PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Índice de Ações com Tag Along Diferenciado ITAG

Índice de Ações com Governança Corporativa Diferenciada IGC


# Highlights of the 1Q18

**Teleconference of Results**
**Date: 05/02/2018**

**Teleconference in Portuguese with simultaneous translation into English**

**10:30am** (Brasília) / **09:30am** (EST)

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**NOTICE**

- **Net Income in 1Q18 totaling R$1,020.0 million, increase of 32%, compared to the same quarter of the prior year.**
- **Increase of 10% in Total Sales Volume compared to 1Q17.**
- **Decrease of R$99.7 million in Working Capital compared to 4Q17, mainly the decrease of 27% in Accounts Receivable and 7% in Inventories.**
- **Decrease of 16% in Total Expenses compared to 1Q17.**
- **Negative EBITDA of R$44.2 million as result of unscheduled downtimes that produced higher idleness expense.**
- **Scheduled Maintenance in the industrial complex of Dias d'Ávila (BA) began in March will provide reestablishment of the production capacity and increase the efficiency of the industrial unit.**

The Management makes statements on future events that are subject to risks and uncertainties. These statements are based on Management's estimates and assumptions and on information to which the Company has current access. Statements on future events include information on your intentions, estimates or expectations, as well as those of the Company's Directors. Exceptions to statements and information on the future also include information on possible or assumed operating results, as well as statements that are preceded, followed of that include the words "believes", "may", "will", "continues", "waits", "provides", "intends", "plans", "estimates" or similar expressions. Statements and information on the future are not guarantees of performance. They involve risks, uncertainties and assumptions because they refer to future events, thus depending on circumstances that may or may not occur. Future results and the creation of value for shareholders may significantly differ from those expressed or estimated by statements on the future. Many of the factors that will determine these results and values are beyond Company's control or foresight capacity.

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## MESSAGE FROM THE BOARD

We started the year 2018 maintaining our process of recovery of the Company, after conclusion of the Debt Reprofiling in September 2017. We follow a conservative cash management policy in addition to the strategy of operational leverage aiming at using more operating assets, as well as rationalization of costs and expenses.

In 1Q18, we improved our net income by 32% and sales volume by 10% when compared to 1Q17.

In view of the adverse economic scenario that Brazil has been facing in recent years and the financial restructuring process of the Company, investments were contingent upon routine and mandatory maintenances. After the restructuring, the Company's management approved a robust pluriannual maintenance plan so as to recover the efficiency of the plant in Dias d´Ávila (BA). The planning is aimed to attain the maximum nominal production capacity and to provide a more profitable mix of raw material, that is, to increase the processing capacity of copper concentrate.

Based on this plan, Management intends to invest R$ 275 million in 2018 mainly in the reestablishment of the operating capacity of the unit in Bahia (Smelter) including the replacement of assets at the end of useful life. In addition, the Company will start to make investments to increase the production of Anodes through copper concentrate totaling R$ 45 million in 2018.

The principal intervention of 2018 in the unit of Bahia will be concluded up by the end of April. Known as "Scheduled Maintenance 2018", aimed to recover and/or exchange assets at the end of useful life and to eliminate the main causes of intermittences suffered in recent months and years.

Prior to the Scheduled Maintenance started on March 25 this year, we faced intermittences in the plant in Bahia, only in the first quarter of 2018, generating an impact of 31 days in the production, which, added to 7 days of Scheduled Maintenance, totaled a loss of 38 days in the production.

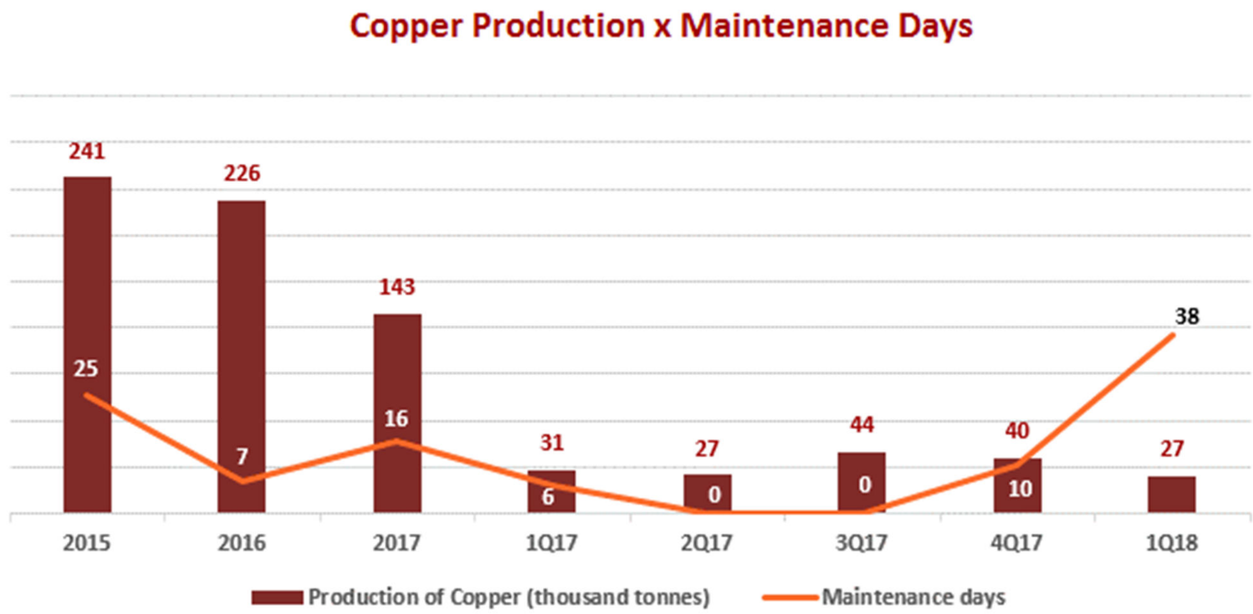
These occurrences affected the result for 1Q18, which recorded negative EBITDA of R$44.2 million. Nevertheless, we emphasize the actions taken on a timely basis to mitigate these impacts, such as reduction of inventory and receivables, reducing Working Capital to R$1,156.8 million, R$99.7 million less than in 4Q17; and the decrease of operating expenses by 16%, compared to 1Q17. In addition, we continue to endeavor efforts seeking to reduce our expenses with contingencies through administrative and legal actions that allowed us to decrease provisions by 40%, when compared to the same period of 2017.

Finally, Management is currently fully committed to restore profitability of its operations by means of increasing operating leverage (greater occupation of plants), resumption of credit facilities, mainly to fund the planned CAPEX, and value generation to its shareholders.

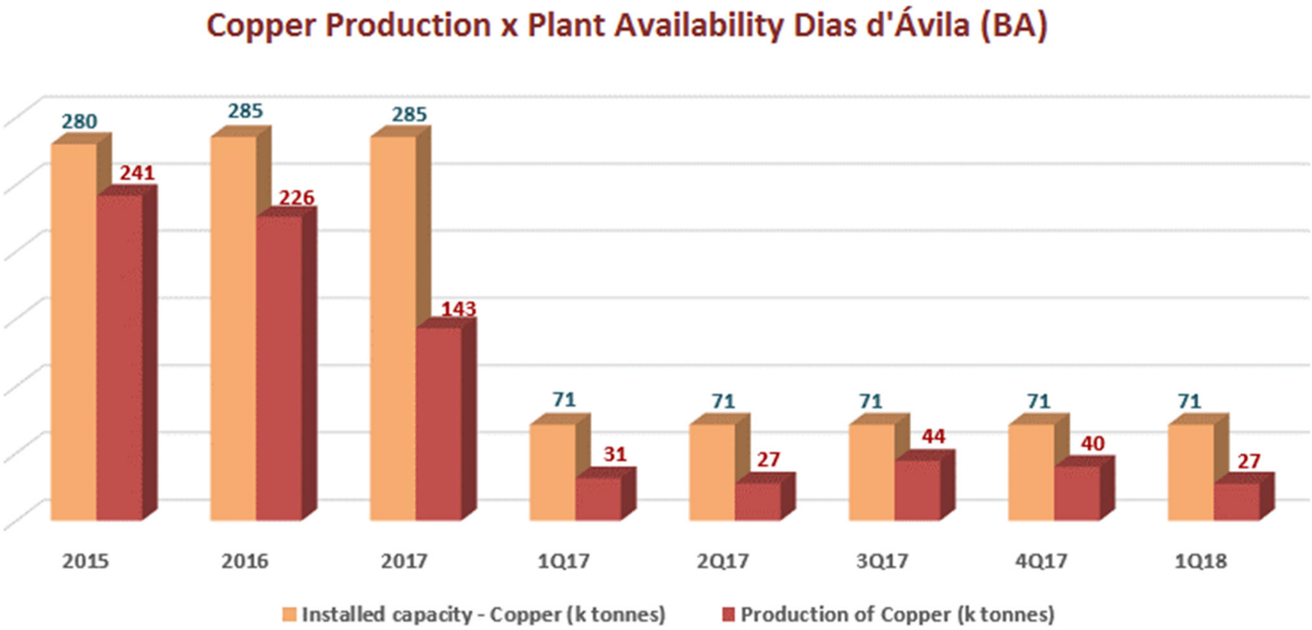
# PRODUCTION PERFORMANCE

## Production volume

In 1Q18, the **Production Volume** in the industrial complex of Dias d'Ávila (BA) was affected by 31 days of interruption of smeltery mainly due to holes in the boiler and by seven days without producing copper anode during March due to the Scheduled Maintenance, whose execution term is about 30 days as of March 25. We point out that, with the Scheduled Maintenance, the Company intends to reestablish the production capacity, increase the efficiency of the manufacturing plants seeking operational excellence.




In 1Q18, **Total Production** was 62.5 thousand tons, a reduction of only 1% in relation to 1Q17. The **Production of Primary Copper** totaled 27.4 thousand tons down 13% from the same quarter of prior year due to unscheduled stops. The Company is importing copper Anode and Blister to cover the electrolysis during the maintenance in Smeltery to minimize the impact on the production of Primary Copper and sales.

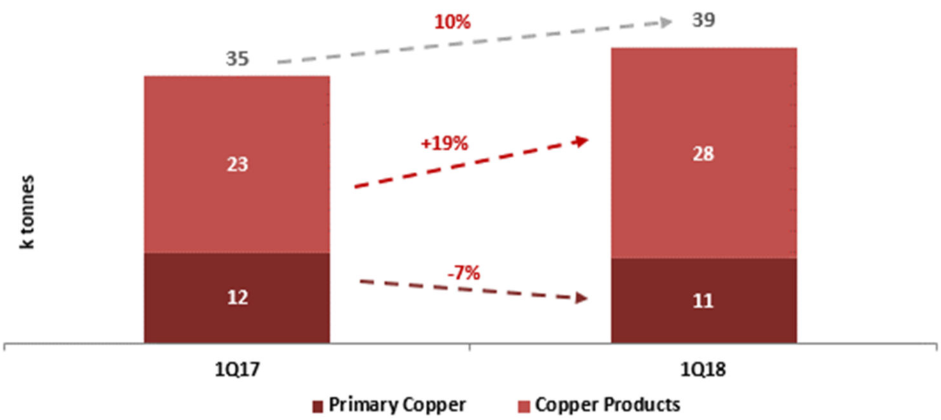



In **Copper Products,** production was 35.1 thousand tons in 1Q18, an increase of 12% in relation to 1Q17, derived from increase of 9% in sales of Rods and Cables and of 20% in the set of Bars, Profiles, Wires, Laminates, Pipes and Connections. The Company gave priority to production in the lines of copper products because they generate higher added value.

In **Byproducts**, we produced 130.1 thousand tons in 1Q18, a reduction of 17% in relation to 1Q17, mainly due to lower production of sulphuric acid caused by intermittences in the plant.

## COMMERCIAL PERFORMANCE

### Volume of sales




The Total Sales Volume in 1Q18 was 39.2 thousand tons, representing a 10% increase when compared to the same quarter of the prior year, derived from a weak recovery in the domestic market, also linked to new commercial strategies which have already recorded evolution since 4Q17.

### Primary Copper

As to Primary Copper, the Company sold 11.3 thousand tons in 1Q18, 7% less than in 1Q17. The foreign market of copper remained strongly booming over this quarter with strong demand for the Company's cathodes (23% increase of exports), particularly in the Chinese market. The commercial agreements entered into during 2017 and the efforts of recovery of production levels as of 3Q17 enabled relevant recovery in export volumes in the beginning of year 2018. Conversely, in the domestic market there was reduction of 60% between the quarters, resulting from the Company's decision to give priority to copper products with higher added value seeking new customers and recovering others.

### Copper products

In Copper Products, 27.9 thousand tons were sold in 1Q18, an increase of 19% compared to 1Q17:

- **Rods, Wire and other**

In the foreign market, sales volumes remained stable in relation to 1Q17 (increase of 2%), with focus on regular customers in South America, where the Company maintains significant market share. Mainly the operations in Argentina, Paraguay and Uruguay, where the Company maintains leadership position. The restriction in the availability of products limited the potential of growth in exports of Rods and Cables in 1Q18, postponing the efforts in the international expansion of this line of products.

In the domestic market, there was significant increase of 26% between the quarters, as result of the continuous increase in the volume and customer base.

- **Bars/Profiles/Wires/Laminates/Pipes/Connections**

In the foreign market, there was strong growth in the volumes of exports, and we recorded a 43% increase as result of commercial efforts in the development of new markets and products, mainly in the lines of industrial pipes. This was possible due to a combination of evolution in the U.S. market, maintenance of important positions in the markets of South America and Israel and also the recovery of market share in Turkey and Italy.

In the domestic market sales remained virtually stable between the quarters. It is important to point out the adjustment of premiums, which improved gross margin.

- **Byproducts**

In Byproducts, sales volume recorded 131.6 thousand tons in 1Q18, a decrease of 32% compared to the same quarter of the prior year.

In the foreign market there was a 43% reduction in the volume of sales of Anodic Slime in view of lower production levels, due to unscheduled downtimes as explained above. In addition, the mix of raw material used during 1Q18 compared to the same period of 2017 contained less precious metals, reducing the volume of Anodic Slime generated.

In the domestic market there was a 32% reduction between the quarters, derived from lower availability of sulphuric acid for sales, due to the production problems mentioned above.

## FINANCIAL PERFORMANCE
## Net income

| *In R$ thd, except otherwise stated* | 1Q17 | 1Q18 | Δ % |
|---|---|---|---|
| **Primary Copper** | **234.193** | **370.819** | ***58%*** |
| *% of Revenue* | *30,2%* | *36,4%* | *6,1 p.p.* |
| **Copper Products** | **416.570** | **565.921** | ***36%*** |
| *% of Revenue* | *53,8%* | *55,5%* | *1,7 p.p.* |
| **Rods, Wires and Others** | **266.900** | **371.505** | ***39%*** |
| **Bars/Profiles/Rolled/Tubes/Fittings** | **149.670** | **194.416** | ***30%*** |
| **Byproducts** | **124.061** | **83.225** | ***-33%*** |
| *% of Revenue* | *16,0%* | *8,2%* | *-7,9 p.p.* |
| **Total Net Revenue** | **774.824** | **1.019.965** | ***32%*** |
| Domestic Market [%] | 47,5% | 39,1% | *-17,9%* |
| Export Market [%] | 51,1% | 59,6% | *16,7%* |
| Toll [%] | 1,4% | 1,4% | *-0,9%* |
| **REINTEGRA[1] Contribution** | **5.421** | **7.071** | ***30%*** |

[1] REINTEGRA: Special Tax Reintegration Regime for Exporting Companies. A tax incentive that enables some Brazilian exporting manufacturing companies, under certain conditions, to recover from 0.1% to 3% of the revenue from exports.

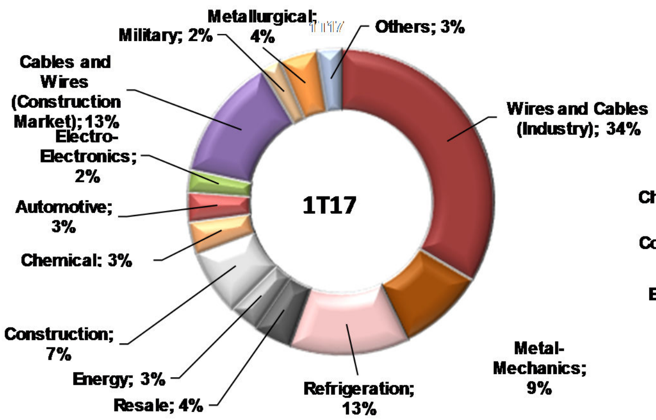
In **Primary Copper**, Net Income increased 58% compared to 1Q17, mainly due to the higher value of copper in reais per ton, overcoming the impact of the lower sales volume, as explained above.

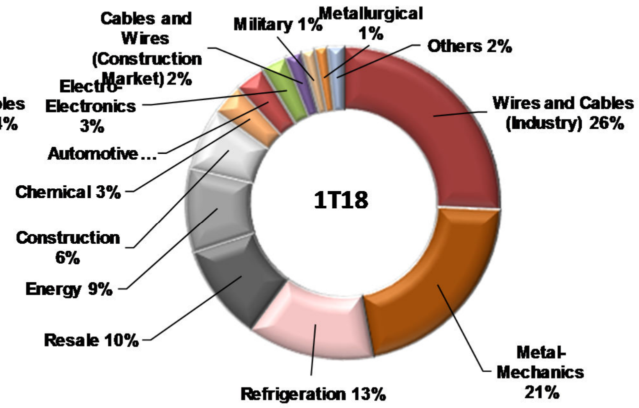
In **Copper Products**, Net Income increased 36% compared to 1Q17. Bars, Profiles, Wires, Laminates, Tubes and Fittings recorded a 30% increase in relation to the same period of 2017 due to the commercial strategy of focusing on higher added value products and development of new markets for exports besides the increase in copper price. Thus, in Rods, Cable and Other, the growth was 39% resulting from a more competitive commercial strategy adopted at the end of 2017.

In **Byproducts**, Net Income decreased 33% compared to 1Q17, derived from lower availability for sales due to the maintenances in the plant mentioned above.

### Domestic Market Income

With regards to domestic market sectors shown below, sales of Wire and Cable (Industry) and Metal Mechanic are more representative. We also point out the growth in the Resales segment (plates, bars, reels, rods of non-ferrous metals) which in 1Q18 represented 10% of total sales.




## Gross profit

| *In R$ thd, except otherwise stated* | 1Q17 | 1Q18 | Δ % |
|---|---|---|---|
| **Net Revenue** | **774.824** | **1.019.965** | ***32%*** |
| **Total COGS** | **(687.515)** | **(996.378)** | ***-45%*** |
| ( - ) Metal Cost | (585.919) | (877.729) | *-50%* |
| ( - ) Transformation Cost | (101.596) | (118.649) | *-17%* |
| COGS Total/tonnes sold | 19,3 | 22,4 | *16%* |
| Metal Cost/tonnes sold | 16,5 | 19,4 | *18%* |
| Transformation Cost/tonnes sold | 2,9 | 3,0 | *6%* |
| **Gross Profit** | **87.309** | **23.587** | ***-73%*** |
| *% of Revenue* | *11,3%* | *2,3%* | *-9,0 p.p.* |
| *TC/RC (reduces metal cost)* | 62.080 | 38.762 | *-38%* |
| *Premiums* | *188.905* | *142.236* | *-25%* |
| *Premium/Net Revenue [%]* | *24,4%* | *13,9%* | *-10,4 p.p.* |
| *Premium/tonnes sold* | *5,31* | *3,63* | *-32%* |

*[1] Unit Cost: The indices do not include the costs/resale volumes of other raw materials*

Despite the increase of 32% in Net Income between the quarters, **Gross Profit** in 1Q18 was affected by the lower production in the period and consequent drop of 38% in "income" from TC/RC (Treatment Charge/Refining Charge), considering that a lower volume of copper concentrate was processed among the quarters, in addition to the reduction in income (loss) in Byproducts due to a lower tenor of precious metals that influenced in income from Anodic Slime and lower quantity of sulphuric acid available. Additionally, due to the intermittences in the Smelter, we rebalanced the purchases of raw material including the sale of 2 lots of copper concentrate in 1Q18, which adversely affected gross margin by 0.6%. This movement was important because it contributed to reduce our inventories by 7% when compared to 4Q17, reducing the working capital used.

Total COGS per ton sold increased 16% in relation to 1Q17, mainly due to the 18% increase in the cost of the metal and also due to the additional maintenance cost generated by the intermittency in the Bahia plant.

With the Scheduled Maintenance, the trends is to have fewer occurrences of emergency maintenance and consequently lower maintenance costs.

## EBITDA

| *In R$ thd, except otherwise stated* | 1Q17 | 1Q18 | ∆ % |
|---|---|---|---|
| **Net Profit** | **(43.148)** | **(49.158)** | *-14%* |
| ( + ) Taxes | 3.554 | (10.085) | *-384%* |
| ( + ) Net Financial Result | 2.337 | (21.965) | *-1040%* |
| **EBIT** | **(37.257)** | **(81.208)** | ***-118%*** |
| ( + ) Depreciation and Amortization | 31.928 | 37.031 | *16%* |
| **EBITDA** | **(5.329)** | **(44.177)** | ***-729%*** |
| *% of Revenue* | *-0,7%* | *-4,3%* | *-3,6 p.p.* |

The Company obtained a **Net Financial Income** of R$22.0 million mostly due to hedge strategies adopted for the Company's cash flow.

The Company's **Ebitda** recorded loss of R$44.2 million in 1Q18 against a profit of R$ 5.3 million in the same quarter of the previous year, mainly due to lower production in the period and consequent impact on the Company's gross profit. We point out the decrease of R$3.6 million in General and Administrative Expenses, as well as the reduction of around R$18.4 million in Net Other Operating Expenses, a result of efforts made to solve Company's labor contingencies. The reduction of Other Operating Expenses could have been greater had it not been for the increase of idleness.

In **Attachment IV** it is possible to notice a decrease of 16% in total expenses, from R$124.5 million in 1Q17 to R$104.8 million in this quarter, mainly due to Other Operating Expenses, as mentioned above.

## Net income

| *In R$ thd, except otherwise stated* | 1Q17 | 1Q18 | ∆ % |
|---|---|---|---|
| Result before Taxes | (39.594) | (59.243) | *-50%* |
| Income Tax and Social Contribution | (3.554) | 10.085 | *384%* |
| **Net Result** | **(43.148)** | **(49.158)** | ***-14%*** |
| *% of Revenue* | *-5,6%* | *-4,8%* | *0,7 p.p.* |

The change in **Income and Social Contribution Taxes** between the quarters is mainly due to the reduction of temporary provisions and increase of the tax loss balance.

The change in **Net Loss** was 14% between the quarters, mainly due to low production volumes and greater idleness in the period.

## ATTACHMENT I - Statement of income

| [BRL thousand] | 1Q17 | 1Q18 | Δ % | 4Q17 |
|---|---|---|---|---|
| ***Net Revenue*** | ***774.824*** | ***1.019.965*** | ***32%*** | ***1.134.140*** |
| *Domestic Market* | *368.328* | *398.298* | *8%* | *436.181* |
| *Export Market* | *395.550* | *607.393* | *54%* | *684.705* |
| *Transformation/Toll* | *10.946* | *14.274* | *30%* | *13.254* |
| *Cost of Goods Sold* | *(687.515)* | *(996.378)* | *-45%* | *(1.084.264)* |
| ***Gross Profit*** | ***87.309*** | ***23.587*** | ***-73%*** | ***49.876*** |
| *% of Revenue* | *11,3%* | *2,3%* | *-9,0 p.p.* | *4,4%* |
| *Sales Expenses* | *(6.685)* | *(7.098)* | *-6%* | *(7.140)* |
| *General and Administrative* | *(19.903)* | *(16.370)* | *18%* | *7.388* |
| *Management Compensation* | *(1.761)* | *(1.687)* | *4%* | *(1.914)* |
| *Employee Profit Sharing* | *(6.387)* | *(8.211)* | *-29%* | *(4.221)* |
| *'Other Operating, net* | *(89.830)* | *(71.429)* | *20%* | *(56.001)* |
| ***Result before Financial Result and Taxes*** | ***(37.257)*** | ***(81.208)*** | ***-118%*** | ***(12.012)*** |
| *% of Revenues* | *-4,8%* | *-8,0%* | *-3,2 p.p.* | *-1,1%* |
| *( + ) Depreciation and Amortization* | *31.928* | *37.031* | *16%* | *-* |
| *EBITDA* | ***(5.329)*** | ***(44.177)*** | ***-729%*** | ***(12.012)*** |
| *Financial Result* | *(2.337)* | *21.965* | *1040%* | *(112.846)* |
| *Financial Income* | *177.578* | *205.697* | *16%* | *72.996* |
| *'Financial Expenses* | *(179.915)* | *(183.732)* | *-2%* | *(185.842)* |
| ***Result Before Taxes*** | ***(39.594)*** | ***(59.243)*** | ***-50%*** | ***(124.858)*** |
| *% of Revenues* | *-5,1%* | *-5,8%* | *-0,7 p.p.* | *-11,0%* |
| *Taxes* | *(3.554)* | *10.085* | *384%* | *7.521* |
| *IR and CSLL - Current* | *(414)* | *(500)* | *-21%* | *(1.597)* |
| *'IR and CSLL - Deferred* | *(3.140)* | *10.585* | *437%* | *9.118* |
| ***Net Result*** | ***(43.148)*** | ***(49.158)*** | ***-14%*** | ***(117.337)*** |
| *% of Revenues* | *-5,6%* | *-4,8%* | *0,7 p.p.* | *-10,3%* |

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## ATTACHMENT II – Balance sheet

| [BRL thousand] | 4Q17 | 1Q18 | Δ % | 1Q17 |
|---|---|---|---|---|
| ***Assets*** | | | | |
| ***Current assets*** | ***2.493.482*** | ***2.168.978*** | ***-13%*** | ***1.610.489*** |
| *Cash and cash equivalents* | *345.551* | *257.581* | *-25%* | *282.536* |
| *Financial investments* | *38.453* | *42.781* | *11%* | *32.264* |
| *Linked account deposits/guarantees* | *-* | *-* | *n.a.* | *32.209* |
| *Accounts receivables* | *371.384* | *268.662* | *-28%* | *374.306* |
| *Inventory* | *1.546.971* | *1.439.336* | *-7%* | *778.435* |
| *Tax recoverables* | *88.629* | *61.340* | *-31%* | *65.428* |
| *Prepaid expenses* | *10.053* | *17.837* | *77%* | *19.941* |
| *Derivatives financial instruments* | *85.591* | *72.906* | *-15%* | *16.483* |
| *Other Current assets* | *6.850* | *8.535* | *25%* | *8.887* |
| | | | | |
| ***Non-current assets*** | ***1.718.009*** | ***1.741.357*** | ***1%*** | ***1.705.702*** |
| *Financial investments* | *14.632* | *14.474* | *-1%* | *4.291* |
| *Accounts receivable* | *17.895* | *14.789* | *-17%* | *14.665* |
| *Deferred Income Tax and Social Contribution* | *55.381* | *65.966* | *19%* | *15.672* |
| *Tax recoverables* | *112.756* | *116.796* | *4%* | *146.439* |
| *Legal deposits* | *28.248* | *29.399* | *4%* | *34.357* |
| *Maintained assets for sale* | *111.548* | *112.105* | *0%* | *110.706* |
| *Other non-current assets* | *81.544* | *81.745* | *0%* | *84.721* |
| *Prepaid expenses* | *12.720* | *12.336* | *-3%* | *10.381* |
| *Other Investments* | *2.250* | *2.250* | *0%* | *2.250* |
| *Property, plant and equipment* | *1.274.584* | *1.284.293* | *1%* | *1.273.582* |
| *Intangible assets* | *6.451* | *7.204* | *12%* | *8.638* |
| ***Total Assets*** | ***4.211.491*** | ***3.910.335*** | ***-7%*** | ***3.316.191*** |
| | | | | |
| ***Liabilities*** | | | | |
| ***Current liabilities*** | ***1.328.981*** | ***1.078.211*** | ***-19%*** | ***2.655.448*** |
| *Local Suppliers* | *85.875* | *70.601* | *-18%* | *36.424* |
| *Suppliers* | *715.328* | *619.783* | *-13%* | *8.409* |
| *Forfaiting and Letter of Credit Operations* | *41.819* | *31.880* | *-24%* | *555.575* |
| *Loans and financing* | *120.977* | *162.060* | *34%* | *1.821.553* |
| *Derivatives financial instruments* | *183.670* | *37.098* | *-80%* | *85.931* |
| *Payroll and related charges* | *49.767* | *45.948* | *-8%* | *40.977* |
| *Tax payable* | *25.827* | *21.202* | *-18%* | *25.058* |
| *Cash and cash equivalents* | *24.429* | *24.790* | *1%* | *24.737* |
| *Advances from clients* | *37.520* | *21.823* | *-42%* | *4.594* |
| *Other current liabilities* | *43.769* | *43.026* | *-2%* | *52.190* |
| | | | | |
| ***Non-current liabilities*** | ***1.993.988*** | ***1.985.291*** | ***0%*** | ***419.047*** |
| *Suppliers* | *604* | *61* | *-90%* | *25* |
| *Loans and financing* | *1.807.001* | *1.792.883* | *-1%* | *-* |
| *Legal deposits* | *186.205* | *192.240* | *3%* | *206.674* |
| *Deferred Income Tax and Social Contribution* | *-* | *-* | *n.a.* | *211.955* |
| *Other payable* | *178* | *107* | *-40%* | *393* |
| | | | | |
| ***Shareholders' Equity*** | ***888.522*** | ***846.833*** | ***-5%*** | ***241.696*** |
| *Paid-in Capital* | *2.089.978* | *2.089.978* | *0%* | *1.382.990* |
| *Revaluation reserves* | *218.917* | *214.651* | *-2%* | *225.085* |
| *Equity valuation adjustments* | *(1.005.276)* | *(997.807)* | *-1%* | *(1.037.736)* |
| *Treasury shares* | *(741)* | *(741)* | *0%* | *(741)* |
| *Retained earnings* | *(414.356)* | *(459.248)* | *11%* | *(327.902)* |
| ***Total liabilities and equity*** | ***4.211.491*** | ***3.910.335*** | ***-7%*** | ***3.316.191*** |

## ATTACHMENT III - Cash flow

| [BRL thousand] | 4Q17 | 1Q18 | ∆ % | 1T17 |
|---|---|---|---|---|
| **Cash flow from operating activities** | **178.774** | **(27.628)** | **-115%** | **153.419** |
| **Profit before taxes** | **(124.858)** | **(59.243)** | **-53%** | **(39.594)** |
| **Adjustments to reconcile net income to cash flow from operating activities** | | | | |
| Residual value of written-off fixed assets | 43 | 5 | -88% | 651 |
| Depreciation and amortization | 32.112 | 37.031 | 15% | 31.928 |
| (Reversion)/Provision for recoverable value estimated loss | (25.336) | (220) | -99% | (2.470) |
| Reversions of others estimated losses | (5.406) | 315 | -106% | - |
| Provision judicial losses | (17.501) | 17.128 | -198% | 28.510 |
| Present value adjustment - receivables and suppliers | 571 | (619) | -208% | (5.064) |
| Losses (Gains) on financial charges | 54.374 | 30.560 | -44% | 23.599 |
| **Change in operating assets nd liabilities** | | | | |
| Accounts receivable | 91.644 | 106.360 | 16% | 77.870 |
| Inventory | (168.640) | 107.522 | -164% | 154.006 |
| Tax recoverable | 32.406 | 18.653 | -42% | 5.314 |
| Prepaid expenses | (34) | (7.400) | 21665% | (6.292) |
| Legal deposits | 6.208 | (1.151) | -119% | (556) |
| Derivatives | (26.555) | 18.971 | -171% | 24.277 |
| Maintained assets for sale | (528) | (557) | 5% | (138) |
| Other current and non-current liabilities | 9.009 | (1.857) | -121% | 39.425 |
| Suppliers | 309.343 | (107.134) | -135% | (59.098) |
| Forfaiting and Credit letter operations | (17.360) | (10.071) | -42% | (45.152) |
| Taxes payable | (8.728) | (600) | -93% | 8.102 |
| Write-offs for judicial demands | (26.859) | (11.093) | -59% | (11.290) |
| Payroll and social charges | (3.470) | (3.819) | 10% | (1.329) |
| Derivatives | 39.251 | (143.959) | -467% | (68.153) |
| Advances from clients | 31.279 | (15.707) | -150% | (5.054) |
| Other current and non-current liabilities | (2.191) | (743) | -66% | 3.927 |
| **Cash flow from investing activities** | **(64.223)** | **(51.986)** | **n.a.** | **38.506** |
| Financial investments | (3.600) | (4.170) | 16% | 57.443 |
| Linked account deposits / Guarantees | - | - | n.a. | (9.081) |
| Fixed assets and intangible additions | (60.623) | (47.816) | -21% | (9.856) |
| **Cash flow from financing activities** | **(27.705)** | **(8.356)** | **n.a.** | **(52.213)** |
| Borrowing and financing | - | 23.557 | n.a. | - |
| Amortization of loans and financing | (27.705) | (31.913) | 15% | (52.213) |
| **Increase (decrease) of cash and cash equivalents** | **86.846** | **(87.970)** | **-201%** | **139.712** |
| **Cash and cash equivalents at the beginning of the period** | **258.705** | **345.551** | **34%** | **142.824** |
| **Cash and cash equivalents at the end of the period** | **345.551** | **257.581** | **-25%** | **282.536** |

## ATTACHMENT IV - Operating expenses

| *In R$ thd, except otherwise stated* | 1Q17 | 1Q18 | ∆ % |
|---|---|---|---|
| **Total Operating Expenses** | **(124.566)** | **(104.795)** | ***16%*** |
| Sales Expenses | (6.685) | (7.098) | *-6%* |
| G&A Expenses and Management Compensation | (21.664) | (18.057) | *17%* |
| Employee Profit Sharing | (6.387) | (8.211) | *-29%* |
| Other Operating, net | (89.830) | (71.429) | *20%* |
| *Total Expenses/Net Revenue [%]* | *16,1%* | *10,3%* | *-5,8 p.p.* |
| *Recurring Expenses*/Gross Profit [%]* | *42,0%* | *128,4%* | *86,4 p.p.* |
| *Recurring Expenses*/tonnes sold* | *1,03* | *0,77* | *-25%* |
| **Non-recurring items:** | | | |
| Provisions for contingencies * | (28.510) | (17.128) | *40%* |
| Other provisions* | (256) | (93) | *64%* |
| Idle capacity | (59.091) | (57.273) | *3%* |
| **Total Non-recurring Items:** | **(87.857)** | **(74.494)** | ***15%*** |
| **Total Recurring Items:** | **(36.709)** | **(30.301)** | ***17%*** |

** No cash impact during the period*

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The Company follows the rules of the Novo Mercado Arbitration Chamber, as provided for in its By-Laws.