect the variation of the monthly average spot prices. The same strategy with derivatives on the mercantile exchange was implemented for the metals zinc, lead and tin (on May 1, 2015), and for gold and silver (on June 1, 2015). On January 1, 2016, the metal fair value began to be recorded in Reais.

The mark-to-market adjustments on metal price derivative contracts designated as hedges are recognized within Operational Results as well as the metal portion of inventory (the hedged item). The Derivative Financial Instrument account in Assets is debited against Operational Profit when adjustments are positive and credited in Liabilities against Operational Loss when adjustments are negative.

28.6.4 Cost of metals cash flow hedge

The objective of the hedge is to protect the cost of copper of products sold for a particular month of sale, adjusting the cost of the goods sold by price references (LME) that are identical or close to the price references of revenue from the sale of copper. This hedge, together with the inventory fair value hedge program, allows the USD cost of metal in COGS to be similar to the R$ metal price in Revenue.

The item to be hedged is the cost of copper in the cost of goods sold for a particular month of sale. The hedge instrument consists of forward contracts of copper whose objective is to exchange references of average copper prices. This program has been implemented since April 2015.

The metal price mark-to-market adjustments on derivative contracts with hedge designations are credited in OCI and debited from the Derivative Financial Instruments account in Assets when adjustments are positive. In the case of negative adjustments, the Derivative Financial Instruments account in Liabilities is credited, and the OCI is debited. The corresponding OCI balance is recognized within Operational Profit or Loss when the hedged item matures.

28.6.5 Foreign Currency cash outflow hedge (Capex)

The objective of the program is to ensure that payments related to the acquisition of fixed assets indexed to foreign currencies are not impacted by exchange variations. The combination of the derivative and the payment will result in a fixed/constant cash outflow, based on the rate guaranteed by the derivative financial instrument.

The hedged item is the cash outflow in foreign currency (US Dollars, Canadian Dollars and Euros). The hedge instrument used in this program is a long position with an Non-Deliverable Forward (NDF) of USD/R$, CAD/R$ and EUR/R$.

In compliance with the documentation requirements that are defined in CPC38 and IAS39, the Company made the formal designation of its hedge operations subject to hedge accounting by documenting the following:

i. The hedge relationship;
ii. The objective and strategy of the risk management of the Company in carrying out the hedge;
iii. The identification of hedge instrument (derivative or non-derivative financial instrument);
iv. The hedged item or position;
v. The nature of the risk to be covered;
vi. The description of the coverage ratio;
vii. The statement of the correlation between the hedge instrument and the hedged item, when applicable;
viii. The prospective and retrospective statement of the hedge's effectiveness.

Transactions for which Paranapanema designated as cash flow hedge have highly probable occurrence. The deferral of unrealized gains and losses on derivative financial instruments and non-derivative ones designated for hedging against exchange and interest rates was carried out in OCI within shareholders' equity.

Instrument	Object	Index	Maturities	Reference		Market value(*) 03/31/2017	Market value(*) 12/31/2016
Cash flow hedge							
Derivatives – designated						**Instrument**	**Instrument**
NDF – Closed	Income (in USD)	USD/BRL	Jan-17 a Mar-17	-	US$	**10.486**	**102.446**
NDF – Provision	Income (in USD)	USD/BRL	Apr-17 a Sep-21	-	US$	**(177.815)**	**(185.635)**
NDF – Closed	Cost	Copper	Jan-17 a Mar-17	9.047	tons	**-**	**-**
NDF – Provision	Cost	Copper	Apr-17	1.983	tons	**67**	**85**
Non-derivative - designated							
ACC / PPE – Closed	Income (in USD)	USD/BRL	Jan-17 a Mar-17	-	US$	**-**	**5.251**
ACC / PPE – Provision	Income (in USD)	USD/BRL	Apr-17 a Jun-30	-	US$	**(434.713)**	**(454.790)**
Other debt – closed	Income (in USD)	USD/BRL	Jan-17 a Mar-17	-	US$	**-**	**12.735**
Other debt – provision	Income (in USD)	USD/BRL	Apr-17 a Nov-36	-	US$	**(425.167)**	**(425.127)**
Derivatives – undesignated							
NDF – Closed		USD/BRL	Jan-16 a Dec-16	-		**(5.880)**	**(16.554)**
Fair value hedge							
Derivatives							
NDF – Closed	Sales commitment	Copper	Jan-17 a Mar-17	2.181	tons	**-**	**(3.106)**
NDF – Provision	Sales commitment	Copper	Apr-17 a Jan-18	4.050	tons	**8.416**	**(11.583)**
Embedded derivatives	Inventory	Copper	Mar-17	15.917	tons	**11.135**	**-**
Embedded derivatives	Inventory	Copper	Apr-17 a Jun-17	13.679	tons	**-**	**-**
Embedded derivatives	Inventory	Gold	Mar-17	7.965	Oz	**87**	**-**
Embedded derivatives	Inventory	Gold	Apr-17 a Jun-17	1.138	Oz	**-**	**-**
Embedded derivatives	Inventory	Silver	Mar-17	167.918	Oz	**84**	**-**
Embedded derivatives	Inventory	Silver	Apr-17 a Jun-17	43.715	Oz	**-**	**-**
NDF – Closed	Inventory	Copper	Mar-17	7.698	tons	**481**	**(19.885)**
NDF – Provision	Inventory	Copper	May-17	1.000	tons	**-**	**(2.950)**
NDF – Closed	Inventory	Zinc	Mar-17	1.149	tons	**243**	**5.233**
NDF – Provision	Inventory	Zinc		-	tons	**-**	**(423)**
NDF – Closed	Inventory	Lead	Mar-17	27	tons	**3**	**-**
NDF – Provision	Inventory	Lead		-	tons	**-**	**-**
NDF – Closed	Inventory	Tin	Mar-17	34	tons	**36**	**-**
NDF – Provision	Inventory	Tin		-	tons	**-**	**24**
NDF – Closed	Inventory	Gold		-	Oz	**-**	**9.854**
NDF – Provision	Inventory	Gold		-	Oz	**-**	**3.182**
NDF – Closed	Inventory	Silver		-	Oz	**-**	**5.998**
NDF – Provision	Inventory	Silver	Jan-17 a Feb-17	192.651	Oz	**134**	**1.132**

(*) The Market Value for the derivatives designated as provided flow hedge accounting are stated in Shareholders Equity

	Parent company/Consolidated Equity 03/31/2017	Parent company/Consolidated Equity 12/31/2016
Derivatives designated to hedge accounting		
Commodities risk	**67**	85
Foreign exchange risk	**(177,815)**	(185,635)
	(177,748)	(185,550)
Non-derivatives designated to hedge accounting		
Foreign exchange risk - Operation settled	**-**	17,986
Foreign exchange risk - Operation open	**(859,880)**	(879,917)
	(859,880)	(861,931)

28.7 Credit risk

The Company's sales policy vary depending on the level of credit risk that it is willing to accept.

Credit is an important instrument to promoting business between the Company and its clients. This is due to the fact that credit leverages clients' purchasing power.

Risk is inherent to credit transactions and the Company must perform a careful analysis. This work involves client quantitative and qualitative evaluations, as well as considering the industry in which it operates. This analysis takes into consideration the client's past performance, a forecast on its economic-financial robustness, the client risk management policy, and its prospects for the future.

The diversification of the receivables portfolio, the selection of clients, and the monitoring of terms and credit limit per individual client are procedures adopted to minimize delays and defaults in accounts receivable. In addition to performing credit limit checking procedures, client balances are individually limited to 10% of the Company's total income. Thus, the Company spread the credit risk among several clients.

As regards credit risk associated to financial investments, the Company always invests with low risk institutions, as evaluated by independent ratings agencies.

Credit risks		Parent company		Consolidated	
Assets	**Notes**	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
Trade accounts receivable	05	**187,224**	139,492	**282,536**	142,824
Interest earning bank deposits	05	**36,555**	93,698	**36,555**	93,998
	06	**8,614**	20,865	**32,209**	23,128
Trade accounts receivable	07	**390,731**	560,810	**388,971**	474,090
Derivative financial instruments	28	**16,471**	32,934	**16,483**	32,958
		639,595	847,799	**756,754**	766,998

28.8 Liquidity risk

a) The risk management policy implies keeping a safe level of cash and cash equivalents and access to credit lines. The Company's investments have maturities lower than 90 days and immediate liquidity, at amounts sufficient to cover possible necessity of settling accounts with suppliers, loans and financing.

b) Liquidity risk represents a shortage of funds intended to pay debts and interest (see note 1).

The estimated existing debt contract payments, as of March 31, 2017, is as follows:

Presented amounts include estimated principal amounts and interest calculated using the US Dollar rate prevailing on March 31, 2017 (R$3.1684/USD 1) for debts denominated in US Dollars (PPE, ACC and Finimp) and prevailing contracts' interest rates.

Liquidity risk				
Consolidated	**Notes**	**Amount**	**Up to 1 year**	**1 – 2 years**
Assets				
Cash and cash equivalents	05	282.536	282.536	-
Interest earning bank deposits	05	36.555	32.264	4.291
	06	32.209	32.209	-
Trade accounts receivable	07	388.971	374.306	14.665
Derivative financial instruments	28	16.483	16.483	-
		756.754	737.798	18.956
Liabilities				
Loans and financing	16	(1.821.553)	(1.821.553)	-
Advances from customers	20	(4.594)	(4.594)	-
Customer credit	20	(5.414)	(5.414)	-
Derivative financial instruments	28	(85.931)	(85.931)	-
Suppliers	14	(44.833)	(44.833)	-
Forfait and Credit Card Operation	15	(555.575)	(555.575)	-
		(2.517.900)	(2.517.900)	-
Net position		(1.761.146)	(1.780.102)	18.956

28.9 Book value/fair value

Management considers that the fair value equates the carrying value in short term transactions, once the carrying value in such transactions is a reasonable approximation of the fair value (CPC-

40/item 29), except for Loans and Financing transactions, which fair values are determined and shown in note 28.4 charts of Financial Instruments classification.

28.10 Capital management

The main purpose of the capital management of Paranapanema and its subsidiaries is to ensure a strong credit rating for institutions and an adequate capital ratio to support the Company's business and maximize shareholder value.

The Company includes the following within its net debt structure: loans, financing, derivative financial instruments payable, net of cash, cash equivalents, interest earning bank deposits and derivative financial instruments receivable.

		Parent company		Consolidated	
	Notes	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Loans and financing	16	1.821.545	1.845.131	1.821.553	1.845.140
Derivative financial instruments payable	28	11.277	41.962	11.265	41.950
(-) Cash and cash equivalents	05	(187.224)	(139.492)	(282.536)	(142.824)
(-) Interest earning bank deposits	05	(36.555)	(93.698)	(36.555)	(93.998)
(-) Linked Bank account	06	(8.614)	(20.865)	(32.209)	(23.128)
(-) Derivative financial instruments receivable	28	(16.312)	(29.148)	(16.312)	(29.148)
(=) Net debt (cash)		**1.584.117**	**1.603.890**	**1.465.206**	**1.597.992**
Derivative financial instruments payable	28	74.666	112.134	74.666	112.134
(-) Derivative financial instruments receivable	28	(171)	(3.810)	(171)	(3.810)
(=) Net debt on embedded derivatives		**1.658.612**	**1.712.214**	**1.539.701**	**1.706.316**
Equity	21	241.696	257.010	241.696	257.010
Leverage ratio		*86,76%*	*86,19%*	*85,84%*	*86,15%*
Leverage ratio with embedded derivative		*87,28%*	*86,95%*	*86,43%*	*86,91%*

29. Firm commitments

The Company has a contractual commitment with a supplier for the coming years regarding the outsourcing of management, operation and maintenance of an oxygen gas plant located in the industrial plant of Dias D'Ávila, maturing up to February 2023, and the commitment does not subject the Company to any restrictions.

The renewal and adjustment clauses are described in the contract and follow market practices.

The future minimum obligations payable under this contract, if not canceled before maturity, are as follow:

	03/31/2017	12/31/2016
Up to 1 year	1,368	1,392
from 2 to 6 years	5,694	5,857
over 6 years	-	170
	7,062	7,419

30. Insurance

The Company maintains insurance coverage at amounts considered sufficient to cover potential losses arising from claims, taking into account the nature of the activities, the risks involved in the operations and the guidance of its insurance consultants.

On December 31, 2016, the amounts insured and coverage limits hired within its respective insurance segment were the following:

Type	Endangered Declared Value	Maximum Limit Indemnified
Operational Risks	R$ 1.348.203	R$ 200.000
General Liability	R$ 11.000	R$ 11.000
Liability (D&O)	R$ 65.000	R$ 65.000
Transports (National territory)	R$ 21.000.000	R$ 21.000.000
Export Credit Insurance	USD 3.696	USD 3.696
Transports (international territory)	USD 3.150.000	USD 3.150.000
Domestic Credit Insurance		55 x Premium payed per period
Lessor Bail	R$ 1.539	
Judicial and Financial Actions		Stipulated value for cause defended
Vehicles		100% of the vehicle's value (Based on Table FIPE)
Group ILife insurance		30 x base salary

31. Private pension

The private pension plan offered by the Company and its subsidiaries correspond to a Pension plan deductible for income tax purposes (PGBL) and a Private pension plan non-deductible for income tax purposes (VGBL), respectively, which are administered by BrasilPrev based on joint contributions made by the Company, its subsidiaries and the employees:

PGBL/VGBL: After meeting the cumulative prerequisites of contribution of 120 months and 60 years of age, the beneficiaries will be entitled to redeem 100% of the savings accumulated from them, the Company and its subsidiaries, provided that they are not employed by the Company at the redemption date, and in the case of death or permanent disability. In case of termination from the Company before becoming eligible, the beneficiary shall be entitled to withdraw up to 80% of the amount deposited by the Company respecting the policy which provides a rate of 1% per contributed month

Therefore, plans exclude the risk benefits and thus do not generate actuarial liabilities. If the participant opts for a life income benefit, BrasilPrev is responsible for maintaining reserves under the contract.

The amount of contributions made to plans by the Company and subsidiaries in the quarter was R$533 (R$594 in the first quarter of 2016).

32. Variable remuneration plan

General Terms and Conditions

Beneficiaries: All Company executives holding positions such as Director, Manager or Chief are eligible to a Variable Remuneration Program comprised of Short (ICP) and Long term (ILP) incentives. The ICP and ILP are linked to pre-determined collective and individual goals. The achievement percentage of each goal is assessed at the annual closing.

Until 2016, the ILP was based on Company shares using the concept of “Phantom Shares”, where at the end of each period, goals achieved in the period between January and December were converted into units (URVs) based on the performance, variations and value of Company shares (PMAM3), distributed in some vesting periods. Payment obligations from URVs distributed until 2016 will follow the concept described in this paragraph.

Starting in 2017, the Board of Directors approved the change in ILP definition revoking the calculation based on phantom shares performance. ILP is now calculated on salary multiples and based on collective goals established by the Board of Directors, and previously agreed individual goals. Payments will be calculated on salary multiples due each year multiplied by the base salary as of December 31 of the year prior to the payment.

Variable Remuneration Program conditions and rules can be changed at any moment by the Company, with such changes to be expressly communicated to the eligible executive.

Exercising Conditions: The private contract determines eligibility rights for and payments with variable remuneration all employees who meet the annual goals under the terms of the contract.

The contract provides the following eligibility conditions toward *variable remuneration*:

The eligible employee has the right to receive the ILP only if his/her labor contract is active.

i. In case of labor contract suspension due to disability, there will be no payments while the labor contract remains suspended.

ii. In case of employee decease, his/her heirs and/or legal beneficiaries will receive 50% of the amount due at the decease date.

Criteria for fixing the exercise term: Except for the ineligibility conditions mentioned above, the vesting will be deferred in 2 (two) installments, with annual payments, or 50% of salary multiples per year, being the first payment due the year following the ILP acquisition. The amount to be granted will be based on the salary multiple as of December 31, 2017 of the year prior to payment.

Liquidation form: Liquidation will be through payroll process when all established conditions are met.

Phantom Shares until 2016:

Criteria for fixing the acquisition or exercise price: In every phantom share payment year, the vesting number of shares (¼ per year) will be multiplied by the average stock (PMAM3) price from January to December of the year prior to payment.

Restrictions on stock transfers: The exercise of phantom shares does not imply the concession of any Company stock, all remuneration being linked to the phantom shares paid in cash. All rights and obligations derived from the individual instrument cannot in any circumstances be assigned or transferred to third parties, nor offered as guarantees for obligations.

Phantom Share remuneration based on stocks recognized in results in the last social year and forecast to the current social year: The Company completed in the first trimester of 2017 the second evaluation cycle referring to 2016, where phantom shares were granted to eligible individuals who fulfilled the criteria established in the individual contracts. Approval of targets met and phantom share distribution occurred on April 29, 2017 in the AGE, upon approval of the 2016 Financial Statements. The provisioned amount in the quarter was R$2 (R$251 in the first quarter of 2016).

33 Subsequent Events

On April 20, 2017, Paranapanema disclosed to the market that it had signed the Non-Binding Memorandum of Understanding for Debt Renegotiation (MoU) with its main creditors (“Consenting Creditors”).

On the same date, the Company formalized with the Consenting Creditors a Standstill Agreement for a term of 30 (thirty) days counting from the present date. Under this Standstill agreement, which is subject to termination clauses common to this contract nature, the Consenting Creditors commit not to take measures to collect their credits, including abstaining from accelerating obligation due dates to pay principal or interest, to not execute guarantees, and to not make voluntary appointments at credit protection agencies as a result of the financial instruments and/or bank debt listed in the Standstill Agreement. More details about this event are disclosed in Note 1.

On April 28, 2017 the Company disclosed to the market that in addition to the relevant facts disclosed on December 29, 2016, July 18, 2016, December 29, 2016 and January 17, 2017, the Shareholders (representing 73% of the social capital of the Company) unanimously approved at the Ordinary and Extraordinary Shareholders Meeting on this date (AGOE), the Administration proposal to postpone the payment of dividends declared in the at the Ordinary Shareholders Meeting held on April 29, 2016. Payment of the declared dividends will be made until December 31, 2019, with monetary restatements by the IGP-M from June 24, 2016 until the effective payment date, as disclosed in Note 21.j.

Report on review of quarterly information

To the Board of Directors and Stockholders
Paranapanema S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Paranapanema S.A. (the "Company"), included in the Quarterly Information Form - ITR for the quarter ended March 31, 2017, comprising the balance sheet at March 31, 2017 and the statements of income, comprehensive income, statements of changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34, Interim Financial Reporting issued by the International Accounting Standards Board (IASB, as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information 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 of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Emphasis of matter

Going concern – significant uncertainty

We draw attention to Note 1 to the interim accounting information, which describes the Company's financial situation and its business plan, and discloses that the Company has incurred recurring losses and its current liabilities exceeded its current assets by R$ 1,213,545 thousand (consolidated – R$ 1,044,959 thousand) at March 31, 2017. These conditions, along with other matters described in Note 1, raise significant doubt about the Company's ability to continue as a going concern. No adjustments arising from these uncertainties were included in the financial statements. Our conclusion is not qualified in respect of this matter.

Emphasis - Lawsuits with possible risk of loss

We draw attention to Note 19.2 to these interim accounting information, in which the Company discloses that it has several lawsuits arising from its operations amounting to R$ 2,100,842 thousand (consolidated - R $ 2,132,269 thousand), whose risk of loss is classified as possible based on the opinion of its legal counsel, and therefore, no related provision is recorded. The main lawsuits refers to the court decision about the right to collect the Social Contribution Taxes on Net Income (CSLL) and the ongoing arbitration procedure related to the Contract with UBS Pactual S.A. and Banco Santander S.A. An unfavorable outcome of these claims may have a significant impact on the Company's financial position. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2017. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information (ITR) referred to in the first paragraph includes accounting information corresponding to the statements of income, comprehensive income, changes in equity, cash flows, and added value for the quarter ended March 31, 2016, which were extracted from the Quarterly Information (ITR) for that quarter, and to the balance sheets as at December 31, 2016, which were extracted from the financial statements as at December 31, 2016, presented herein for comparison purposes. The review of the Quarterly Information (ITR) for the quarter ended March 31, 2016 and the audit of the financial statements for the year ended December 31, 2016 were conducted by other independent auditors, who issued unqualified review and audit reports thereon dated April 28, 2016 and March 30, 2017, respectively, including emphasis of matters for significant uncertainty of going concern and lawsuits with possible risk of losses.

Barueri, May 15th, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" BA

Sérgio Eduardo Zamora
CRC 1SP168728/ O-5 "S" BA

PARANAPANEMA S.A.
CNPJ/MF nº 60.398.369/0004-79 – NIRE 29.300.030.155

PUBLIC COMPANY

Directors Statement over Independent Auditors' Report

In accordance with Article 25, paragraph 1, items V, of CVM Instruction 480/2009, the Company's Executive Directors declare they have reviewed, discussed and agreed with the report issued on May 15, 2017 by PRICEWATERHOUSECOOPERS, the Independent Auditors of the Company and its subsidiaries, regarding the "Parent company and Consolidated" financial statements, related to the fiscal year ended March 31, 2017.

Dias D'Ávila, May 15, 2017.

Chief Executive Officer and Investor Relations and
Chief Financial Officer (Interim)
Marcos Paletta Camara

Legal Officer
Paulo Rodrigo Chung