Paranapanema S.A.

Quarterly Financial Report

September 30, 2018

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Company information/Capital composition

Quantity of shares (Units)	Current quarter 09/30/2018
Paid-in capital	
Common	692,370,186
Preferred	0
Total	692,370,186
Treasury shares	
Common	24,509
Preferred	0
Total	24,509

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

Code of account	Account description	Current quarter 09/30/2018	Prior year 12/31/2017
1	Total assets	4,479,504	4,201,829
1.01	Total current assets	2,618,896	2,503,942
1.01.01	Cash and cash equivalents	336,659	343,678
1.01.02	Financial investments	54,153	38,453
1.01.03	Accounts receivable	604,208	432,038
1.01.04	Inventory	1,340,892	1,511,633
1.01.06	Taxes recoverable	94,857	76,403
1.01.07	Prepaid expenses	14,410	9,181
1.01.08	Other current assets	173,717	92,556
1.01.08.03	Others	173,717	92,556
1.01.08.03.01	Derivative financial instruments	160,051	85,554
1.01.08.03.02	Other current assets	13,666	7,002
1.02	Total non-current assets	1,860,608	1,697,887
1.02.01	Long term assets	539,351	401,313
1.02.01.01	Financial investments	12,667	13,906
1.02.01.04	Accounts receivable	46	309
1.02.01.07	Taxes	287,215	153,039
1.02.01.07.01	Deferred income tax and social contribution	171,000	40,283
1.02.01.07.02	Taxes recoverable	116,215	112,756
1.02.01.08	Prepaid expenses	11,097	12,719
1.02.01.10	Other non-current assets	228,326	221,340
1.02.01.10.03	Assets held for sale	113,648	111,548
1.02.01.10.04	Legal deposits	30,616	28,248
1.02.01.10.05	Other non-current assets	84,062	81,544
1.02.02	Investments	23,940	16,582
1.02.02.01	Equity interest	21,613	14,332
1.02.02.01.02	Investments	21,613	14,332
1.02.02.02	Investment Property	2,327	2,250
1.02.02.02.01	Other investments	2,327	2,250
1.02.03	Property, plant and equipment	1,290,512	1,273,541
1.02.03.01	Fixed assets in operation	1,181,239	1,136,421
1.02.03.03	Property, plant and equipment in progress	109,273	137,120
1.02.04	Intangible assets	6,805	6,451

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

Code of account	Account description	Current quarter 09/30/2018	Prior year 12/31/2017
2	Total liabilities	4,479,504	4,201,829
2.01	Total current liabilities	1,607,697	1,319,319
2.01.01	Payroll and related charges	62,672	49,606
2.01.02	Suppliers	1,072,554	800,898
2.01.02.01	Domestic suppliers	138,183	85,569
2.01.02.02	Foreign suppliers	934,371	715,329
2.01.03	Taxes payable	23,596	21,219
2.01.03.01	Federal tax liabilities	12,378	12,705
2.01.03.01.02	Excise tax	2,421	1,838
2.01.03.01.03	Withholding income tax–IRRF	1,497	2,367
2.01.03.01.04	PIS and COFINS	7,739	7,746
2.01.03.01.05	Withholding social contribution tax	715	728
2.01.03.01.07	Others	6	26
2.01.03.02	State tax liabilities	9,725	7,741
2.01.03.02.01	Value-Added Tax on Sales and Services	9,725	7,741
2.01.03.03	Municipal tax liabilities	1,493	773
2.01.03.03.01	Service tax	1,493	773
2.01.04	Loans and financing	133,642	120,973
2.01.05	Other liabilities	315,233	326,623
2.01.05.02	Others	315,233	326,623
2.01.05.02.02	Dividends payable	26,456	24,429
2.01.05.02.04	Derivative financial instruments	37,154	183,670
2.01.05.02.05	Advances from clients	153,155	33,799
2.01.05.02.06	Other current liabilities	60,065	42,906
2.01.05.02.07	Forfaiting and letter of credit operations	38,403	41,819
2.02	Total non-current liabilities	2,313,852	1,993,988
2.02.01	Loans and financing	2,100,691	1,807,001
2.02.02	Other liabilities	0	782
2.02.02.02	Other non - current liabilities	0	782
2.02.02.02.03	Taxes payable	0	178
2.02.02.02.06	Suppliers	0	604
2.02.04	Provisions	213,161	186,205
2.02.04.01	Legal deposits	207,423	186,205
2.02.04.01.01	Tax Provision	1,824	1,875
2.02.04.01.02	Social security and labor provisions	199,990	179,350
2.02.04.01.04	Civil provisions	5,609	4,980
2.02.04.02	Others provisions	5,738	0
2.02.04.02.04	Provision for negative net equity	5,738	0
2.03	Shareholders' equity	557,955	888,522
2.03.01	Paid-in capital	2,089,978	2,089,978
2.03.01.01	Paid-in capital	1,990,708	1,984,751
2.03.01.02	Debentures convertible into shares	104,645	110,602
2.03.01.03	Capitalization costs	-5,375	-5,375
2.03.02	Capital Reserve	-741	-741
2.03.02.05	Treasury shares	-741	-741
2.03.03	Revaluation reserves	0	0
2.03.05	Retained earnings	-759,938	-414,356
2.03.06	Equity valuation adjustments	-771,344	-786,359

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

Code of account	Account description	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
3.01	Net sales	1,595,614	3,646,134	1,129,919	2,785,114
3.02	Cost of goods sold	-1,466,999	-3,495,482	-1,078,466	-2,603,948
3.03	Gross income	128,615	150,652	51,453	181,166
3.04	Operating expenses	-75,798	-264,021	-286,716	-509,859
3.04.01	Sales expenses	-7,137	-20,428	-6,716	-19,506
3.04.02	General and administrative expenses	-31,435	-86,305	-45,151	-98,137
3.04.02.01	General and administrative	-21,057	-56,749	-36,980	-73,924
3.04.02.02	Management fees	-1,982	-5,575	-1,866	-5,484
3.04.02.03	General and administrative	-8,396	-23,981	-6,305	-18,729
3.04.04	Other income	27,657	44,219	5,635	15,726
3.04.05	Other expenses	-64,251	-208,549	-244,324	-417,635
3.04.06	Equity income (loss)	-632	7,042	3,840	9,693
3.05	(Loss) operating profit before financial results	52,817	-113,369	-235,263	-328,693
3.06	Financial income (loss)	-84,941	-373,394	-41,315	-78,369
3.06.01	Financial income	221,890	700,434	165,639	404,119
3.06.02	Financial expenses	-306,831	-1,073,828	-206,954	-482,488
3.07	(Loss) before income and social contribution taxes	-32,124	-486,763	-276,578	-407,062
3.08	Income and social contribution tax	13,281	130,719	374,454	388,629
3.08.02	Deferred income and social contribution taxes	13,281	130,719	374,454	388,629
3.09	Net income (loss) from continuing operations	-18,843	-356,044	97,876	-18,433
3.11	Income (Loss) for the period	-18,843	-356,044	97,876	-18,433
3.99	Earning per share - (Reais / Shares)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	ON	-0.02734	-0.51665	0.17956	-0.03383
3.99.02	Diluted earning per share				
3.99.02.01	ON	-0.02514	-0.47503	0.17956	-0.03383

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

Code of account	Account description	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
4.01	Income (Loss) for the period	-18,843	-356,044	97,876	-18,433
4.02	Items to be subsequently reclassified to the result	7,957	25,476	48,909	51,041
4.02.01	Hedge cash flow – Export income ACC/PPE	-742	1,743	33,608	22,569
4.02.02	Hedge cash flow – NDF sales income	7,617	22,804	13,113	28,167
4.02.04	Hedge cash flow – Other debts	0	0	2,547	353
4.02.05	Hedge cash flow – Cost metal x Future stock exchange	1,343	690	-351	-42
4.02.06	Hedge cash flow - NDF (***) - Capex	0	0	0	0
4.02.07	Earnings from foreign exchange on foreign investment	-261	239	-8	-6
4.03	Comprehensive income for the year	-10,886	-330,568	146,785	32,608

Individual financial statements / Statement of cash flow - Indirect method
(In thousands of Reais)

Code of account	Account description	Year to date 2018	Year to date 2017
6.01	Net cash provided by (used in) operating activities	341,397	-86,960
6.01.01	Cash generated from operations	171,707	32,752
6.01.01.01	(Loss) before income and social contribution taxes	-486,763	-407,062
6.01.01.02	Residual value of written-off fixed assets	5	658
6.01.01.03	Depreciation and amortization	108,763	94,387
6.01.01.04	Equity in net income	-7,041	-9,693
6.01.01.06	Provision for losses on lawsuits	48,939	259,962
6.01.01.07	Provision of other estimated losses	10,545	0
6.01.01.08	Financial charges	489,480	98,103
6.01.01.09	Present value adjustment - receivables and suppliers	1,145	-897
6.01.01.10	Shareholder's equity provision	5,738	0
6.01.01.12	Provision (reversal) for recoverable value of estimated loss	896	-2,706
6.01.02	Changes in assets and liabilities	169,690	-119,712
6.01.02.02	Accounts receivable	-192,148	-548
6.01.02.04	Inventory	226,850	-430,152
6.01.02.05	Taxes recoverable	-19,599	-3,414
6.01.02.06	Prepaid expenses	-3,607	1,064
6.01.02.07	Legal deposits	-2,368	2,421
6.01.02.08	Derivative financial instruments	-48,601	12,023
6.01.02.09	Assets held for sale	249	-452
6.01.02.10	Other current and non-current liabilities	-9,166	35,745
6.01.02.11	Suppliers	252,956	306,310
6.01.02.12	Forfaiting and letter of credit operations	-10,071	17,851
6.01.02.14	Taxes payable	2,199	-23,959
6.01.02.15	Legal deposits	-27,721	-32,075
6.01.02.16	Payroll and related charges	13,066	11,073
6.01.02.18	Advances from clients	120,513	-3,854
6.01.02.19	Derivative financial instruments	-142,932	-9,664
6.01.02.20	Other current and non-current liabilities	10,070	-2,081
6.02	Net cash used in investment activities	-196,611	20,178
6.02.07	Fixed assets and intangible additions	-182,150	-45,615
6.02.08	Financial investments	-588,717	-529,548
6.02.09	Redemption of financial investments	574,256	574,476
6.02.10	Release linked bank account	0	20,865
6.03	Net cash generated (consumed) in financing activities	-151,805	159,509
6.03.01	Loans and financing	23,557	0
6.03.02	Amortization of loans and financing	-74,239	-83,263
6.03.04	Interest payments on loans	-101,123	-104,212
6.03.05	Net cost of funding	0	346,984
6.05	(Reduction) increase in cash and cash equivalents	-7,019	92,727
6.05.01	Cash and cash equivalents at the beginning of the year	343,678	139,492
6.05.02	Cash and cash equivalents at the end of the year	336,659	232,219

Individual financial statements / Statement of changes in equity – Year to date 2018
(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	1,984,751	104,486	0	-414,356	-786,359	888,522
5.03	Adjusted opening balances	1,984,751	104,486	0	-414,356	-786,359	888,522
5.04	Capital transactions with partners	5,957	-5,957	0	0	0	0
5.04.01	Increase of capital	5,957	-5,957	0	0	0	0
5.05	Total comprehensive income	0	0	0	-356,044	25,476	-330,568
5.05.01	Net income for the period	0	0	0	-356,044	0	-356,044
5.05.02	Other comprehensive income	0	0	0	0	25,476	25,476
5.05.02.01	Financial instruments - adjustments	0	0	0	0	25,237	25,237
5.05.02.06	Earnings and losses from foreign exchange variations-Fo	0	0	0	0	239	239
5.06	Internal changes in equity	0	0	0	10,461	-10,461	0
5.06.02	Realization of revaluation reserve	0	0	0	13,516	-13,516	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-3,055	3,055	0
5.07	Closing balances	1,990,708	98,529	0	-759,939	-771,344	557,954

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Individual financial statements / Statement of changes in equity – Year to date 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
5.01	Opening balances	1,382,990	-741	0	-286,496	-838,743	257,010
5.03	Adjusted opening balances	1,382,990	-741	0	-286,496	-838,743	257,010
5.04	Capital transactions with partners	348,444	358,540	0	0	0	706,984
5.04.01	Increase of capital	352,359	0	0	0	0	352,359
5.04.08	Convertible debentures in action	0	360,000	0	0	0	360,000
5.04.09	Capitalization costs	-3,915	-1,460	0	0	0	-5,375
5.05	Total comprehensive income	0	0	0	-18,433	51,041	32,608
5.05.01	Net income for the period	0	0	0	-18,433	0	-18,433
5.05.02	Other comprehensive income	0	0	0	0	51,041	51,041
5.05.02.01	Financial instruments - adjustments	0	0	0	0	51,047	51,047
5.05.02.06	Earnings and losses from foreign exchange variations-Fo	0	0	0	0	-6	-6
5.06	Internal changes in equity	0	0	0	5,631	-5,631	0
5.06.02	Realization of revaluation reserve	0	0	0	7,191	-7,191	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-1,560	1,560	0
5.06.04	Realization of revaluation reserve	0	0	0	0	0	0
5.06.05	Taxes on the realization of the revaluation reserve	0	0	0	0	0	0
5.07	Closing balances	1,731,434	357,799	0	-299,298	-793,333	996,602

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

Code of account	Account description	Year to date 2018	Year to date 2017
7.01	Income	4,067,619	3,139,789
7.01.01	Sales of goods and services	4,023,617	3,127,723
7.01.02	Other income	44,002	14,940
7.01.04	Provision of credits for doubtful accounts	0	-2,874
7.02	Inputs acquired from third parties	-3,750,457	-3,032,764
7.02.01	Cost of goods and services sold	-3,313,505	-2,437,034
7.02.02	Materials, energy, third party services and other	-436,952	-595,730
7.03	Gross added value	317,162	107,025
7.04	Retentions	-108,763	-94,387
7.04.01	Depreciation and amortization	-108,763	-94,387
7.05	Net added value	208,399	12,638
7.06	Added value received through transfers	707,475	413,812
7.06.01	Equity equivalence result	7,041	9,693
7.06.02	Financial income	700,434	404,119
7.07	Total net added value payable	915,874	426,450
7.08	Net added value payable	915,874	426,450
7.08.01	Personnel and charges	185,043	171,863
7.08.02	Taxes, duties and contributions	-3,020	-224,490
7.08.03	Third-party capital remuneration	1,089,895	497,510
7.08.04	Remuneration of own capital	-356,044	-18,433
7.08.04.03	Loss for the period	-356,044	-18,433

Consolidated financial statements / Balance sheet – Assets
(In thousands of Reais)

Code of account	Account description	Current quarter 09/30/2018	Prior year 12/31/2017
1	Total assets	4,407,301	4,211,491
1.01	Total current assets	2,548,231	2,493,482
1.01.01	Cash and cash equivalents	344,201	345,551
1.01.02	Financial investments	54,153	38,453
1.01.03	Accounts receivable	501,380	371,384
1.01.04	Inventory	1,364,089	1,546,971
1.01.06	Taxes recoverable	101,731	88,629
1.01.07	Prepaid expenses	15,044	10,053
1.01.08	Other current assets	167,633	92,441
1.01.08.03	Others	167,633	92,441
1.01.08.03.01	Derivative financial instruments	160,051	85,591
1.01.08.03.02	Other current assets	7,582	6,850
1.02	Total non-current assets	1,859,070	1,718,009
1.02.01	Long term assets	558,441	434,724
1.02.01.01	Financial investments	12,667	14,632
1.02.01.04	Accounts receivable	5,632	17,895
1.02.01.07	Taxes	300,731	168,137
1.02.01.07.01	Deferred income tax and social contribution	184,516	55,381
1.02.01.07.02	Taxes recoverable	116,215	112,756
1.02.01.08	Prepaid expenses	11,098	12,720
1.02.01.10	Other non-current assets	228,313	221,340
1.02.01.10.03	Assets held for sale	113,648	111,548
1.02.01.10.04	Legal deposits	30,603	28,248
1.02.01.10.05	Other non-current assets	84,062	81,544
1.02.02	Investments	2,327	2,250
1.02.02.02	Investment Property	2,327	2,250
1.02.02.02.01	Other investments	2,327	2,250
1.02.03	Property, plant and equipment	1,291,497	1,274,584
1.02.03.01	Fixed assets in operation	1,182,224	1,137,464
1.02.03.03	Property, plant and equipment in progress	109,273	137,120
1.02.04	Intangible assets	6,805	6,451

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

Code of account	Account description	Current quarter 09/30/2018	Prior year 12/31/2017
2	Total liabilities	4,407,301	4,211,491
2.01	Total current liabilities	1,541,246	1,328,981
2.01.01	Payroll and related charges	62,829	49,767
2.01.02	Suppliers	1,002,278	801,203
2.01.02.01	Domestic suppliers	63,283	85,874
2.01.02.02	Foreign suppliers	938,995	715,329
2.01.03	Taxes payable	25,857	25,827
2.01.03.01	Federal tax liabilities	14,632	17,305
2.01.03.01.01	Income tax and social contribution	2,251	4,596
2.01.03.01.02	Excise tax	2,421	1,838
2.01.03.01.03	Withholding income tax–IRRF	1,499	2,371
2.01.03.01.04	PIS and COFINS	7,739	7,746
2.01.03.01.05	Withholding social contribution tax	716	728
2.01.03.01.07	Others	6	26
2.01.03.02	State tax liabilities	9,731	7,749
2.01.03.02.01	Value-Added Tax on Sales and Services	9,731	7,749
2.01.03.03	Municipal tax liabilities	1,494	773
2.01.03.03.01	Service tax	1,494	773
2.01.04	Loans and financing	133,642	120,977
2.01.05	Other liabilities	316,640	331,207
2.01.05.02	Others	316,640	331,207
2.01.05.02.02	Dividends payable	26,456	24,429
2.01.05.02.04	Derivative financial instruments	37,189	183,670
2.01.05.02.05	Advances from clients	154,031	37,520
2.01.05.02.06	Other current liabilities	60,561	43,769
2.01.05.02.07	Forfaiting and letter of credit operations	38,403	41,819
2.02	Total non-current liabilities	2,308,101	1,993,988
2.02.01	Loans and financing	2,100,691	1,807,001
2.02.02	Other liabilities	0	782
2.02.02.02	Other non-current liabilities	0	782
2.02.02.02.03	Taxes payable	0	178
2.02.02.02.06	Suppliers	0	604
2.02.04	Provisions	207,410	186,205
2.02.04.01	Legal deposits	207,410	186,205
2.02.04.01.01	Tax Provision	1,824	1,875
2.02.04.01.02	Social security and labor provisions	199,977	179,350
2.02.04.01.04	Civil provisions	5,609	4,980
2.03	Shareholders' equity	557,954	888,522
2.03.01	Paid-in capital	2,089,978	2,089,978
2.03.01.01	Paid-in capital	1,990,708	1,984,751
2.03.01.02	Debentures convertible into shares	104,645	110,602
2.03.01.03	Capitalization costs	-5,375	-5,375
2.03.02	Capital Reserve	-741	-741
2.03.02.05	Treasury shares	-741	-741
2.03.03	Revaluation reserves	0	0
2.03.05	Retained earnings	-759,939	-414,356
2.03.06	Equity valuation adjustments	-771,344	-786,359

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

Code of account	Account description	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
3.01	Net sales	1,478,936	3,450,656	955,599	2,374,320
3.02	Cost of goods sold	-1,346,454	-3,288,717	-898,045	-2,179,631
3.03	Gross income	132,482	161,939	57,554	194,689
3.04	Operating expenses	-70,405	-268,135	-291,472	-523,955
3.04.01	Sales expenses	-7,668	-22,080	-7,261	-20,932
3.04.02	General and administrative expenses	-31,791	-87,430	-45,907	-100,341
3.04.02.01	General and administrative	-21,384	-57,782	-37,710	-76,160
3.04.02.02	Management fees	-1,982	-5,575	-1,866	-5,484
3.04.02.03	General and administrative	-8,425	-24,073	-6,331	-18,697
3.04.04	Other income	27,567	44,303	5,636	15,757
3.04.05	Other expenses	-58,513	-202,928	-243,940	-418,439
3.05	(Loss) operating profit before financial results	62,077	-106,196	-233,918	-329,266
3.06	Financial income (loss)	-93,368	-376,732	-41,344	-74,964
3.06.01	Financial income	227,674	723,888	171,562	426,782
3.06.02	Financial expenses	-321,042	-1,100,620	-212,906	-501,746
3.07	(Loss) before income and social contribution taxes	-31,291	-482,928	-275,262	-404,230
3.08	Income and social contribution tax	12,448	126,884	373,138	385,797
3.08.01	Income and social contribution tax for the current year	-494	-2,250	-1,212	-3,031
3.08.02	Deferred income and social contribution taxes	12,942	129,134	374,350	388,828
3.09	Net income (loss) from continuing operations	-18,843	-356,044	97,876	-18,433
3.11	Income (Loss) for the period	-18,843	-356,044	97,876	-18,433
3.11.01	Atributed to Parent Company Share Holders	-18,843	-356,044	97,876	-18,433
3.99	Earning per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	-0.02734	-0.51665	0.17956	-0.03383
3.99.02	Diluted earning per share				
3.99.02.01	ON	-0.02514	-0.47503	0.17956	-0.03383

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

Code of account	Account description	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
4.01	Income (Loss) for the period	-18,843	-356,044	97,876	-18,433
4.02	Items to be subsequently reclassified to the result	7,957	25,476	48,909	51,041
4.02.01	Hedge cash flow – Export income ACC/PPE	-742	1,743	33,608	22,569
4.02.02	Hedge cash flow – NDF sales income	7,617	22,804	13,113	28,167
4.02.03	Hedge Cash flow – NDF debts	0	0	0	0
4.02.04	Hedge cash flow – Other debts	0	0	2,547	353
4.02.05	Hedge cash flow – Cost metal x Future stock exchange	1,343	690	-351	-42
4.02.07	Earnings from foreign exchange on foreign investment	-261	239	-8	-6
4.02.08	Hedge cash flow - NDF (***) - Capex	0	0	0	0
4.02.09	Swap Cash flow	0	0	0	0
4.03	Comprehensive income for the year	-10,886	-330,568	146,785	32,608
4.03.01	Atributed to Parent Company Share Holders	-10,886	-330,568	146,785	32,608

Consolidated financial statements / Statement of cash flow - Indirect method
(In thousands of Reais)

Code of account	Account description	Year to date 2018	Year to date 2017
6.01	Net cash provided by (used in) operating activities	346,368	-65,128
6.01.01	Cash generated from operations	175,116	44,527
6.01.01.01	(Loss) before income and social contribution taxes	-482,928	-404,230
6.01.01.02	Residual value of written-off fixed assets	5	658
6.01.01.03	Depreciation and amortization	108,850	94,461
6.01.01.06	Provision for losses on lawsuits	48,939	259,962
6.01.01.07	Provision of other estimated losses	10,545	0
6.01.01.08	Financial charges	489,715	101,708
6.01.01.09	Present value adjustment - receivables and suppliers	-679	-5,213
6.01.01.12	Provision (reversal) for recoverable value of estimated loss	669	-2,819
6.01.02	Changes in assets and liabilities	173,503	-106,624
6.01.02.02	Accounts receivable	-135,924	10,515
6.01.02.04	Inventory	238,991	-444,852
6.01.02.05	Taxes recoverable	-18,843	-11,024
6.01.02.06	Prepaid expenses	-3,369	1,291
6.01.02.07	Legal deposits	-2,355	2,421
6.01.02.08	Derivative financial instruments	-48,564	12,027
6.01.02.09	Assets held for sale	249	-452
6.01.02.10	Other current and non-current liabilities	-3,235	35,630
6.01.02.11	Suppliers	182,376	330,735
6.01.02.12	Forfaiting and letter of credit operations	-10,071	14,731
6.01.02.14	Taxes payable	2,197	-24,154
6.01.02.15	Legal deposits	-27,734	-32,075
6.01.02.16	Payroll and related charges	13,062	10,931
6.01.02.18	Advances from clients	117,668	-3,414
6.01.02.19	Derivative financial instruments	-142,897	-9,665
6.01.02.20	Other current and non-current liabilities	11,952	731
6.01.03	Outros	-2,251	-3,031
6.01.03.01	Income and social contribution taxes paid	-2,251	-3,031
6.02	Net cash used in investment activities	-195,916	22,029
6.02.02	Dividends received from subsidiaries	0	0
6.02.03	Proceeds from the sale of investment	0	0
6.02.04	Other investments	0	0
6.02.06	Variation of controlled company capital	0	0
6.02.07	Fixed assets and intangible additions	-182,181	-45,612
6.02.08	Financial investments	-587,991	-1,118,131
6.02.09	Redemption of financial investments	574,256	1,162,644
6.02.10	Release linked bank account	0	23,128
6.03	Net cash generated (consumed) in financing activities	-151,802	158,980
6.03.01	Loans and financing	23,557	0
6.03.02	Amortization of loans and financing	-74,236	-83,792
6.03.04	Interest payments on loans	-101,123	-104,212
6.03.03	Dividends	0	0
6.05	(Reduction) increase in cash and cash equivalents	-1,350	115,881
6.05.01	Cash and cash equivalents at the beginning of the year	345,551	142,824
6.05.02	Cash and cash equivalents at the end of the year	344,201	258,705

Consolidated financial statements / Statement of changes in equity – Year to date 2018
(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	1,984,751	104,486	0	-414,356	-786,359	888,522	888,522
5.03	Adjusted opening balances	1,984,751	104,486	0	-414,356	-786,359	888,522	888,522
5.04	Capital transactions with partners	5,957	-5,957	0	0	0	0	0
5.04.01	Increase of capital	5,957	-5,957	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	-356,044	25,476	-330,568	-330,568
5.05.01	Net income for the period	0	0	0	-356,044	0	-356,044	-356,044
5.05.02	Other comprehensive income	0	0	0	0	25,476	25,476	25,476
5.05.02.01	Financial instruments - adjustments	0	0	0	0	25,237	25,237	25,237
5.05.02.06	Earnings and losses from foreign exchange variations-Foreign investment	0	0	0	0	239	239	239
5.06	Internal changes in equity	0	0	0	10,461	-10,461	0	0
5.06.02	Realization of revaluation reserve	0	0	0	13,516	-13,516	0	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-3,055	3,055	0	0
5.07	Closing balances	1,990,708	98,529	0	-759,939	-771,344	557,954	557,954

Consolidated financial statements / Statement of changes in equity – Year to date 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
5.04	Capital transactions with partners	348,444	358,540	0	0	0	706,984	706,984
5.04.01	Increase of capital	352,359	0	0	0	0	352,359	352,359
5.04.08	Convertible debentures in action	0	360,000	0	0	0	360,000	360,000
5.04.09	Capitalization costs	-3,915	-1,460	0	0	0	-5,375	-5,375
5.05	Total comprehensive income	0	0	0	-18,433	51,041	32,608	32,608
5.05.01	Net income for the period	0	0	0	-18,433	0	-18,433	-18,433
5.05.02	Other comprehensive income	0	0	0	0	51,041	51,041	51,041
5.05.02.01	Financial instruments - adjustments	0	0	0	0	51,047	51,047	51,047
5.05.02.06	Earnings and losses from foreign exchange variations-Foreign investment	0	0	0	0	-6	-6	-6
5.06	Internal changes in equity	0	0	0	5,631	-5,631	0	0
5.06.02	Realization of revaluation reserve	0	0	0	7,191	-7,191	0	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-1,560	1,560	0	0
5.07	Closing balances	1,731,434	357,799	0	-299,298	-793,333	996,602	996,602

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

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

Code of account	Account description	Year to date 2018	Year to date 2017
7.01	Income	3,803,200	2,624,224
7.01.01	Sales of goods and services	3,759,119	2,612,433
7.01.02	Other income	44,081	14,969
7.01.04	Provision of credits for doubtful accounts	0	-3,178
7.02	Inputs acquired from third parties	-3,556,553	-2,616,288
7.02.01	Cost of goods and services sold	-3,104,127	-2,013,482
7.02.02	Materials, energy, third party services and other	-452,426	-602,806
7.03	Gross added value	246,647	7,936
7.04	Retentions	-108,850	-94,461
7.04.01	Depreciation and amortization	-108,850	-94,461
7.05	Net added value	137,797	-86,525
7.06	Added value received through transfers	723,888	426,782
7.06.02	Financial income	723,888	426,782
7.07	Total net added value payable	861,685	340,257
7.08	Net added value payable	861,685	340,257
7.08.01	Personnel and charges	186,392	174,285
7.08.02	Taxes, duties and contributions	-86,034	-333,013
7.08.03	Third-party capital remuneration	1,117,371	517,418
7.08.04	Remuneration of own capital	-356,044	-18,433
7.08.04.03	Loss for the period	-356,044	-18,433

MESSAGE FROM THE MANAGEMENT

In the third quarter of 2018, after restructuring our debt (Sept/17) and the conclusion of the Scheduled Maintenance (Apr/18), we started the third phase of the Company's turnaround process, whose main focus is the recovery of the business volume and, thus, of the margins. To achieve our objective, Paranapanema took several commercial initiatives to increase our sales, especially to foreign markets. We increased the usage of the installed capacity which lead us to dilute fixed costs and improve cash generation results. The close working capital management has been fundamental to sustain our operations, as well as the increase of credit terms with raw material suppliers and a thorough work focusing on the cash conversion cycle reduction have been fundamental to maintain the Company's volume increases. The investments in our industrial plants will continue to improve their productivity and reliability.

After the conclusion of the Scheduled Maintenance at the end of April, which provide higher productivity and reliability of the Bahia plant, the Smelter has been operating at Overall Equipment Effectiveness (OEE) levels of around 80%. By stabilizing the effectiveness level, the Company expects an increase in the plant availability and performance, contributing to future performance.

New alternatives are being developed to continue the cash conversion cycle reduction, such as the bonded warehouse at the port of Aratu, in Candeias (Bahia), which will allow the Company to purchase concentrated when the raw material is necessary in the production line. Adjusting, the working capital needed for these purchases by around 25 days as the purchase of raw material is no longer made in the port of origin, but in the port of destination. To prevent increasing the working capital usage, forward sales are being structured to allow the sale of the receivables. In the operations front, we have also been working to improve the flow of materials aiming to reduce the need of intermediate inventories.

We continue adopting a conservative cash management approach, coupled with greater use of operating assets and the streamlining of costs and expenses. In this quarter, we recorded an Operating Cash Generation of R$343.0 million, mainly driven from the increase of credit lines and terms with suppliers, and from a strong reduction of inventories, which should recover in the 4Q18 within the normal supply cycle of the plants. Thus, we obtained a Free Cash Generation of R$289.7 million in this quarter.

It is also worth highlighting the significant improvement of 55% in Net Revenue compared to 3Q17 and 2Q18. The growth was driven by higher sales volume (18% compared to 3Q17) and by the 20% price appreciation of the ton of copper compared to 3Q17. Out of the total Net Revenue, 36% refers to the domestic market and 64% to the foreign market.

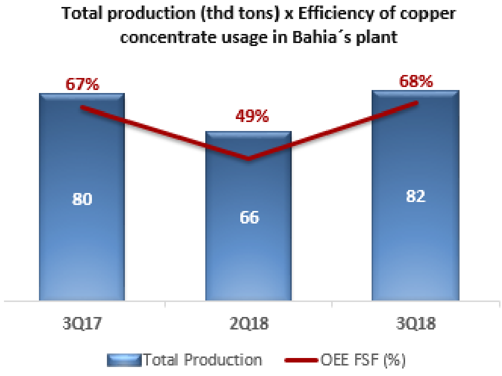
In 3Q18, considering the negative impact of the adherence to the PERT (Special Tax Regularization Program) in 3Q17, expenses with contingencies were 91% lower compared to 3Q17, down from R$205.8 to R$18.5 million in 3Q18. Excluding the non-recurring effects on expenses with contingencies, the reduction was 7%. Furthermore, Management has been advancing in the reduction of contingencies, as detailed in our Financial Statements.

Excluding the non-cash effect of the exchange variation on our long-term debt, the Company would have reported a positive net result of R$30.6 million. However, since the non-cash result on long-term debt was R$ 82.0 million and the positive effects of the foreign exchange appreciation on our future revenues are not accounted for, the Company presented net loss of R$18.8 million in 3Q18.

Management remains fully committed to generate value to our shareholders by increasing the profitability of the operations, by increasing operational leverage, by disciplined cash management and access to new credit lines, especially to fund CAPEX.

André Gaia – CFO and Investor Relations Officer

OPERATING PERFORMANCE



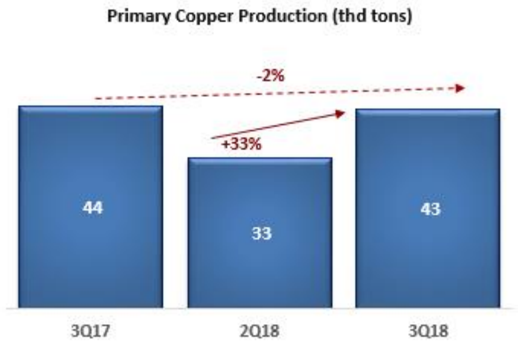
Total Production Volume

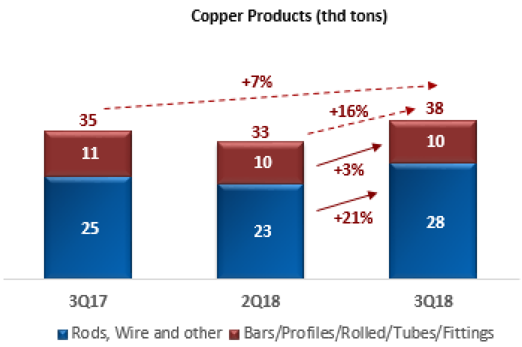
In 3Q18, after the Scheduled Maintenance, the plant productivity and reliability was reestablished, which allowed us to reach total production of 81.8 thousand tons, equivalent to an increase of 2% compared to 3Q17 and of 24% compared to 2Q18.

Average Overall Equipment Effectiveness (OEE) of the Dias d'Ávila unit reached 68.4% in 3Q18, confirming the production resumption after the Scheduled Maintenance.

Production of Primary Copper (Cathode)

In 3Q18, there was a decrease of 2% in the production of copper compared to 3Q17, due to the increased transit time of sea shipments of Concentrate in view of the weather conditions in Chile, which adversely affected the production Volume in July/18. Compared to 2Q18, there was an increase of 33% derived from the improved plant availability and reliability after intervention occurred in March/April 2018 (Scheduled Maintenance, which lasted 35 days).





Copper Products

In 3Q18, there was an increase of 7% compared to 3Q17 and an increase of 16% compared to 2Q18, due to the upturn of the market demand, particularly the improved Sales Volume performance in the domestic market of wires and rebars, recording an increase of 13% in relation to the same quarter of prior year.

Byproducts

In 3Q18, the sales volume reached 194.8 thousand tons, an increase of 36% compared to the same quarter of prior year, due to the increase of the effectiveness level in the use of copper concentrate in the Bahia plant, higher feed of concentrate and combustion of sulfur. Compared to 2Q18, the increase was 42%, reflecting the reestablishment of the operating performance after the Scheduled Maintenance and also the increased supply of gross slag to the civil construction market.

COMMERCIAL PERFORMANCE

Sales Volume

Total Sales Volume in 3Q18 reached 51.8 thousand tons, representing an increase of 18% compared to 3Q17, with 43.8 thousand tons, and an increase of 59% compared to 2Q18, with 32.6 thousand tons. Overall, the higher sales volume results mainly from the sales growth of Primary Copper and Copper Products, as detailed below and in line with the strategy to increase the operating leveraging, optimizing assets and diluting fixed costs.

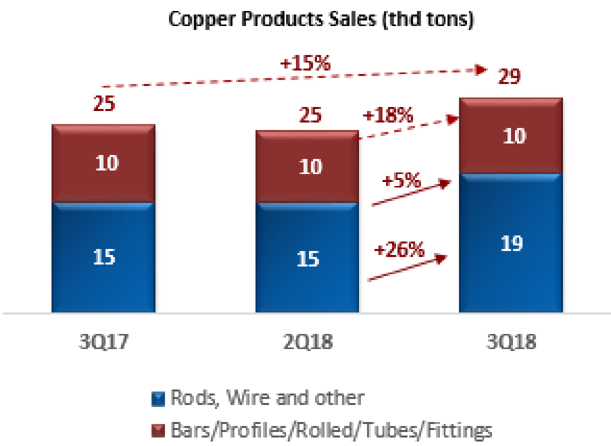
Primary Copper

The increase in the sales volume of primary copper of 23% compared to 3Q17 and of 194% compared to 2Q18 is in line with the Company's strategy of greater industrial occupation, higher availability of the plant after the maintenance, and increased credit to different suppliers of copper concentrate. In 3Q18, of total sales volume of Primary Copper, 10% derived from the domestic market and 90% from the foreign market.

Copper Product

Rods, Wire and Other

The increase of 25% compared to 3Q17 and of 26% compared to 2Q18 in the sales volume of Rods, Wires and Other is due to the commercial strategy to focus on the recovery of Market Share, occupation of the plant and repositioning of the transformation strategy to the Domestic Market, thus reducing the volume intended for exports. In 3Q18, of total sales volume of Rods, Wires and Other, 67% derived from the domestic market and 33% from the foreign market. During the quarter, commercial efforts were intensified to seek new foreign markets, which will allow the occupation of the plant.



Bars/Profiles/Wires/Laminates/Pipes/Connections

The sales volume of Bars/Profiles/Wires/Laminates/Pipes/Connections was virtually stable between the quarters, mainly due to the commercial strategy of price repositioning and optimization of the sales mix. In 3Q18, of total sales volume of Bars, Profiles, Wires, Laminates, Pipes and Connections, 73% derived from the domestic market and 27% from the foreign market.

Byproducts

Regarding Byproducts, sales volume reached 186.3 thousand tons in the 3Q18, up 25% compared to the same quarter of prior year and up 15% if compared to 2Q18. The increase is due to the Stabilization of the Smelter after the Scheduled Maintenance, providing recovery and upturn resumption of the market.

ECONOMIC PERFORMANCE

Net Revenue

In R$ thd, except otherwise stated	3Q17	3Q18	Δ %
Primary Copper	**361,835**	**559,209**	***55%***
% of Revenue	*37.9%*	*37.8%*	*-0.1 p.p.*
Copper Products	**476,483**	**668,527**	***40%***
% of Revenue	*49.9%*	*45.2%*	*-4.7 p.p.*
Rods, Wires and Others	**293,836**	**455,974**	***55%***
Bars/Profiles/Rolled/Tubes/Fittings	**182,647**	**212,553**	***16%***
Byproducts	**117,281**	**251,200**	***114%***
% of Revenue	*12.3%*	*17.0%*	*4.7 p.p.*
Total Net Revenue	**955,599**	**1,478,936**	***55%***
Domestic Market [%]	38.6%	34.4%	*-10.8%*
Export Market [%]	60.1%	64.5%	*7.4%*
Toll [%]	1.4%	1.1%	*-18.7%*

Net Revenue from **Primary Copper** increased 55% compared to 3Q17, mainly due to higher sales volume (23%) and appreciation of the US dollar and LME in the period. It is worth highlighting that the significant Revenue increase was achieved with lower impact on CGS (which was 50%, as shown in the table below), thus generating an increase in the operating leverage, as expected.

Net Revenue from **Copper Products** was up 40% compared to 3Q17. Bars, Profiles, Wires, Laminates, Pipes and Connections were up 16% as a result of the commercial strategy of focusing products with higher added-value and developing new export markets (improvement of revenue mix). Revenue from Rods, Wires and Other was up 55%, due to the more competitive commercial strategy started at the end of 2017, focused on the recovery of Market Share and repositioning of the transformation strategy to the domestic market, thus reducing the volume intended for exports.

Net Revenue from **Byproducts** increased 114% compared to 3Q17, due to the stabilization of the smelter after the Scheduled Maintenance, thus providing recovery and resumption of market supply, as well as a price increase in the foreign market of acid.

Gross Profit

In R$ thd, except otherwise stated	3Q17	3Q18	Δ %
Net Revenue	**955,599**	**1,478,936**	***55%***
Total COGS	**(898,045)**	**(1,346,454)**	***-50%***
(-) Metal Cost	(775,799)	(1,192,686)	*-54%*
(-) Transformation Cost	(122,246)	(153,768)	*-26%*
COGS Total/tonnes sold	20.5	26.0	*27%*
Metal Cost/tonnes sold	17.7	23.0	*30%*
Transformation Cost/tonnes sold	2.8	3.0	*6%*
Gross Profit	**57,554**	**132,482**	***130%***
% of Revenue	*6.0%*	*9.0%*	*2.9 p.p.*
TC/RC (reduces metal cost)	67,457	70,003	*4%*
Premiums	*179,800*	*286,250*	*59%*
Premium/Net Revenue [%]	*18.8%*	*19.4%*	*0.5 p.p.*
Premium/tonnes sold	*4.11*	*5.53*	*35%*

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

Gross Profit reached R$132.5 million in 3Q18, a significant increase of 130% compared to 3Q17. Gross margin was up 2.9 p.p, resulting in 9.0% on Net Revenue for 3Q18, mainly due to the increase of sales volume, increase of premiums and the dollar appreciation for the period, since most costs of transformation are presented in Reais.

The relevant growth of 59% of Premium results from the commercial strategy to sell higher value added products, in view of the improved mix of products sold and also the price adjustment made for the period.

Operating Expenses

In R$ thd, except otherwise stated	3Q17	3Q18	∆ %
Total Operating Expenses	**(291,472)**	**(70,405)**	***76%***
Sales Expenses	(7,261)	(7,668)	*-6%*
G&A Expenses and Management Compensation	(39,576)	(23,366)	*41%*
Employee Profit Sharing	(6,331)	(8,425)	*-33%*
Other Operating, net	(238,304)	(30,946)	*87%*
Total Expenses/Net Revenue [%]	*30.5%*	*4.8%*	*-25.7 p.p.*
Recurring Expenses/Gross Profit [%]*	*90.0%*	*11.8%*	*-78.2 p.p.*
Recurring Expenses/tonnes sold*	*1.18*	*0.30*	*-74%*
Non-recurring items:			
Provisions for contingencies *	(205,837)	(18,473)	*91%*
Other provisions*	(164)	(62)	*62%*
Idle capacity	(33,653)	(36,214)	*-8%*
Total Non-recurring Items:	**(239,654)**	**(54,749)**	***77%***
Total Recurring Items:	**(51,818)**	**(15,656)**	***70%***

** No cash impact during the period*

The decrease of 76% in total expenses in 3Q18 is mainly due to Other Net Expenses. 3Q17 was adversely affected by the adhesion to the PERT (Special Tax Regularization Program), thus generating non-recurring expenses of R$186 million. On the other hand, 3Q18 was positively affected by the recording of a non-recurring credit of R$ 17.6 million related to the exclusion of ICMS from the PIS/COFINS calculation basis, under the caption Other Net Operating Revenues. Excluding non-recurring effects in both quarters, there would be a reduction of 17% in operating expenses for the period, which shows the discipline with costs and expenses that management has adopted.

EBITDA

In R$ thd, except otherwise stated	3Q17	3Q18	∆ %
Net Profit	**97,876**	**(18,843)**	*-119%*
(+) Taxes	(373,138)	(12,448)	*97%*
(+) Net Financial Result	41,344	93,368	*126%*
EBIT	**(233,918)**	**62,077**	***127%***
(+) Depreciation and Amortization	31,940	38,086	*19%*
EBITDA	**(201,978)**	**100,163**	***150%***
% of Revenue	*-21.1%*	*6.8%*	*27.9 p.p.*

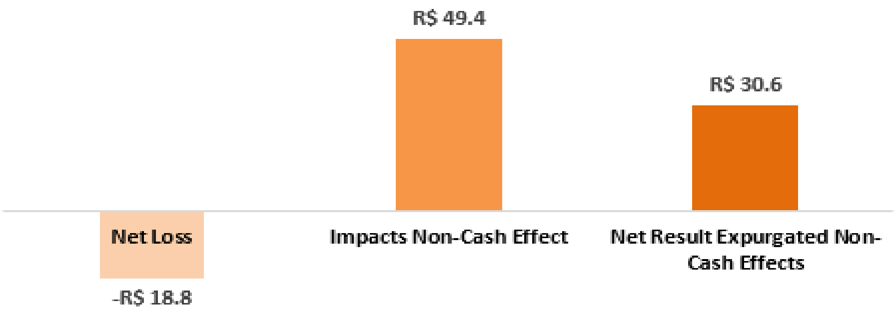
In this quarter, we reversed the negative EBITDA for 3Q17 to a positive result of R$100.2 million. It is important to highlight that the negative result for 3Q17 was mainly due to the recognition of PERT tax liabilities.

The positive result for 3Q18 is mainly due to the increase of operating leverage with higher sales, dilution of fixed costs, a more favorable exchange rate and a tax credit of R$ 17.6 million related to exclusion of ICMS tax from the PIS/COFINS calculation basis under the caption Other Net Operating Revenues, as mentioned above.

Excluding non-recurring effects, EBITDA for 3Q18 was approximately R$100 million higher than in 3Q17.

Net Income (Loss)

The Net Loss of R$ 18.8 million in 3Q18 derives mainly from the negative Net Financial Result which totalled R$ 93.4 million in the quarter, due to impact of exchange variation of 3.8% between the periods. Around 92.5% of our debt is denominated in US dollar and 87% matures in the long term. It is important to point out that the effects of the exchange variation on long-term debts should not be taken as an actual exposure of the Company, since the cash related to these payments will be generated in future periods, when revenues will also capture such appreciation. Thus, from the perspective of the Company's cash flow, there is a natural hedge between future revenues and future debt payments. Excluding non-cash effects from foreign exchange variation of long-term debts, the adjusted net income would be R$30.6 million, as shown below.



Year-to-date non-monetary impacts of exchange variation on long-term debt generated a financial expense of R$ 286.4 million. If the latest appreciation of the Brazilian real (R$) against the US dollar (US$) continues until the end of the year, we expect to have a similar positive effect in our Net Income and consequently also reflecting positively on Shareholders' Equity.

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Balance sheets

September 30, 2018 and December 31, 2017

(In thousands of Reais)

		Parent company		Consolidated	
ASSETS	Notes	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Cash and cash equivalents	05	**336,659**	343,678	**344,201**	345,551
Financial investments	05	**54,153**	38,453	**54,153**	38,453
Accounts receivable	06	**604,208**	432,038	**501,380**	371,384
Inventory	07	**1,340,892**	1,511,633	**1,364,089**	1,546,971
Taxes recoverable	08	**94,857**	76,403	**101,731**	88,629
Other current assets	09	**13,666**	7,002	**7,582**	6,850
Derivative financial instruments	27	**160,051**	85,554	**160,051**	85,591
Prepaid expenses		**14,410**	9,181	**15,044**	10,053
Total current assets		**2,618,896**	2,503,942	**2,548,231**	2,493,482
Financial investments	05	**12,667**	13,906	**12,667**	14,632
Accounts receivable	06	**46**	309	**5,632**	17,895
Taxes recoverable	08	**116,215**	112,756	**116,215**	112,756
Assets held for sale	10	**113,648**	111,548	**113,648**	111,548
Deferred income tax and social contribution	25	**171,000**	40,283	**184,516**	55,381
Legal deposits	09.2	**30,616**	28,248	**30,603**	28,248
Other non-current assets	09.1	**84,062**	81,544	**84,062**	81,544
Prepaid expenses		**11,097**	12,719	**11,098**	12,720
		539,351	401,313	**558,441**	434,724
Investments	11	**21,613**	14,332	**-**	-
Other investments		**2,327**	2,250	**2,327**	2,250
Property, plant and equipment	12	**1,290,512**	1,273,541	**1,291,497**	1,274,584
Intangible assets	12	**6,805**	6,451	**6,805**	6,451
		1,321,257	1,296,574	**1,300,629**	1,283,285
Total non-current assets		**1,860,608**	1,697,887	**1,859,070**	1,718,009
Total assets		**4,479,504**	4,201,829	**4,407,301**	4,211,491

See the accompanying notes to the quarterly information.

Balance sheets
September 30, 2018 and December 31, 2017
(In thousands of Reais)

		Parent company		Consolidated	
LIABILITIES	**Notes**	**09/30/2018**	**12/31/2017**	**09/30/2018**	**12/31/2017**
Suppliers	13	**1,072,554**	800,898	**1,002,278**	801,203
Forfaiting and letter of credit operations	14	**38,403**	41,819	**38,403**	41,819
Loans and financing	15	**133,642**	120,973	**133,642**	120,977
Derivative financial instruments	27	**37,154**	183,670	**37,189**	183,670
Payroll and related charges	16	**62,672**	49,606	**62,829**	49,767
Taxes payable	17	**23,596**	21,219	**25,857**	25,827
Dividends payable	19	**26,456**	24,429	**26,456**	24,429
Advances from clients	19	**153,155**	33,799	**154,031**	37,520
Other current liabilities	19	**60,065**	42,906	**60,561**	43,769
Total current liabilities		**1,607,697**	1,319,319	**1,541,246**	1,328,981
Suppliers	13	**-**	604	**-**	604
Loans and financing	15	**2,100,691**	1,807,001	**2,100,691**	1,807,001
Taxes payable	17	**-**	178	**-**	178
Legal deposits	18	**207,423**	186,205	**207,410**	186,205
Provision for negative net equity	11	**5,738**	-	**-**	-
Total non-current liabilities		**2,313,852**	1,993,988	**2,308,101**	1,993,988
Total liabilities		**3,921,549**	3,313,307	**3,849,347**	3,322,969
Paid-in capital	20.a	**1,990,708**	1,984,751	**1,990,708**	1,984,751
Debentures convertible into shares	20.b	**104,645**	110,602	**104,645**	110,602
Capitalization costs		**(5,375)**	(5,375)	**(5,375)**	(5,375)
Equity valuation adjustments	20.h	**(771,344)**	(786,359)	**(771,344)**	(786,359)
Treasury shares		**(741)**	(741)	**(741)**	(741)
Retained earnings		**(759,938)**	(414,356)	**(759,939)**	(414,356)
Shareholders' equity	20	**557,955**	888,522	**557,954**	888,522
Total shareholders' equity		**557,955**	888,522	**557,954**	888,522
Total liabilities and equity		**4,479,504**	4,201,829	**4,407,301**	4,211,491
Net equity per share – in Brazilian Reais (R$)		**0.81**	1.29		

See the accompanying notes to the quarterly information.

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Statements of operations

Three and nine-month period ended September 30,

(In thousands of Reais, except earnings per share)

Parent company

	Notes	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Net sales	21	1,595,614	3,646,134	1,129,919	2,785,114
Cost of goods sold	22	(1,466,999)	(3,495,482)	(1,078,466)	(2,603,948)
Gross income		128,615	150,652	51,453	181,166
Commercial	22	(7,137)	(20,428)	(6,716)	(19,506)
General and administrative	22	(21,057)	(56,749)	(36,980)	(73,924)
Management fees	11.4	(1,982)	(5,575)	(1,866)	(5,484)
Equity	11.1	(632)	7,042	3,840	9,693
General and administrative		(8,396)	(23,981)	(6,305)	(18,729)
Other expenses	23	(64,251)	(208,549)	(244,324)	(417,635)
Other income	23	27,657	44,219	5,635	15,726
Operating expenses		(75,798)	(264,021)	(286,716)	(509,859)
(Loss) operating profit before financial results		52,817	(113,369)	(235,263)	(328,693)
Financial expenses	24	(306,831)	(1,073,828)	(206,954)	(482,488)
Financial income	24	221,890	700,434	165,639	404,119
(Loss) before income and social contribution taxes		(32,124)	(486,763)	(276,578)	(407,062)
Deferred income and social contribution taxes	25.2	13,281	130,719	374,454	388,629
Income and social contribution tax		13,281	130,719	374,454	388,629
Income (Loss) for the period		(18,843)	(356,044)	97,876	(18,433)
Loss per common share		**(0.02734)**	(0.51665)	0.17956	(0.03383)
Loss per diluted common share		**(0.02514)**	(0.47503)	0.17956	(0.03383)

Consolidated

	Notes	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Net sales	21	1,478,936	3,450,656	955,599	2,374,320
Cost of goods sold	22	(1,346,454)	(3,288,717)	(898,045)	(2,179,631)
Gross income		132,482	161,939	57,554	194,689
Commercial	22	(7,668)	(22,080)	(7,261)	(20,932)
General and administrative	22	(21,384)	(57,782)	(37,710)	(76,160)
Management fees	11.4	(1,982)	(5,575)	(1,866)	(5,484)
General and administrative		(8,425)	(24,073)	(6,331)	(18,697)
Other expenses	23	(58,513)	(202,928)	(243,940)	(418,439)
Other income	23	27,567	44,303	5,636	15,757
Operating expenses		(70,405)	(268,135)	(291,472)	(523,955)
(Loss) operating profit before financial results		62,077	(106,196)	(233,918)	(329,266)
Financial expenses	24	(321,042)	(1,100,620)	(212,906)	(501,746)
Financial income	24	227,674	723,888	171,562	426,782
(Loss) before income and social contribution taxes		(31,291)	(482,928)	(275,262)	(404,230)
Income and social contribution tax for the current year	25.2	(494)	(2,250)	(1,212)	(3,031)
Deferred income and social contribution taxes	25.2	12,942	129,134	374,350	388,828
Income and social contribution tax		12,448	126,884	373,138	385,797
Income (Loss) for the period		(18,843)	(356,044)	97,876	(18,433)
Income (Loss) per share - common		**(0.02734)**	(0.51665)	0.17956	(0.03383)
Income (Loss) per share - common		**(0.02514)**	(0.47503)	0.17956	(0.03383)

See the accompanying notes to the quarterly information.

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Statements of comprehensive income (loss)

Three and nine-month period ended September 30,

(In thousands of Reais)

	Parent company/Consolidated			
	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Income (Loss) for the period	**(18,843)**	**(356,044)**	97,876	(18,433)
Other comprehensive income				
Items to be subsequently reclassified to the result	**7,957**	**25,476**	48,909	51,041
Hedge cash flow – Export income ACC/PPE	**(742)**	**1,743**	33,608	22,569
Hedge cash flow – NDF sales income	**7,617**	**22,804**	13,113	28,167
Hedge cash flow – Cost metal x Future stock exchange	**1,343**	**690**	(351)	(42)
Hedge cash flow – Other debts	**-**	**-**	2,547	353
Earnings from foreign exchange on foreign investment	**(261)**	**239**	(8)	(6)
Comprehensive income for the year	**(10,886)**	**(330,568)**	146,785	32,608
Allocated to:				
Controlling shareholders	**(10,886)**	**(330,568)**	146,785	32,608
Non-controlling shareholders				

See the accompanying notes to the quarterly information.

Statement of changes in equity
Periods ended September 30
(In thousands of Reais)

	Notes	Paid-in capital	Debentures	Capitalization costs	Treasury shares	Accumulated loss	Equity valuation adjustment	Consolidated shareholders' equity
Balance as at December 31, 2016		1,382,990	-	-	(741)	(286,496)	(838,743)	257,010
Increase of capital		352,359	-	-	-	-	-	352,359
Capitalization costs	01a e 21a	(3,915)	(1,460)	-	-	-	-	(5,375)
Dividends		-	360,000	-	-	-	-	360,000
Capital transactions with partners		348,444	358,540	-	-	-	-	706,984
Financial instruments, net of taxes	20.h	-	-	-	-	-	51,047	51,047
Earnings and losses from foreign exchange variations-Foreign investment	20.h	-	-	-	-	-	(6)	(6)
Equity evaluation adjustment	20.h	-	-	-	-	7,191	(7,191)	-
Tax on realization of equity evaluation adjustment	20.h	-	-	-	-	(1,560)	1,560	-
Other comprehensive income		-	-	-	-	5,631	45,410	51,041
Loss for the period		-	-	-	-	(18,433)	-	(18,433)
Balance as at September 30, 2017		1,731,434	358,540	-	(741)	(299,298)	(793,333)	996,602
Balance as at December 31, 2017		1,984,751	110,602	(5,375)	(741)	(414,356)	(786,359)	888,522
Increase of capital	01	5,957	(5,957)	-	-	-	-	-
Capital transactions with partners		5,957	(5,957)	-	-	-	-	-
Financial instruments, net of taxes	20.h	-	-	-	-	-	25,237	25,237
Earnings and losses from foreign exchange variations-Foreign investment	20.h	-	-	-	-	-	239	239
Equity evaluation adjustment	20.h	-	-	-	-	13,516	(13,516)	-
Tax on realization of equity evaluation adjustment	20.h	-	-	-	-	(3,055)	3,055	-
Other comprehensive income		-	-	-	-	10,461	15,015	25,476
Loss for the period		-	-	-	-	(356,044)	-	(356,044)
Balance as at September 30, 2018		1,990,708	104,645	(5,375)	(741)	(759,939)	(771,344)	557,954

See the accompanying notes to the quarterly information.

PARANAPANEMA

PMAM3 NOVO MERCADO BM&FBOVESPA

Statements of cash flow - Indirect method
Nine-month period ended September 30
(In thousands of Reais)

	Parent company		Consolidated	
	Year to date 2018	Year to date 2017	Year to date 2018	Year to date 2017
(Loss) before income and social contribution taxes	**(486,763)**	(407,062)	**(482,928)**	(404,230)
Adjustments to reconcile net (loss) with resources provided by (used in) operating activities				
Residual value of written-off fixed assets	5	658	5	658
Depreciation and amortization	108,763	94,387	108,850	94,461
Equity in net income	(7,041)	(9,693)	-	-
Shareholder's equity provision	5,738	-	-	-
Provision (reversal) for recoverable value of estimated loss	896	(2,706)	669	(2,819)
Provision of other estimated losses	10,545	-	10,545	-
Provision for losses on lawsuits	48,939	259,962	48,939	259,962
Present value adjustment - receivables and suppliers	1,145	(897)	(679)	(5,213)
Financial charges	489,480	98,103	489,715	101,708
	171,707	32,752	175,116	44,527
(Increase) decrease in assets				
Accounts receivable	(192,148)	(548)	(135,924)	10,515
Inventory	226,850	(430,152)	238,991	(444,852)
Taxes recoverable	(19,599)	(3,414)	(18,843)	(11,024)
Prepaid expenses	(3,607)	1,064	(3,369)	1,291
Legal deposits	(2,368)	2,421	(2,355)	2,421
Derivative financial instruments	(48,601)	12,023	(48,564)	12,027
Assets held for sale	249	(452)	249	(452)
Other current and non-current liabilities	(9,166)	35,745	(3,235)	35,630
Increase (decrease) in liabilities				
Suppliers	252,956	306,310	182,376	330,735
Forfaiting and letter of credit operations	(10,071)	17,851	(10,071)	14,731
Taxes payable	2,199	(23,959)	2,197	(24,154)
Legal deposits	(27,721)	(32,075)	(27,734)	(32,075)
Payroll and related charges	13,066	11,073	13,062	10,931
Derivative financial instruments	(142,932)	(9,664)	(142,897)	(9,665)
Advances from clients	120,513	(3,854)	117,668	(3,414)
Other current and non-current liabilities	10,070	(2,081)	11,952	731
Cash flow generated from operations	341,397	(86,960)	348,619	(62,097)
Income and social contribution taxes paid	-	-	(2,251)	(3,031)
Net cash provided by (used in) operating activities	341,397	(86,960)	346,368	(65,128)
Investing activities				
Financial investments	(588,717)	(529,548)	(587,991)	(1,118,131)
Redemption of financial investments	574,256	574,476	574,256	1,162,644
Release linked bank account	-	20,865	-	23,128
Fixed assets and intangible additions	(182,150)	(45,615)	(182,181)	(45,612)
Net cash (used in) provided by investing activities	(196,611)	20,178	(195,916)	22,029
Financing activities				
Net cost of funding	-	346,984	-	346,984
Loans and financing	23,557	-	23,557	-
Amortization of loans and financing	(74,239)	(83,263)	(74,236)	(83,792)
Interest payments on loans	(101,123)	(104,212)	(101,123)	(104,212)
Net cash used in (provided by) financing activities	(151,805)	159,509	(151,802)	158,980
(Reduction) increase in cash and cash equivalents	(7,019)	92,727	(1,350)	115,881
Cash and cash equivalents at the beginning of the year	343,678	139,492	345,551	142,824
Cash and cash equivalents at the end of the year	336,659	232,219	344,201	258,705
(Reduction) increase in cash and cash equivalents	(7,019)	92,727	(1,350)	115,881

See the accompanying notes to the quarterly information.

Statements of added value

Nine-month period ended September 30
(In thousands of Reais)

	Parent company		Consolidated	
	Year to date 2018	Year to date 2017	Year to date 2018	Year to date 2017
Income				
Sales of goods and services	**4,023,617**	3,127,723	**3,759,119**	2,612,433
Provision of credits for doubtful accounts	**-**	(2,874)	**-**	(3,178)
Other income	**44,002**	14,940	**44,081**	14,969
Inputs acquired from third parties (Including taxes)				
Cost of goods and services sold	**(3,313,505)**	(2,437,034)	**(3,104,127)**	(2,013,482)
Materials, energy, third party services and other	**(436,952)**	(595,730)	**(452,426)**	(602,806)
Gross added value	**317,162**	107,025	**246,647**	7,936
Retentions				
Depreciation and amortization	**(108,763)**	(94,387)	**(108,850)**	(94,461)
Net added value	**208,399**	12,638	**137,797**	(86,525)
Received from third parties				
Equity equivalence result	**7,041**	9,693	**-**	-
Financial income	**700,434**	404,119	**723,888**	426,782
Total net added value payable	**915,874**	426,450	**861,685**	340,257
Net added value payable	**915,874**	426,450	**861,685**	340,257
Personnel and charges	**185,043**	171,863	**186,392**	174,285
Taxes and contributions	**(3,020)**	(224,490)	**(86,034)**	(333,013)
Interest and rent	**1,089,895**	497,510	**1,117,371**	517,418
Loss for the period	**(356,044)**	(18,433)	**(356,044)**	(18,433)

See the accompanying notes to the quarterly information.

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, Complexo Petroquímico de Camaçari.

The Company and its subsidiaries are engaged in industrial activities related to the transformation and processing of ores and their byproducts, and metallurgical activities related to ferrous and non-ferrous products such as laminates, bars and profiles, tubes, rods, casts, manufactured and semi-manufactured industrial parts and components intended for the domestic and export markets.

The Company's Individual and Consolidated quarterly information for the period ended September 30, 2018 was prepared based on the assumption of operational continuity in line with the business plan, which includes the projected cash flow. For such projections many financial and business assumptions were considered, as well as the optimization of installed capacity diluting fixed costs and optimizing cash generation, increase in the sales volume mainly by means of exports, management focus on reducing the cash conversion cycle through customs actions, and reducing the terms of receivables aiming at controlling the working capital need.

In 2017, the Company completed the process of strengthening the capital structure and debt re-profiling. The actions taken included a public offering of shares with restricted primary distribution efforts, fully capitalized and paid-up, and a public offering of debentures with restricted placement efforts.

Of the total of 360,003,818 debentures, 255,358,478 have already been translated into shares (249,402,021 on October 10, 2017 and 5,956,455 on March 6, 2018), with the remaining balance of 104,645,348 not yet translated.

	Debentures				Shares			
	Total Debentures	Converted in 10/04/2017	Converted in 03/06/2018	Pending Conversion	Equivalent in shares	Converted in 10/04/2017	Converted in 03/06/2018	Pending Conversion
Merrill Lynch International	39,450,975	39,450,975		-	22,760,182	22,760,182		-
Sumitomo Mitsui Banking Corp, Ny Branch	38,884,228	20,522,231		18,361,997	22,433,213	11,839,751		10,593,462
Banco Latinoamericano De Com Ext S.A	30,305,442	15,994,538		14,310,904	17,483,912	9,227,620		8,256,292
Cargill Financial Services Internat, Inc	152,404,143	80,435,519		71,968,624	87,925,485	46,405,115		41,520,370
China Construc Bank Bra Bco Multiplo Sa	12,613,670	6,657,214	5,956,455	1	7,277,119	3,840,702	3,436,417	-
Fundo De Recuperacao De Ativos - Fidc Np	82,401,612	82,401,611		1	47,539,400	47,539,400		-
The Bank Of Nova Scotia	3,939,928	3,939,927		1	2,273,035	2,273,035		-
Other Investors	3,820	-		3,820	2,204	-		2,204
Treasury	-	6		-		4		-
	360,003,818	**249,402,021**	**5,956,455**	**104,645,348**	**207,694,550**	**143,885,809**	**3,436,417**	**60,372,328**

Paranapanema's shares have been listed and traded on B3 S.A. – Brasil, Bolsa, Balcão, the highest level of corporate governance since 1971, and in the "New Market" segment since 2012 under the code PMAM3.

In line with the business plan, on May 01, 2018 the Company completed the scheduled maintenance in the industrial complex of Dias D´Ávila – Bahia, which started on March 26, 2018, primarily aimed at recovering the efficiency of the copper casting plant (smelter), ensuring full compliance with production planning for the next years, as well as better adjustments to regulatory standards. This maintenance will also bring more safety and adherence to environmental requirements in the unit's transactions.

Group entities – Subsidiaries

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

Subsidiaries	09/30/2018	12/31/2017
CDPC-Centro de Distrib. de Produtos de Cobre Ltda Company with its 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 its headquarters in the Cayman Islands, established on July 8, 2005.	100.00%	100.00%
Paraibuna Agropecuária Ltda. (*) Company with its 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.	99.98%	99.98%
Paranapanema Netherlands B.V. (*) Company with its headquarters in the city of Amsterdam, the Netherlands, established on April 09, 2014.	100.00%	100.00%
Rio Negro Mineração e Com Ltda (*) Company with its headquarters in the city of Santo Andre, state of São Paulo, Brazil,	99.99%	99.99%

(*) The Company is currently inactive.

02. Preparation basis

A) Declaration of compliance (in relation to International Financial Reporting Standards (IFRS) and Committee of Accounting Pronouncements (CPC) standards.

The individual and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), IAS 34 - Interim Financial Reporting, CPC 21 (R1) - Interim Statements and include all information relevant to the quarterly information, and only such information, which is consistent with that used by management in the course of its duties.

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. Thus, for IFRS purposes, this statement is presented as supplementary information, and not as part of the required set of quarterly information.

The issuance of the individual and consolidated quarterly information was authorized by the Company's Board of Directors at a meeting held on October 25, 2018.

Measurement basis

The individual and consolidated quarterly information was prepared 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 Brazilian Reais (R$) through profit or loss; and
- Land, buildings and machines were adjusted to their deemed costs as at the date of transition to IFRS/CPC.

B) Functional and presentation currency

This individual and consolidated quarterly information is 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 thousand, except where otherwise indicated.

C) Use of estimates and judgments

The preparation of individual and consolidated quarterly 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 may differ from these estimates.

Estimates and assumptions are reviewed continuously. Reviews of estimates are recognized on a prospective basis.

D) Uncertainty regarding accounting and critical assumptions and estimates

Information on uncertainties related to assumptions and accounting estimates that carry a significant risk of resulting in material adjustments to the critical accounts for the year ended September 30, 2018 are included in the following notes:

- Note 12 - Property, plant and equipment: main assumptions regarding the recoverable values of assets and a substantive analysis of their useful lives;

- Note 18 - Provision for judicial claims: Main assumptions regarding the probability and size of cash disbursements;

- Note 25 - Deferred income tax and social contribution: Availability on future taxable profits to compensate accumulated losses;

- Note 27 – Derivative financial instruments: fair values of derivatives.

03. Measuring the fair value

A number of the Company's 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 following methods. When applicable, additional information regarding the assumptions made to determine the fair value is disclosed in the notes specific to that asset or liability.

Financial assets and liabilities recorded at fair value are classified and disclosed according to the fair value hierarchy (Note 27.4).

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 the market interest rates of similar instruments as at 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 US$ 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. Changes in future prices are reflected at each production stage considering the estimated time required 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 the principal and future cash flow, discounted using the market interest rate at 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 with reference to similar lease agreements.

04. Significant accounting policies

The interim financial information was prepared following the accounting principles, methods and policies, except where indicated, regarding those presented in the last fiscal year as at December 31, 2017.

The management adopts the accounting policy of presenting interest paid as financing activities in the cash flow statements.

New standards, changes and interpretations became effective as of January 2018.

The Company decided to adopt the modified transition model for implementing the new standards, where any transitional adjustment is recognized on January 1, 2018, without comparative adjustments.

The tables below show the adjustments recognized for each individual line item in the balance sheet. The line items that were not affected by the changes were totaled.

	Parent company			Consolidated		
	Published	Adjustments IFRS	Opening	Published	Adjustments IFRS	Opening
	12/31/2017	12/31/2017	01/01/2018	12/31/2017	12/31/2017	01/01/2018
ASSETS						
Accounts receivable	432,038	4,896	436,934	371,384	4,993	376,377
Derivative financial instruments	85,554	(4,896)	80,658	85,591	(4,993)	80,598
	2,101,304	-	2,101,304	2,091,256	-	2,091,256
Total current assets	2,618,896	-	2,618,896	2,548,231	-	2,548,231
Total non-current assets	1,860,608	-	1,860,608	1,859,070	-	1,859,070
Total assets	**4,479,504**	**-**	**4,479,504**	**4,407,301**	**-**	**4,407,301**
LIABILITIES						
Total current liabilities	1,607,697	-	1,607,697	1,541,246	-	1,541,246
Total non-current liabilities	2,313,852	-	2,313,852	2,308,101	-	2,308,101
Shareholders' equity	557,955		557,955	557,954		557,954
Total liabilities and equity	**4,479,504**	**-**	**4,479,504**	**4,407,301**	**-**	**4,407,301**

a) IFRS 9 (CPC 48) – “Financial Instruments”

IFRS 9 (CPC 48) included 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 regarding hedge accounting. The new standard maintained the existing guidance on the recognition and derecognition of financial instruments in IAS 39 and the main amendments included:

- Adding information to the notes to the financial statements related to the adjustment of financial asset categories with regard to the three current categories indicated in the standard: amortized cost, fair value through Other Comprehensive Income (OCI) and fair value through profit or loss. The categories: “held-to-maturity”, “loans and receivables” and “available for sale”, which comprised the scope of IAS 39, were removed.

- The new impairment model was adopted, whose recognition of provision is based on future prospects for asset credit losses, and not only on historical losses as foreseen in IAS 39. The loss estimates are adjusted according to the expectations of the management according to future economic conditions, based on the history of counterparty credit losses.

- For hedge accounting, the Company has opted to maintain the application of the requirements of IAS 39, instead of adopting IFRS 9 as provided by the standard.

The main effect from adopting IFRS 09 is stated in Note 27.4, related to the classification of financial instruments as of January 1, 2018.

b) IFRS 15 (CPC 47) – “Revenue from Contracts with Customers”

IFRS 15 (CPC 47) introduced a comprehensive framework for determining whether and when income is recognized, and how it is measured. IFRS 15 (CPC 47) replaced 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”.

The Company has not identified any impact on the quarterly information resulting from the transition to CPC 47 – “Revenue from Contracts with Customers”, since the nature of its sales transactions are clear only when the performance obligation is identified, which, in the case of Paranapanema, is the transfer of the asset to the customer.

c) Regarding CPC 36 - Consolidated Statements (IFRS 10) and CPC 18 - Investments in Associated Companies, Subsidiaries and Joint Ventures (IAS 28), sales or contributions of assets between an investor and its associated company or its joint venture did not have an impact on the quarterly information.

New standards and interpretations not yet adopted

d) IFRS 16 Leases - IFRS 16 establishes that in all leases with terms longer than 12 months, with limited exceptions, the lessee must recognize a lease liability in the balance sheet at the present value of the payments, plus directly allocable costs, and at the same time recognize a right of use corresponding to the underlying asset. During the term of the lease, the lease liability is adjusted to reflect the financial costs and payments made and the rights of use are amortized, similar to the financial lease rules in accordance with IAS 17. This pronouncement will become effective for annual periods beginning on or after January 1, 2019. The Company does not have relevant lease agreements, and no relevant impact is expected on its quarterly information.

There are no other IFRS or IFRIC interpretations affecting the Quarterly Information of the Company on a relevant basis in 2018.

05. Cash and cash equivalents and interest-earning bank deposits

The Company, in line with investment policies, keeps its investments in government bonds and cash surplus in low-risk savings accounts held by first-line financial institutions (based on ratings from the main credit agencies).

	Notes	Parent company 09/30/2018	Parent company 12/31/2017	Consolidated 09/30/2018	Consolidated 12/31/2017
Cash and banks		**131,766**	174,864	**138,550**	176,737
Interest-earning bank deposits	(a)	**204,893**	168,814	**205,651**	168,814
Cash and cash equivalents		**336,659**	343,678	**344,201**	345,551
Interest-earning bank deposits	(b)	**66,820**	52,359	**66,820**	53,085
Interest-earning bank deposits		**66,820**	52,359	**66,820**	53,085
Current assets		**54,153**	38,453	**54,153**	38,453
Non-current assets		**12,667**	13,906	**12,667**	14,632

a) Interest-earning bank deposits classified as cash and cash equivalents

Refer to bank deposit certificates reflecting normal market conditions as at the balance sheet dates. They are highly liquid and have low interest fluctuation risk.

b) Interest-earning bank deposits

Refers to bank deposit certificates and buyback debentures reflecting normal market conditions as at the financial statement closing dates.

As at September 30, 2018, investments yielded an average of 88.25% of the Interbank Deposit Certificate (CDI 98.52% on December 31, 2017), measured at fair value through P&L.

As at September 30, 2018, the Company had a consolidated balance of R$66,820 (R$53,085 as at December 31, 2017) of interest-earning bank deposits given as guarantees for electrical power purchase transactions in the free market, purchases of US Dollar futures and bank guarantees.

06. Trade accounts receivable

	Notes	Parent company 09/30/2018	Parent company 12/31/2017	Consolidated 09/30/2018	Consolidated 12/31/2017
Domestic clients:					
Third parties		**160,459**	183,152	**252,663**	260,582
Adjustment to present value - Third parties		**(450)**	(394)	**(4,743)**	(6,071)
Related parties	11.2	**181,483**	110,483	**-**	-
Adjustment to present value related parties	11.2	**(1,574)**	(1,132)	**-**	-
Estimated loss on recoverable value		**(54,769)**	(76,501)	**(60,013)**	(81,971)
		285,149	215,608	**187,907**	172,540
Foreign clients:					
Third parties		**317,397**	218,064	**317,397**	218,064
Price adjustment		**4,749**	-	**4,749**	-
Adjustment to present value		**(1,157)**	(493)	**(1,157)**	(493)
Estimated loss on recoverable value		**(1,884)**	(832)	**(1,884)**	(832)
		319,105	216,739	**319,105**	216,739
		604,254	432,347	**507,012**	389,279
Current assets		**604,208**	432,038	**501,380**	371,384
Non-current assets		**46**	309	**5,632**	17,895

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

	Parent company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Due in more than 120 days	**1,583**	1,630	**18,419**	25,215
Due in 91 to 120 days	**5,965**	4,023	**6,715**	4,773
Due in 61 to 90 days	**10,601**	51,707	**14,867**	43,328
Due in 31 to 60 days	**237,824**	172,632	**64,029**	87,558
Due in 30 days	**230,381**	178,840	**285,827**	203,095
Total Due	**486,354**	408,832	**389,857**	363,969
Overdue up to 30 days	**107,957**	25,542	**108,272**	30,422
Overdue from 31 to 60 days	**2,275**	594	**2,295**	594
Overdue for more than 60 days	**6,072**	894	**7,711**	2,354
Total due	**116,304**	27,030	**118,278**	33,370
	602,658	**435,862**	**508,135**	**397,339**
Adjustment to present value	**(3,181)**	(2,019)	**(5,900)**	(6,564)
Other	**4,777**	(1,496)	**4,777**	(1,496)
	604,254	432,347	**507,012**	389,279
Current assets	**604,208**	432,038	**501,380**	371,384
Non-current assets	**46**	309	**5,632**	17,895

The Company is exposed to credit risk due to defaults on sales of products (accounts receivable). The Company mitigates this risk by applying policies and standards for credit monitoring and the collection of trade notes.

The Company carries out a careful analysis of the accounts receivable balance according to the simplified approach, and, when required, an estimated loss for allowance for doubtful accounts (PECLD) is formed to cover possible losses in the realization of these assets.

Changes in the estimated doubtful accounts provision are shown below:

	Parent company	Consolidated
Balance as at December 31, 2016	(53,276)	(54,650)
Provision for the year	(24,269)	(28,557)
Definitive drop	212	404
Balance as at December 31, 2017	(77,333)	(82,803)
Provision for the year	**(896)**	**(717)**
Definitive drop	**21,576**	**21,623**
Balance as at September 30, 2018	**(56,653)**	**(61,897)**

The collateral balance amounted to R$7,711 as at September 30, 2018 (R$2,354 as at December 31, 2017) overdue for more than 60 days, not subject to provision because there were credits on behalf of the debtor. The formation or reversal of the estimated impairment is recorded in the statements of income, under the caption “Sales deductions”.

Accounts receivable pledged as guarantees

The Company and Banco do Brasil entered into a private instrument for the assignment of credit receivables, from accounts receivable, aimed at ensuring the payment of all the obligations assumed and to be assumed with the bank. The value of the global limit of the instrument is US$16,150,000 (sixteen million, one hundred and fifty thousand US Dollars), translated at the selling exchange rate of R$4.0039 on September 30, 2018 equivalent to R$64,663.

In 2014 and 2015, the Company entered into private instruments for the assignment of credit receivables, from the accounts receivable, with Banco Safra, to ensure the payment of BNDES Automático’s operations. On September 30, 2018, the amount of R$2,020 (R$3,107 as at December 31, 2017) pledged as collateral, represented 70% of the updated debt balance.

07. Inventory

	Parent company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Raw materials	**276,080**	571,723	**276,080**	571,723
Work in progress	**375,151**	301,147	**375,151**	301,147
Finished products	**318,875**	227,665	**318,875**	227,665
Imports in transit	**310,630**	283,679	**310,630**	283,679
Advances to suppliers for purchases of raw materials	**1,147**	104,825	**1,147**	104,825
Maintenance materials and others	**47,109**	19,104	**47,109**	19,104
Resale materials	**4,615**	1,715	**27,812**	37,053
Raw materials in transit	**7,709**	2,222	**7,709**	2,222
Estimated loss in recoverable value	**(424)**	(447)	**(424)**	(447)
Current assets	**1,340,892**	1,511,633	**1,364,089**	1,546,971

Inventory is initially measured at historical cost, and subsequently under the inventory hedge accounting program (see Note 27.6.3); the portion related to the cost of metals (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 US$ to R$ is made using the availability of foreign exchange hedges, marked-to-market at the closing exchange rate for the month, in the hedge accounting program for the fair value of inventory.

The formation or reversal of inventory losses is recorded in the statement of income under the caption "Other operating income". The balance of estimated losses in the amount of R$ 424 as at September 30, 2018 (R$ 447 as at December 31, 2017) was established based on the assessment of materials and products with no turnover for more than two years.

The Company offered 255 tons of electrolytic copper rods as a guarantee for a tax lawsuit which, on September 30, 2018, totaled R$6,138 (R$5,622 as at December 31, 2017). In the case of an unfavorable decision, the full amount will be paid in cash.

08. Recoverable taxes and contributions

		Parent company			
		09/30/2018		12/31/2017	
	Notes	Current assets	Non-current	Current assets	Non-current
Value-added tax on sales and services–ICMS	(a)	**34,773**	**104,801**	28,709	104,800
Taxes on fixed assets recoverable		**15,488**	**19,312**	11,602	13,860
Income and social contribution taxes to be refunded	(b)	**681**	**12,363**	111	12,364
Special Tax Reintegration Regime for Exporting Companies (Reintegra)	(c)	**13,408**	**-**	20,289	-
Credit retirement	(e)	**-**	**-**	7,105	-
Contribution for social security funding–COFINS	(d)	**22,497**	**-**	2,257	3
Social integration program - PIS	(d)	**4,884**	**-**	800	1,719
Withholding income tax–IRRF		**1,354**	**-**	2,480	-
Excise tax–IPI		**1,772**	**-**	1,187	271
Estimated loss on recoverable value	(f)	**-**	**(20,261)**	-	(20,261)
Other		**-**	**-**	1,863	-
		94,857	**116,215**	76,403	112,756

Consolidated

	Notes	09/30/2018 Current assets	09/30/2018 Non-current	12/31/2017 Current assets	12/31/2017 Non-current
Value-added tax on sales and services–ICMS	(a)	**37,571**	**104,801**	33,036	104,800
Taxes on fixed assets recoverable		**15,488**	**19,312**	11,602	13,860
Income and social contribution taxes to be refunded	(b)	**742**	**12,363**	111	12,364
Special Tax Reintegration Regime for Exporting Companies (Reintegra)	(c)	**13,408**	**-**	20,289	-
Credit retirement	(e)	**-**	**-**	7,105	-
Contribution for social security funding–COFINS	(d)	**24,110**	**-**	4,529	3
Social integration program - PIS	(d)	**5,236**	**-**	1,297	1,719
Withholding income tax–IRRF		**1,355**	**-**	4,311	-
Excise tax–IPI		**1,772**	**-**	1,187	271
Prepaid income and social contribution taxes		**2,049**	**-**	3,300	-
Estimated loss on recoverable value	(f)	**-**	**(20,261)**	-	(20,261)
Other		**-**	**-**	1,862	-
		101,731	**116,215**	88,629	112,756

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 possibility of recovering the accumulated credit through e-CredAc, which is the system created by the São Paulo State Treasury Secretariat, allows the taxpayer who accumulates ICMS credit in the State of São Paulo to request the refund of these credits to which they are entitled. In addition, in order to avoid the accumulation of these credits, the Company withdrew from the Special Regime that allowed the ICMS calculation base to be reduced and will revert to applying the 18% rate on internal operations in the State of São Paulo with pipes and laminates
The Company opted to maintain the estimated provision for impairment losses in the amount of R$ 7,897, formed on December 31, 2016, as a negative goodwill estimated for the trading of these credits in the future, according to item (f).

b) Refers to income tax (IT) and social contribution (CSLL) 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 awaiting a decision to compensate or receive the amount. The amount of R$ 12,363, classified in non-current assets, is subject to provision as a loss, since realization is not certain as item (f).

c) Special Tax Reintegration Regime for Exporting Companies. The amounts were calculated in accordance with the parameters defined in Law 12,546/2011, with amendments of Law 13,043/2014 with the effect of Decree 9,148/2017.

d) 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 and recognition of credits, from March 2017 to February 2018 regarding the exclusion of ICMS from the PIS and COFINS calculation basis.

e) The amount recorded on December 31, 2017 refers to credits arising from past employer contributions to social security on employees' constitutional holiday supplements and the first 15 days of sick leave/accidents. The value was reversed in March 2018 in view of the change in the status of the process from virtually certain to probable in relation to one-third vacation, due to the general repercussions of the theme declared by the Federal Court of Justice (STF) in RE 1,072,485/PR.

f) The provision for losses on income tax credits in respect of several lawsuits in the amount of R$12,364 (item "b"). 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 reviewed annually to ensure that any eventual change in the collection prospects is reflected in the Company's financial statements.

09. Other current and non-current assets

09.1 - Other current and non-current assets

Parent company

	Note	09/30/2018		12/31/2017	
		Current assets	Non-current	Current assets	Non-current
Accounts receivable related parties		**6,089**	**-**	-	-
Municipal writs of payment	(a)	**-**	**66,978**	-	64,106
City of Manaus	(b)	**-**	**12,598**	-	12,281
Federal writs of payment	(c)	**-**	**2,222**	-	3,282
Collective Plan Brasilprev Recovery	(d)	**3,428**	**-**	4,127	-
Advances to employees		**2,674**	**-**	1,780	-
Amount receivable - Disposal of Cibrafértil		**-**	**1,001**	-	1,001
Advances to suppliers		**314**	**-**	712	-
Accounts receivable from insurance		**328**	**-**	-	-
Margin call deposits	(e)	**283**	**-**	-	-
Other		**550**	**1,263**	383	874
		13,666	**84,062**	7,002	81,544

Consolidated

	Note	09/30/2018		12/31/2017	
		Current assets	Non-current	Current assets	Non-current
Municipal writs of payment	(a)	**-**	**66,978**	-	64,106
City of Manaus	(b)	**-**	**12,598**	-	12,281
Federal writs of payment	(c)	**-**	**2,222**	-	3,282
Collective Plan Brasilprev Recovery	(d)	**3,456**	**-**	4,127	-
Advances to employees		**2,682**	**-**	1,782	-
Amount receivable - Disposal of Cibrafértil		**-**	**1,001**	-	1,001
Advances to suppliers		**282**	**-**	385	-
Accounts receivable from insurance		**328**	**-**	-	-
Margin call deposits	(e)	**283**	**-**	-	-
Other		**551**	**1,263**	556	874
		7,582	**84,062**	6,850	81,544

a) Refers to writs of payment from the Cities of São Paulo, Santo André and Manaus, to be received starting in 2019.

b) Refers to the lawsuit from 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. A decision on the motion to deny filed by the municipality, which challenges the method used to restate the amounts owed to the Company, is pending.

c) Value of federal bonds issued to cover Court-order debt payments to be received in connection with the tax repayment action.

d) Refers to the collective account of the private pension plan managed by BrasilPrev, the sum total of which was formed using the amounts not released by the Company according to the criteria described in Note 30. 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.

e) The line "Margin call deposits" refers to amounts that are deposited with Metal Brokers to cover the Company's exposure when limits are exceeded. The Company is limited to operating with several Brokers and, because of the contracted volumes, and changes in commodities (copper/zinc/tin/lead) according to the price published by the LME, this limit can be exceeded, and when this occurs the margin is called.

The Company offered a guarantee on a tax lawsuit, a portion of municipal court-ordered debt payments which, on September 30, 2018, totaled R$ 65,920 (R$ 63,093 as at December 31, 2017). If there is an unfavorable decision, the amount will be paid in cash.

09.2 Deposits for judicial claims

	Parent company/Consolidated	
	09/30/2018	**12/31/2017**
Labor	**13,889**	14,709
Tax	**10,879**	8,981
Social Security	**1,073**	1,073
Writs of payment	**3,453**	2,155
Civil	**853**	827
Other	**469**	503
Non-current assets	**30,616**	28,248

10. Assets held-for-sale

These are represented by properties available for sale in the amount of R$113,648 as at September 30, 2018, (R$ 111,548 as at December 31, 2017) measured at the acquisition cost less accumulated depreciation, which is lower than the expected realization value. This group of assets includes real estate no longer used in the Company's operations, and real estate legally confiscated from clients who defaulted against the Company. These assets are available for immediate sale under current conditions, after re-profiling, and the Company has intensified its actions to monetize these properties, as they are part of the plan to readjust its capital structure.

The Company has engaged a specialized consulting firm to assist it with the structuring and development of a project aimed at seeking the best conditions for the marketing of such assets.

The Company also has an internal committee that, together with a contracted consulting firm, studies possible alternatives for the sale of the assets. 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 (the Transaction). The subject of the Transaction is an area of land of approximately 150,000m² covering the municipalities of Santo Andre and Maua on which the old Capuava plant, which was shut down in February 2015, was installed.

The Company, together with Plano & Plano, has proceeded to the next contractual phases, including working with public institutions to develop the condo project.

In September 2018, the Company received machines and equipment as part of payment referring to accounts receivable, which were evaluated for forced settlement as R$2,349, thus generating a provision for losses in the amount of R$3,453, recognized in the caption 'other operating expenses'.

Guarantee:

The Company offered real estate properties in the total amount of R$ 78,699 as guarantees to financial institutions, as a fiduciary assignment , two properties in the total amount of R$19,973 as guarantees for the administrative process related to the collection of social contribution on net profit (CSLL), and five real estate assets as guarantees of loans in the amount of R$7,560. If there is an unfavorable decision, the amount will be paid in cash.

11. Investments and related parties

11.1 Summary information and investment movements as at September 30, 2018

		CDPC - Centro de Distribuição Prods. Cobre Ltda.	CINC - Caraiba International	Paraibuna Agropec. Ltda.	Total
Summarized financial information of subsidiaries					
Current assets		187,387	5,008	-	**192,395**
Non-current assets		19,477	-	598	**20,075**
Total assets		**206,864**	**5,008**	**598**	**212,470**
Current liabilities		185,860	10,748	-	**196,608**
Non-current liabilities	09	(13)	-	-	**(13)**
Equity		21,017	(5,740)	598	**15,875**
Total liabilities and equity		**206,864**	**5,008**	**598**	**212,470**
Income from sales of goods and/or services		1,047,160	114,383	-	**1,161,543**
Cost of goods and/or services sold		(1,033,107)	(117,149)	-	**(1,150,256)**
Gross income		**14,053**	**(2,766)**	**-**	**11,287**
Operating expenses or income		(2,796)	(16)	-	**(2,812)**
Loss before financial income (loss) and taxes		**11,257**	**(2,782)**	**-**	**8,475**
Financial income (loss)		41	(3,379)	-	**(3,338)**
Loss before income tax		**11,298**	**(6,161)**	**-**	**5,137**
Income and social contribution taxes		(3,833)	-	-	**(3,833)**
Net Income (loss) for the period		**7,465**	**(6,161)**	**-**	**1,304**
Balance as at December 31, 2017		13,552	182	598	14,332
Reversal of provision for negative shareholders' equity		-	(5,738)	-	**(5,738)**
Foreign exchange variations on foreign investment		-	239	-	**239**
Equity in net income of subsidiaries		7,465	(423)	-	**7,042**
Balance as at September 30, 2018		**21,017**	**(5,740)**	**598**	**15,875**

11.2 Parent Company balances and transactions with other related parties

Direct subsidiaries	CDPC - Centro de Distr. de Prods. Cobre Ltda.	Glencore International Investiments Ltd	Caixa Econômica Federal
Current assets			
Accounts receivable	179,909	271,165	-
Derivative financial instruments	-	85,515	-
Other current assets	6,089	-	-
	185,998	**356,680**	**-**
Current liabilities			
Suppliers	**77,029**	656,307	-
Advances from clients	-	135,269	
Loans and financing	-	-	4,104
	77,029	**791,576**	**4,104**
Current liabilities			
Loans and financing	-	-	233,388
	-	**-**	**233,388**
Gross income			
Sales of goods and services	1,013,620	1,185,111	-
Purchases of goods and services	(343,399)	(1,683,676)	-
	670,221	**(498,565)**	**-**

11.3 Business with related parties

The Executive Board or the Board of Directors, in the scope of the respective authority levels, in compliance with the Company's Policy for Related Party Transactions and Conflicts of Interest, authorized transactions that are agreed at arm's length market conditions, with amounts, terms and usual fees applied to transactions with non-related parties.

a) Caixa Econômica Federal

Credit facilities 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 holding 17.41% of the total shares. The contract is bound by the terms and conditions offered by CEF, which are equal to or more competitive than the other credit lines available to the Company.

On September 30, 2018 the Company had loans related to the anticipation of foreign currency contracts (ACC), with Caixa Econômica Federal, in the amount of R$ 237,492 (US$ 59,315 thousand at the rate of 4.0039), and R$ 194,695 as at December 31, 2017 (US$ 58,856 thousand at the rate of 3.3080).

b) Glencore International AG (Glencore)

The Company signed agreements with Glencore whereby Paranapanema commits to: i) purchase 180,000 tons of copper concentrate during 2018, and sell the equivalent volume of refined copper with the same financial liquidation dates, and ii) sell 100% of anode slime produced by the Company in 2018.

On September 30, 2018, the Company had R$ 791,576 payable to Glencore, and recorded this in the line of suppliers in the amount of R$656,307 and in the line of advances from clients in the amount of R$ 135,269, and a balance receivable of R$356,680 and recognized this in the line of trade notes receivable totaling R$ 271,165 and in the line of financial instruments in the amount of R$ 85,515.

c) CDPC – Centro de Distribuição de Produtos de Cobre Ltda.

The Company signed a cost sharing agreement on January 2, 2015 with its subsidiary CDPC, which provides for the charging of expenses, costs and 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 shared services and costs.

11.4 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 Fiscal Council. The Company has no controlling shareholder and no Shareholders' Agreement.

		Year to date 2018			
	Note	Statutory Board	Administrative Council	Supervisory Board	Total
Salary or pro labore		2,275	1,151	366	3,792
Labor benefits		476	-	-	476
Compensation for participation in Committee		-	458	-	458
Social burden		455	321	73	849
Fixed remuneration		3,206	1,930	439	5,575
Management fees		3,206	1,930	439	5,575
Bonus (ICP)	31	5,135	-	-	5,135
Bonus (ILP)	31	4	-	-	4
Social Burdens		1,028	-	-	1,028
Variable remuneration	31	6,167	-	-	6,167
Total remuneration		9,373	1,930	439	11,742

		Year to date 2017			
	Note	Statutory Board	Administrative Council	Supervisory Board	Total
Salary or pro labore		1,802	1,087	544	3433
Labor benefits		354	-	-	354
Compensation for participation in Committee		-	450	-	450
Social burden		361	307	109	777
Fixed remuneration		2,517	1,394	653	5,014
Post-employment benefit		71	-	-	71
Others		399	-	-	399
Other remuneration		470	-	-	470
Management fees		2,987	1,394	653	5,484
Bonus (ICP)	31	3,723	-	-	3,723
Bonus (ILP)	31	5	-	-	5
Social Burdens		746	-	-	746
Variable remuneration	31	4,474	-	-	4,474
Total remuneration		7,461	1,394	653	9,958

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

12. Property, plant and equipment and intangible assets

Parent company

	Average depreciation rate	12/31/2017	Additions	Write-offs	Transfers	Depreciation Amortization	09/30/2018
PROPERTY, PLANT AND EQUIPMENT							
Land		119,684	-	-	-	-	119,684
Industrial landfill		8,573	-	-	-	-	8,573
Improvements		15,435	-	-	2,569	-	18,004
Buildings		273,545	-	-	6,967	-	280,512
Installations		49,980	-	-	17,037	-	67,017
Machines and Equipment		1,560,559	-	(399)	153,352	-	1,713,512
Furniture and fixtures		20,284	-	(35)	454	-	20,703
Vehicles		1,375	-	-	-	-	1,375
Property, plant and equipment in progress		137,120	180,243	(25,083)	(183,007)	-	109,273
Provision for impairment losses		(27,009)	-	25,083	-	-	(1,926)
Spare parts		59,070	2,103	(56,253)	-	-	4,920
Cost		2,218,616	**182,346**	**(56,687)**	**(2,628)**	**-**	**2,341,647**
Industrial landfill	25%	(8,573)	-	-	-	-	(8,573)
Improvements	4%	(9,574)	-	-	-	(508)	(10,082)
Buildings	3%	(75,149)	-	-	-	(7,749)	(82,898)
Installations	11%	(12,008)	-	-	-	(3,737)	(15,745)
Machines and Equipment	7%	(823,577)	-	399	-	(93,398)	(916,576)
Furniture and fixtures	11%	(15,166)	-	30	(4)	(1,022)	(16,162)
Vehicles	20%	(1,028)	-	-	-	(71)	(1,099)
Accumulated depreciation:		(945,075)	**-**	**429**	**(4)**	**(106,485)**	**(1,051,135)**
Total assets		1,273,541	**182,346**	**(56,258)**	**(2,632)**	**(106,485)**	**1,290,512**
INTANGIBLES							
ERP/Software		56,033	-	-	2,628	-	58,661
Cost		56,033	**-**	**-**	**2,628**	**-**	**58,661**
ERP/Software	20%	(49,582)	-	-	4	(2,278)	(51,856)
Accumulated amortization:		(49,582)	**-**	**-**	**4**	**(2,278)**	**(51,856)**
Intangible assests		6,451	**-**	**-**	**2,632**	**(2,278)**	**6,805**

Consolidated

	Average depreciation rate	12/31/2017	Additions	Write-offs	Transfers	Depreciation Amortization	09/30/2018
PROPERTY, PLANT AND EQUIPMENT							
Land		120,283	-	-	-	-	120,283
Industrial landfill		8,573	-	-	-	-	8,573
Improvements		15,927	-	-	2,569	-	18,496
Buildings		273,545	-	-	6,967	-	280,512
Installations		49,980	-	-	17,037	-	67,017
Machines and Equipment		1,560,658	-	(399)	153,352	-	1,713,611
Furniture and fixtures		20,352	29	(35)	454	-	20,800
Vehicles		1,375	-	-	-	-	1,375
Property, plant and equipment in progress		137,120	180,243	(25,083)	(183,007)	-	109,273
Provision for impairment losses		(27,009)	-	25,083	-	-	(1,926)
Spare parts		59,073	2,103	(56,253)	-	-	4,923
Cost		2,219,877	**182,375**	**(56,687)**	**(2,628)**	**-**	**2,342,937**
Industrial landfill	25%	(8,573)	-	-	-	-	(8,573)
Improvements	4%	(9,664)	-	-	-	(582)	(10,246)
Buildings	3%	(75,149)	-	-	-	(7,749)	(82,898)
Installations	11%	(12,008)	-	-	-	(3,737)	(15,745)
Machines and Equipment	7%	(823,638)	-	399	-	(93,405)	(916,644)
Furniture and fixtures	11%	(15,231)	-	30	(4)	(1,028)	(16,233)
Vehicles	20%	(1,030)	-	-	-	(71)	(1,101)
Accumulated depreciation:		(945,293)	**-**	**429**	**(4)**	**(106,572)**	**(1,051,440)**
Total assets		1,274,584	**182,375**	**(56,258)**	**(2,632)**	**(106,572)**	**1,291,497**
INTANGIBLES							
ERP/Software		56,033	-	-	2,628	-	58,661
Cost		56,033	**-**	**-**	**2,628**	**-**	**58,661**
ERP/Software	20%	(49,582)	-	-	4	(2,278)	(51,856)
Accumulated amortization:		(49,582)	**-**	**-**	**4**	**(2,278)**	**(51,856)**
Intangible assests		6,451	**-**	**-**	**2,632**	**(2,278)**	**6,805**

Additions in the period totaled R$182,375 and refer mainly to scheduled maintenance completed on May 1, 2018 in the industrial complex Dias D'Ávila, Bahia State; maintenance started on March 26, 2018 and its main purpose was to recover smelter efficiency, as disclosed in Note 1.

The amount in the consolidated of R$ 106,572 in property, plant and equipment related to depreciation expense and R$ 2,278 in intangible assets related to amortization, totaling R$ 108,850, was recognized in the result as follows:

	Consolidated	
	Year to date 2018	Year to date 2017
Cost of goods sold	**104,538**	89,610
Commercial expenses	**1,658**	1,892
General and administrative expenses	**2,654**	2,959
Total depreciation and amortization expenses	**108,850**	94,461

12.1. Property, plant and equipment in progress

As at September 30, 2018, the balance of the account of property, plant and equipment in progress presented in the Parent company and consolidated was R$109,273 (R$137,120 at December 31, 2017), and was substantially represented by:

12.1.1. The unit of Dias D'Ávila-BA has a balance of R$ 97,303 as at September 30, 2018 (R$ 98,983 as at December 31, 2017), referring to several projects arising from the need to improve the production of copper cathodes. The main projects were: i) scheduled maintenance for the improvement of operating activities; ii) second step for maintenance of the plaster basin; iii) recovery of metal pipe racks; iv) new emergency chimney; v) purchase of intermediary absorption tower; vi) cover of storage and crushing building at 503-504 and vii) technological updating and operational maintenance of the factory.

12.1.2. The Santo André-SP unit had a balance of R$11,970 as at September 30, 2018 (R$ 38,137 as at December 31, 2017), and part of the amount was recorded as a provision for losses in accordance with explanatory Note 12.1.3. The main projects are aimed at maintaining and improving operational activities and corporate safety.

12.1.3. As at September 31, 2017, the Company had a provision for losses of R$25,083 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. On February 5, 2018, the Executive Board approved the cut of machinery and equipment from the Polônia Project, allocating scrap for sale, carrying out the write-off of these assets.

12.2. Losses from the impairment of fixed and intangible assets

In compliance with the requirements in IAS 36/CPC 01 (R1) – "Impairment of Assets", the Company ran annual impairment testing on its fixed assets, which found that the estimated market value was in excess of the net book value on the assessment date.

On September 30, 2018, the Company had an allowance for losses of R$ 1,926 regarding machines and equipment without use.

12.3. Fixed assets in guarantee

The Company offered assets from its asset base as guarantees for fiscal lawsuits, the financing of expansion projects and production line technological updates, and loans under the debt re-profiling process. As at September 30, 2018, total guarantees were R$ 934,791 as shown in the table below:

Guarantees for lawsuits	Assets Type	Modality	Plant and equipment
Fiduciary assignment of rights - CSLL	Installations - Utinga	Fiduciary alienation contract	1,317
Fiduciary assignment of rights - CSLL	Machines and equipment - Utinga	Fiduciary alienation contract	61,538
Total			**62,855**

Loan Guarantees	Assets Type	Modality	Plant and equipment
FINAME	Buildings	Equipment	15,850
FINAME	Installations	First-degree mortgage	885
FINAME	Machines and equipment	Equipment	22,169
FINAME	Vehicles	Equipment	123
FINEN	Buildings	First-degree mortgage	5,517
FINEN	Improvements	First-degree mortgage	86
FINEN	Land	First-degree mortgage	4,545
FNE	Improvements	First-degree mortgage	5,343
FNE	Buildings	First-degree mortgage	82,139
FNE	Land	First-degree mortgage	106,831
FINIMP	Machines and Equipment	Equipment	71,167
Sub-total (previous to restructuring)			**314,655**
Mortgage (Post debt reprofiling)	Land improvements - Dias D'Ávila	First-degree mortgage	94
Mortgage (Post debt reprofiling)	Buildings / Civil work- Dias D'Ávila	First-degree mortgage	82,309
Mortgage (Post debt reprofiling)	Land - Dias D'Ávila	First-degree mortgage	8,308
Mortgage (Post debt reprofiling)			**90,711**
Pledge (Post debt reprofiling) - Dias D'ávila	Asset under construction	Equipment pledge	90,865
Pledge (Post debt reprofiling) - Dias D'ávila	Installations	Equipment pledge	10,876
Pledge (Post debt reprofiling) - Dias D'ávila	Machines and equipment	Equipment pledge	329,557
Pledge (Post debt reprofiling) - Dias D'ávila	Furniture and fixtures	Equipment pledge	1,815
Pledge (Post debt reprofiling) - Dias D'ávila	Spare parts - Asset	Equipment pledge	2,315
Pledge (Post debt reprofiling) - Utinga	Asset under construction	Equipment pledge	14,256
Pledge (Post debt reprofiling) - Utinga	Installation	Equipment pledge	14,422
Pledge (Post debt reprofiling) - Utinga	Machines and equipment	Equipment pledge	85,716
Pledge (Post debt reprofiling) - Utinga	Furniture and fixtures	Equipment pledge	331
Pledge (Post debt reprofiling) - Utinga	Spare parts - Asset	Equipment pledge	5,903
Pledge (Post debt reprofiling) - Utinga	Vehicles	Equipment pledge	78
Pledge (Post debt reprofiling) - Serra	Machines and equipment	Equipment pledge	1,147
Sub-total (Mortgaged/Pledged post debt reprofiling)			**557,281**
Total Loan Guarantees			**871,936**
Total Guarantees			**934,791**

13. Suppliers

		Parent company		Consolidated	
	Notes	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Domestic					
Goods		**29,867**	36,411	**29,895**	36,417
Freight and transportation		**9,353**	20,752	**11,347**	21,684
Services		**13,566**	16,757	**13,674**	16,881
Electric power/Water and sewage/Gas		**6,751**	6,651	**6,751**	6,651
Insurance		**1,762**	4,574	**1,762**	4,574
Others		**2**	405	**2**	405
Related parties	11.2	**77,029**	756	**-**	-
Adjustment to present value		**(147)**	(133)	**(148)**	(134)
		138,183	86,173	**63,283**	86,478
Foreign					
Goods	(a)	**934,371**	715,329	**938,995**	715,329
		934,371	715,329	**938,995**	715,329
		1,072,554	801,502	**1,002,278**	801,807
Current liabilities		**1,072,554**	800,898	**1,002,278**	801,203
Non-current liabilities		**-**	604	**-**	604

a) As at September 30, 2018, the Company had R$ 656,307 (R$ 603,142 as at December 31, 2017) of concentrate purchases pursuant to an agreement entered with Glencore (Note 11.3.b).

14. Forfait and letter of credit operations

These operations relate to signed copper concentrate purchase contracts with suppliers that use banking operations called “forfaiting” and letters of credit. In such transactions, suppliers transfer their securities 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 clients 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 an awareness of how the Company's suppliers are funding their operations, the amounts related to these transactions are presented in a specific line item. The terms and conditions are presented below:

			Parent company/Consolidated			
			09/30/2018		12/31/2017	
	Interest rate	Deadline	US$	R$	US$	R$
Letter of credit	VC + 3.1% to 3.9% p.y.	up to 360 days	9,591	38,403	12,642	41,819
			9,591	**38,403**	**12,642**	**41,819**

15. Loans and financing

The main conditions renegotiated in the debt re-profiling process in 2017 on a common basis for all creditors are total payment terms of up to seven years, with a grace period of two years for principal amortization and annual interest payments.

Transaction costs directly attributable to the process of debt re-profiling, mainly involving the contracting of legal and financial advisors, external audit services, costs for the preparation of prospectuses and reports as well as fees, commission and registries are calculated in a reducing account of liabilities as shown in the table below.

Loan balances, net of transaction costs, at the end of each period are also shown below.

	Parent company			
	09/30/2018		12/31/2017	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Contracted in US$ Currency				
Import financing	**22,360**	**-**	29,986	10,921
Foreign trade loans	**42,523**	**695,650**	5,584	574,742
Loans in foreign currency	**2,608**	**1,239,549**	14,216	1,024,118
Bank Credit Notes	**2,972**	**77,735**	630	65,756
	70,463	**2,012,934**	50,416	1,675,537
Contracted in R$ Currency				
Project financing	**12,512**	**1,054**	13,790	9,159
Banco do Nordeste do Brasil – FNE	**26,061**	**56,260**	22,877	73,201
Working capital	**28,965**	**54,415**	38,249	74,166
	67,538	**111,729**	74,916	156,526
Transaction Costs - reprofiling	**(4,359)**	**(23,972)**	(4,359)	(25,062)
	133,642	**2,100,691**	120,973	1,807,001

Consolidated

	09/30/2018		12/31/2017	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Contracted in US$ Currency				
Import financing	**22,360**	**-**	29,986	10,921
Foreign trade loans	**42,523**	**695,650**	5,584	574,742
Loans in foreign currency	**2,608**	**1,239,549**	14,216	1,024,118
Bank Credit Notes	**2,972**	**77,735**	630	65,756
	70,463	**2,012,934**	50,416	1,675,537
Contracted in R$ Currency				
Project financing	**12,512**	**1,054**	13,794	9,159
Banco do Nordeste do Brasil – FNE	**26,061**	**56,260**	22,877	73,201
Working capital	**28,965**	**54,415**	38,249	74,166
	67,538	**111,729**	74,920	156,526
Transaction Costs - reprofiling	**(4,359)**	**(23,972)**	(4,359)	(25,062)
	133,642	**2,100,691**	120,977	1,807,001

Long-term installments on September 30, 2018 mature as follows:

	Parent company/Consolidated
2019	12,712
2020	451,540
2021	436,053
2022	678,623
2023	260,977
2024	260,786
	2,100,691

The summary of changes in loans in the period is as follows:

Consolidated

	12/31/2017	Entry	Payment Principal	Payment Interest	Exchange rate	09/30/2018
Import financing	40,906	-	(20,392)	(1,458)	3,304	22,360
Foreign trade loans	580,325	23,557	-	(13,364)	147,654	738,172
Loans in foreign currency	1,038,334	-	-	(64,506)	268,330	1,242,158
Project financing	22,951	-	(11,015)	(1,215)	2,844	13,565
Banco do Nordeste do Brasil – FNE	96,077	-	(15,159)	(7,279)	6,503	80,142
Working capital	111,184	-	(27,670)	(13,301)	26,258	96,471
Bank Credit Note	67,617	-	-	-	-	67,617
Transaction costs - reprofiling	(29,416)	-	-	-	3,264	(26,152)
Loans and financing	**1,927,978**	**23,557**	**(74,236)**	**(101,123)**	**458,157**	**2,234,333**

The table below shows the debt breakdown by financial institution after the debt re-profiling.

Modality	Bank	Payment	Maturities Principal	Tax	09/30/2018			In US$		
					Current liabilities - Principal	Current liabilities - Interest	Non-current liabilities	Current liabilities - Principal	Current liabilities - Interest	Non-current liabilities
Contracted in R$ Currency										
FINAME	Banco Abc Brasil S.A.	Monthly	2018 to 2019	6% p.y	464	1	-	-	-	-
FINAME	Banco Safra S.A.	Monthly	2018 to 2020	6% to 9.5% p.y	1,005	3	45	-	-	-
BNDES AUT.	Banco Safra S.A.	Monthly	2018 to 2020	5% p.y	2,351	10	524	-	-	-
FINEM	Banco Safra S.A.	Monthly	2018 to 2019	4,5% p.y	8,646	31	485	-	-	-
FINEP	Finep	Monthly	2018 to 2023	3,5% p.y	1,538	27	6,279	-	-	-
FNE	Banco do Nordeste do Brasil S.A.	Monthly	2018 to 2021	10% p.y	24,000	496	47,802	-	-	-
GIRO	Banco do Nordeste do Brasil S.A.	Monthly	2018 to 2021	CDI + 0.5% p.m	31,024	744	51,429	-	-	-
				Total contracted in Currency BRL	**69,028**	**1,312**	**106,564**	**-**	**-**	**-**
Contracted in US$ Currency										
FINIMP	HSBC Bank Brasil S.A.	Semester	2018 to 2019	LIBOR 06 + 1.7% p.y	13,218	-	-	3,301	-	-
FINIMP	Mercantil Commercebank	Quarterly	2018	5.54% p.y	9,123	20	-	2,278	5	-
ACC	Banco Banrisul S.A.		2019	5,3% a 5,6% p.y	29,306	986	-	7,319	246	-
ACC	Banco Bnp Paribas Brasil S.A.	Semester	2020 to 2022	LIBOR 12 + 1.75% p.y	-	1,971	112,109	-	492	28,000
ACC	Banco Do Brasil S.A.	Semester	2020 to 2022	LIBOR 12 + 1.75% p.y	-	1,971	112,109	-	492	28,000
ACC	Caixa Economica Federal	Semester	2020 to 2022	LIBOR 12 + 1.75% p.y	-	4,104	233,388	-	1,025	58,290
ACC	China Construction Bank	Semester	2020 to 2022	LIBOR 12 + 1.75% p.y	-	648	36,847	-	162	9,203
ACC	Ing Bank N.V.	Semester	2020 to 2022	LIBOR 12 + 1.75% p.y	-	1,408	80,078	-	352	20,000
ACC	Scotiabank	Semester	2020 to 2022	LIBOR 12 + 1.75% p.y	-	2,130	121,118	-	532	30,250
PPE	Banco Sumitomo Mitsui Br. S.A.	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	298	141,458	-	74	35,330
PPE	Scotiabank	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	30	14,333	-	8	3,580
PPE	Ing Bank N.V.	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	73	34,817	-	18	8,696
PPE	China Construction Bank	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	97	45,888	-	24	11,461
PPE	Cargill Incorporated	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	1,167	554,425	-	291	138,471
PPE	Banco Bradesco S.A.	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	483	229,677	-	121	57,363
PPE	Banco Do Brasil S.A.	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	229	108,703	-	57	27,152
PPE	Bladex Representação Ltda	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	232	110,249	-	58	27,535
CCB	Banco Itaú Bba S.A.	Semester	2020 to 2024	LIBOR 12 + 3.25% p.y	-	167	80,721	-	44	20,161
				Total contracted in Currency USD	**51,647**	**16,014**	**2,015,920**	**12,898**	**4,001**	**503,492**
Transaction Costs - reprofiling					**(4,359)**	**-**	**(21,793)**	**-**	**-**	**-**
				Total	**116,316**	**17,326**	**2,100,691**	**12,898**	**4,001**	**503,492**

Guarantees:

As at September 30, 2018, loans and financing were guaranteed by property, plant and equipment items of R$962,647 as described in Note 12.3.

Covenants:

In relation to financial covenants, the Company is obliged to meet the following ratios:

a) Net Debt/EBITDA

- Equal to or less than -50.9x on December 31, 2017;
- Equal to or less than 63.1x on June 30, 2018;
- Equal to or less than 16.6x on December 31, 2018;
- Equal to or less than 14.6x on June 30, 2019;
- Equal to or less than 10.4x on December 31, 2019;
- Equal to or less than 9.0x on June 30, 2020;
- Equal to or less than 7.0x on December 31, 2020;
- Equal to or less than 6.5x on June 30, 2021;
- Equal to or less than 5.8x on December 31, 2021;
- Equal to or less than 5.8x on June 30, 2022;
- Equal to or less than 5.2x on December 31, 2022;
- Equal to or less than 5.0x on June 30, 2023;

- Equal to or less than 4.3x on December 31, 2023;
- Equal to or less than 4.6x on June 30, 2024; and
- Equal to or less than 3.9x on December 31, 2024.

For the purposes of this item (a), the parties agree that any breach of the financial index arising from the quotient of the division of the Net Debt by the Recurring and Unadjusted EBITDA, on a consolidated basis, found as at December 31, 2017, June 30, 2018 and December 31, 2018 shall not give rise to the acceleration of the Definitive Agreements. Without prejudice, the Company is, in this case, required to, within (15) days of such a breach, submit to the Lenders a detailed report containing the reasons for such breach, and describing the Company's financial condition, as well as making itself available to hold a meeting or conference call, on a Business Day and during regular working hours, with the creditors to present the causes and the action plan to remedy such a breach.

The Company was not compliant with the applicable covenants on September 30, 2018, although it does not wish for the early maturity for any case of non-compliance with the financial indices by December 31, 2018, as described above.

b) Current liquidity

The Company must also present the current liquidity ratio based on the quotient of the division of current assets by current liabilities equal to or higher than 1.0x (one), as assessed on June 30 and December 31 of each year, in accordance with the accounting principles generally accepted in Brazil, based on the financial information published by the Company after the first publication of quarterly information reviewed after the execution hereof.

c) (Minimum limits on inventory and receivables)

For the quarter ending September 30, 2017 (including that day), deliver to the creditors correspondence showing the detailed calculation of the Minimum Limit of Inventory and Receivables for the corresponding fiscal period, based on the financial information disclosed on a quarterly basis by the Company, under the terms of the Brazilian Securities Exchange Commission – CVM (i.e. Quarterly Financial Information - ITRs for the quarters ended in March, June and September, and annual financial information for the quarter ended in December).

16. Salaries and social security charges

	Parent company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Provision for vacations	**25,488**	23,862	**25,538**	23,929
Profit sharing	**18,939**	18,414	**18,997**	18,483
Provision for 13th month’s salary	**11,086**	-	**11,116**	-
Social security	**5,505**	5,378	**5,519**	5,393
Contribution to the Severance Indemnity Fund	**1,079**	1,412	**1,082**	1,416
Social security	**442**	408	**442**	410
Other	**133**	132	**135**	136
Current liabilities	**62,672**	49,606	**62,829**	49,767

17. Taxes and contributions payable

	Notes	Parent company 09/30/2018	Parent company 12/31/2017	Consolidated 09/30/2018	Consolidated 12/31/2017
Contribution for social security funding–COFINS		**6,361**	6,375	**6,361**	6,375
Value-added tax on sales and services - ICMS		**9,725**	7,919	**9,731**	7,927
Social Integration Program–PIS		**1,378**	1,371	**1,378**	1,371
Property tax urban		**873**	69	**873**	69
Excise Tax - IPI		**2,421**	1,838	**2,421**	1,838
Withholding income tax–IRRF		**1,497**	2,367	**1,499**	2,371
Income tax and social contribution	25.2	**-**	-	**2,251**	4,596
Withheld PIS, COFINS, income tax and social		**715**	728	**716**	728
ISS - Service Tax		**620**	704	**621**	704
Other		**6**	26	**6**	26
		23,596	21,397	**25,857**	26,005
Current liabilities		**23,596**	21,219	**25,857**	25,827
Non-current liabilities		**-**	178	**-**	178

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.

18. Provision for judicial claims

18.1. Accrued risks

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

The balances of the provision for contingencies, with a statement of the net balance of judicial deposits to the respective claims, are given below. Court deposits are for guarantees and surveyed by the adverse party upon settlement of the claim.

	Parent company/Consolidated					
			09/30/2018			12/31/2017
	Provision	Judicial Claims	Provision	Provision	Judicial Claims	Provision
Labor	**200,192**	**(202)**	**199,990**	179,350	-	179,350
Tax	**1,824**	**-**	**1,824**	1,875	-	1,875
Civil	**5,609**	**-**	**5,609**	4,980	-	4,980
	207,625	**(202)**	**207,423**	**186,205**	**-**	**186,205**

Changes in provision have progressed as shown below:

Parent company/Consolidated	Labor	Tax	Civil	Total
Balance as at December 31, 2017	179,350	1,875	4,980	186,205
Provision (Reversal)	48,215	58	666	48,939
Write-offs	(27,575)	(109)	(37)	(27,721)
Balance as at September 30, 2018	**199,990**	**1,824**	**5,609**	**207,423**

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

18.2. Risks assessed as possible

In addition to the abovementioned lawsuits, there are other lawsuits in progress where the likelihood of loss is deemed possible by the Legal Counsel. Therefore, in accordance with the accounting practices adopted by the Company, no provision was recorded.

	Parent company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Labor	**86,559**	108,870	**86,559**	108,870
Tax	**677,658**	635,889	**677,987**	636,211
Social security	**23,496**	22,796	**23,496**	22,796
Civil	**469,227**	1,194,087	**469,227**	1,194,087
	1,256,940	1,961,642	**1,257,269**	1,961,964

The decrease in the consolidated amount to R$1,257,269 as at September 30, 2018 (R$1,961,964 as at December 31, 2017) mainly arises from a civil lawsuit between the Company and BTG Pactual S.A. and Banco Santander (Brasil) S.A., as detailed in item c) of this Note.

Lawsuits with a risk of loss assessed as possible are summarized below. The most relevant proceedings are of a tax nature, and are commented on in items from "a" and "b":

a) Social contribution on net profit - 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 CSLL as established by Law 7689/88.

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 that the decision that canceled the right of Caraíba Metais S.A. not to pay CSLL cannot be retroactively applied to the years before 2010. For this reason, the incorporated entity Caraíba Metais S.A. has not recorded a provision for this contribution since 1994. Also, in periods 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 five infraction notices related to the non-payment of CSLL for the calendar years 1996-2008. Three 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 September 30, 2018, the Company estimated non-provisioned amounts of R$ 346,094 (R$ 306,683 as at December 31, 2017). The legal advisors assessed an amount of R$ 253,095 for possible risks of loss, and R$ 92,999 as remote risks.

b) Isolated IPI and IRPJ fine

The Brazilian Federal Internal Revenue Service filed an infraction notice to collect a one-off fine related to undue compensation of IPI and IRPJ debits between 2004 and 2006, performed by Caraíba Metais S.A. (an incorporated company). This compensation was made by the Company before the final Court ruling on the validity of credit use.

On August 24, 2010, Caraíba Metais S.A. had partial success in the Appeal Court, recognizing the lack of a legal basis for the enforcement of an "isolated/non-cumulative" fine before the edition on Law 11196/2005.

The Company, supported by its Legal Counsel, believes that this collection is not due in accordance with the decision issued by the Supreme Court of Justice in special appeal nº 1.164.452/MG, jurisprudence of which demands that the requisite final ruling can only be used for lawsuits filed after Complementary Law nº 104/2001 was published on January 11, 2001. The legal action which allowed the use of the credit was published on August 17, 1998.

Presently, the case is under discussion at the first legal instance, being the collection of the fine contested by the Company through the suspension of fiscal execution.

As at September 30, 2018, the Company estimated the updated amount not subject to provision as being R$106,961 (R$104,320 as at December 31, 2017) and the risk was evaluated as possible.

c) BTG Pactual S.A. and Banco Santander (Brasil) S.A.

Because of this disagreements involving the Company with BTG Pactual S.A. (BTG Pactual) and Banco Santander (Brasil) S.A. (Santander, referred to together with BTG Pactual as Bancos), which discussed certain obligations of a Credit Facility Agreement executed into among the parties, among them, collections from Swap Agreements, also executed into among the parties, Santander, in April 2010, initiated arbitration proceedings before the Arbitration and Mediation Center of the Chamber of Commerce Brazil-Canada (CAM-CCBC and First Arbitration, respectively), whose judgment issued by this body, in favor of Santander, required the payment of R$292,000, restated from the dates set out in the judgment, at 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 instances (interest on own capital), determining the annulment of the decision by CAM-CCBC. After the special appeals filed by Paranapanema and BTG Pactual, the Superior Court of Justice (STJ), on September 18, 2018, upheld the decision held by the Court of Justice of Sao Paulo (TJSP) as rendered, ratifying the annulment of the First Arbitration. The STJ’s decision is not yet final and appealable.

In the beginning of 2015, after the aforementioned decision held by the TJSP, Santander requested the filing of a new arbitration with CAM-CCBC. The new arbitration was established with Number 02/2015/SEC1 (the Second Arbitration). This Arbitration involves Santander and BTG Pactual as applicants and the Company as defendant. This new arbitration aimed at disputing the same matter of the First Arbitration. On August 10, 2018, Paranapanema was summoned of the partial arbitration decision awarded in this Second Arbitration and decided for the nullity of certain obligations provided in the Credit Facility Agreement, with repercussions on swap contracts. On the other hand, the partial arbitration decision recognized the existence of counter credits among parties, and, for this reason, decided to carry out (later) at the same arbitration procedure, a settlement phase to determine the amounts due from party to party, under the criteria still to be established by the Arbitration Court, thus, not allowing the precise result.

Supported by Technical Pronouncement CPC 25, Paranapanema’s management understands that circumstances, risks and uncertainties of the case should be considered in order to obtain the best estimate of possible contingency, asset or liability. Contingencies should be revalued at each balance sheet date and adjusted to reflect the current best estimate. So, in view of the extent that was decided by the Arbitration Court in the Second Arbitration thus far, as well as considering that certain criteria are still pending discussion by the parties and definition by the Second Arbitration, Paranapanema’s management, supported by discussions, reports and analysis of its external advisors, understands that it is not practicable to assertively estimate the outcome nor the financial effect involving this issue (items 84 onwards of CPC 25).

On June 13, 2018, the Company and Santander entered into a Term of Binding Agreement for the purpose of definitively ending said legal and arbitration disputes between the parties (the Binding Agreement). Completion of object provided for in the Binding Agreement was subject to compliance with certain usual suspensive conditions for this type of agreement, however, these conditions were not verified, generating a resolution of full rights for the Binding Agreement as at August 13, 2018.

19. Other current liabilities

		Parent company		Consolidated	
	Notes	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Dividends payable	(a)	**26,456**	24,429	**26,456**	24,429
Advances from customers	(d)	**153,155**	33,799	**154,031**	37,520
Attorneys' fees and services		**9,741**	11,718	**9,741**	11,718
Various provision		**23,999**	13,711	**24,025**	13,916
Sales commission		**10,079**	8,883	**10,193**	9,041
Provision for environmental expenses	(b)	**6,727**	6,874	**6,727**	6,874
Customer credits	(c)	**7,337**	617	**7,693**	1,115
Others		**2,182**	1,103	**2,182**	1,105
Current liabilities		**239,676**	101,134	**241,048**	105,718
Dividends payable		**26,456**	24,429	**26,456**	24,429
Advances from customers		**153,155**	33,799	**154,031**	37,520
Other current liabilities		**60,065**	42,906	**60,561**	43,769
		239,676	101,134	**241,048**	105,718

a) Mandatory minimum dividend equivalent to 25% of the net income in 2015, adjusted by the legal reserve, with inflation adjustments based on the IGP-M (General Inflation index), as shown in Note 20k.

b) Refers to expenditure forecast to fulfill the obligations under the Conduct Adjustment Agreement (TAC) signed on December 4, 2015 between the Public Ministry of Bahia, Paranapanema and other companies. The objective of the agreement is to implement mitigation, reparation and compensation measures related to environmental impacts within the Ilha da Maré area.

c) Client credits refer to adjustments between price parameters, volumes and/or metal content yields charged temporarily upon invoicing, and final transaction parameters.

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

20. Shareholders' equity

a) Capital

The subscribed and paid-up capital, as at September 30, 2018, corresponds to R$1,990,707,732.30 (one billion, nine hundred ninety million, seven hundred and seven thousand, seven hundred thirty-two Reais and thirty Centavos) represented by 692,370,186 shares (six hundred ninety-two million, three hundred seventy thousand and one hundred eighty-six), and on December 31, 2017 it corresponded to R$1,984,751,277.56 (one billion, nine hundred eighty-four million, seven hundred fifty-one thousand, two hundred seventy-seven Reais and fifty-six Centavos) represented by 688,933,769 (six hundred eighty-eight million, nine hundred thirty-three thousand, seven hundred sixty-nine) book-entry shares, all common, registered and with no par value. The increase refers to 5,956,455 debentures translated into 3,436,417 shares, according to Note 1.

The Company's capital was increased, within the limit of the authorized capital (Capital Increase), pursuant to Article 5, paragraph 4, of the Company's bylaws.

The ownership structure of the Company is as follows:

	%	09/30/2018	%	12/31/2017
Caixa de Previd. dos Func. do Banco do Brasil - PREVI	20.21	**139,917,303**	21.94	151,147,203
Caixa Econômica Federal	17.41	**120,514,214**	18.19	125,316,514
Mineração Buritirama S.A.	9.20	**63,730,682**	4.65	32,051,282
Cargill Financial Services Internat, Inc	6.70	**46,405,116**	6.74	46,405,116
Bonsucex Holding S.A.	6.27	**43,437,178**	6.30	43,437,178
Glencore International Investiments Ltd	6.11	**42,307,692**	6.14	42,307,692
Fund. Petrobras de Seguridade Social - PETROS	5.45	**37,702,021**	5.47	37,702,021
Fundo de recuperação de ativos - FIDC NP	-	**-**	6.90	47,539,400
Merril Lynch Intenational	-	**-**	3.30	22,760,182
Treasury shares	0.00	**24,509**	0.00	24,509
Market	28.65	**198,331,471**	20.36	140,242,672
Total shares outstanding		**692,370,186**		688,933,769

b) Debentures into shares

On August 29, 2017, the Board of Directors approved the launch of the public offering of debentures, mandatorily convertible into the Company's shares. As described in Note 1.b., with the release of a debenture public offering with restricted placement efforts, these debentures are mandatorily convertible into Company shares, and are issued in two series, unsecured, without any additional guarantees, for public distribution, and with restricted placement efforts under CVM 476 instructions terms. Banco Modal S.A. is the fiduciary agent together with Pentágono S.A. Distribuidora de Titulos e Valores Imobiliarios. Banco Bradesco S.A. is the underwriter agent. The unit value of debentures is R$1.00.

334,216,991 series 1 debentures and 25,786,827 series 2 debentures were issued. Series 1 debentures mature on September 1, 2019, and series 2 debentures mature on September 1, 2021. The subscription amount was R$360,004 of debentures, convertible into 207,694,550 shares. As at September 22, 2017, the investors converted their debts into debentures, as described in Note 1. Debentures can be converted into shares at any moment. As at September 30, 2018, the total debentures converted into shares amounted to R$255,359, against R$249,402 as at December 31, 2017. The balance to be reversed on September 30, 2018 totaled R$ 104,645, as outlined in Note 1.

c) Authorized capital

The Company's management is authorized to increase its capital without a decision of a Shareholders' Meeting, up to the limit of R$2,500,000 (two billion, five hundred million Reais), through a resolution of the Board of Directors, which will also establish issuance and placement conditions for the said securities among the assumptions permitted by law.

d) 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. Shareholders are also entitled to voting rights with all shares that comprise the capital, which is fully subscribed and paid-in.

In accordance with the B3 S.A. - Brasil, Bolsa, Balcão New Market segment regulations, 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%).

e) 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.

f) Treasury shares

As at September 30, 2018, the Company had 24,509 treasury shares (24,509 as at December 31, 2017), all common shares. The market value of total treasury shares, calculated based on the last stock exchange quotation on September 30, 2018, is R$ 31 (R$ 39 as at December 31, 2017).

g) 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 tax benefit is established under the Regulation of Tax Incentives of the Northeast Development Superintendence (SUDENE), as established by the Minister of National Integration (MIN) No. 283 of July 4, 2013 (the Regulation). This profit is calculated based on the net income for the period, excluding the tax benefits of: (i) financial results; and (ii) capital gains.

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.

h) Equity valuation adjustments

The reserve for equity valuation adjustments includes:

- Net changes 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 27).

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

- The balance of the Revaluation Reserve refers to values recognized prior to the coming into effect of Law 11,638/07, and will be maintained until its effective realization. The realization of the reserve is reflected in the account of retained earnings or losses. The same treatment is given to the reversal of deferred taxes and contributions, which were recorded upon the revaluation accounting.

Changes in equity valuation adjustments:

	Export revenue ACC/PPE	NDF sales revenue	Metal cost x exchange future	Other debts	Revaluation reserve	Exchange variation investment exterior	Total
Balance as at December 31, 2017	(433,145)	(147,526)	81	(424,584)	218,917	(102)	(786,359)
Other comprehensive income	1,743	22,804	690	-	(10,461)	239	15,015
Balance as at September 30, 2018	**(431,402)**	**(124,722)**	**771**	**(424,584)**	**208,456**	**137**	**(771,344)**

i) Market value of the Company's shares.

The market value of the Company's shares, in accordance with the last average quotation of shares traded on B3 S.A., corresponded as at September 30, 2018 to R$ 886,234 (R$ 1,081,626 as at December 31, 2017). As at September 30, 2018, the Company had shareholders' equity of R$ 557,955 (R$ 888,522 as at December 31, 2017), and the shares' book value was R$ 0.81 (R$ 1.29 as at December 31, 2017).

j) Loss per share

The basic calculation of the (loss) 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) 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 in the event of the conversion of all common shares with dilutive potential into common shares.

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

	Year to date 2018	Year to date 2017
Loss per common share		
Loss for the period	(356,044)	(18,433)
Weighted average of shares outstanding(*)	689,144,631	319,152,437
Loss per common share	(0.51665)	(0.05776)
Loss per diluted common share		
Loss for the period	(356,044)	(18,433)
Weighted average of shares outstanding(*)	689,144,631	319,152,437
Convertible debentures	60,372,328	-
Weighted average of shares diluted with convertible debentures	749,516,959	319,152,437
Loss per diluted common share	(0.47503)	(0.05776)

(*) 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 other transactions involving common shares or potential common shares between the balance sheet date and the date of completion of this quarterly information.

k) Profit allocation

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

l) 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 inflation adjustments based on the inflation index IGP-M from June 24, 2016 to the effective payment date.

21. Net sales

a) Breakdown of net income

		Parent company			
		3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Gross sales		**1,755,266**	**4,057,931**	1,272,742	3,161,185
Domestic market		**781,777**	**2,074,320**	690,172	1,858,790
Foreign market		**973,489**	**1,983,611**	582,570	1,302,395
Taxes and sales deductions		**(159,652)**	**(411,797)**	(142,823)	(376,071)
Excise Tax - IPI		**(7,109)**	**(19,614)**	(6,410)	(17,345)
Value-added tax on sales and services - ICMS		**(84,716)**	**(221,788)**	(72,862)	(189,942)
Tax Incentive Fiscal ICMS - Desenvolve	(I)	**23,521**	**68,211**	18,712	59,590
Social Integration Program–PIS		**(10,129)**	**(28,418)**	(10,477)	(28,261)
Contribution for social security funding–COFINS		**(46,654)**	**(130,896)**	(48,257)	(130,173)
Other taxes and sales deductions		**(34,565)**	**(79,292)**	(23,529)	(69,940)
Net revenue from sales		**1,595,614**	**3,646,134**	1,129,919	2,785,114
Net revenue DM		**641,715**	**1,702,203**	555,999	1,515,050
Net revenue FM		**953,899**	**1,943,931**	573,920	1,270,064
		1,595,614	**3,646,134**	1,129,919	2,785,114

		Consolidated			
		3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Gross sales		**1,610,511**	**3,799,420**	1,052,643	2,642,623
Domestic market		**637,022**	**1,696,534**	470,073	1,340,228
Foreign market		**973,489**	**2,102,886**	582,570	1,302,395
Taxes and sales deductions		**(131,575)**	**(348,764)**	(97,044)	(268,303)
Excise Tax - IPI		**(7,109)**	**(19,614)**	(6,410)	(17,345)
Value-added tax on sales and services - ICMS		**(64,555)**	**(171,570)**	(47,983)	(129,497)
Tax Incentive Fiscal ICMS - Desenvolve	(I)	**23,521**	**68,211**	18,712	59,590
Social Integration Program–PIS		**(7,401)**	**(21,662)**	(7,077)	(19,977)
Contribution for social security funding–COFINS		**(34,090)**	**(99,777)**	(32,599)	(92,017)
Other taxes and sales deductions		**(41,941)**	**(104,352)**	(21,687)	(69,057)
Net revenue from sales		**1,478,936**	**3,450,656**	955,599	2,374,320
Net revenue DM		**525,134**	**1,392,341**	381,679	1,104,256
Net revenue FM		**953,802**	**2,058,315**	573,920	1,270,064
		1,478,936	**3,450,656**	955,599	2,374,320

(I). The industrial headquarters located in Dias D'Ávila, in the State of Bahia, was granted a tax incentive for ICMS, within the scope of the Industrial Development and Economic Integration Program of the State of Bahia (DESENVOLVE). In August 2016, through 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 – income from clients abroad

Parent company

	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
America	**215,642**	**639,386**	162,758	428,531
Europe	**679,835**	**1,213,530**	367,461	640,407
Asia	**72,981**	**117,219**	50,474	224,660
Africa	**5,031**	**13,476**	1,877	8,797
	973,489	**1,983,611**	582,570	1,302,395

Consolidated

	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
America	**215,642**	**639,386**	162,758	428,531
Europe	**679,835**	**1,332,806**	367,461	640,407
Asia	**72,981**	**117,219**	50,474	224,660
Africa	**5,031**	**13,476**	1,877	8,797
	973,489	**2,102,887**	582,570	1,302,395

Exports to Europe and Asia mainly represent sales to trading companies, where the main destination was China.

22. Expenses per type

Parent company

		3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Metal cost		**(1,314,458)**	**(3,112,838)**	(955,483)	(2,284,247)
Personnel and benefits	(b)	**(63,248)**	**(184,220)**	(59,562)	(174,343)
Depreciation		**(38,056)**	**(108,763)**	(31,912)	(94,387)
Electricity/water/gas/fuel and lube oil		**(39,611)**	**(105,918)**	(34,162)	(89,260)
Services rendered by third parties and others		**(20,513)**	**(50,497)**	(31,901)	(60,512)
Maintenance		**(22,656)**	**(68,721)**	(17,879)	(53,363)
Petrochemicals stock used/absorbed		**(12,302)**	**(23,583)**	(12,221)	(46,059)
Rent		**(6,874)**	**(16,067)**	(4,297)	(15,022)
Issues institutional and legal		**(5,065)**	**(13,829)**	(4,388)	(10,670)
Informatics/telecommunications		**(4,523)**	**(9,861)**	(1,518)	(4,438)
Other expenses		**(2,487)**	**(7,507)**	(1,207)	(3,438)
Travel expenses		**(872)**	**(2,609)**	(790)	(2,009)
Sales and marketing		**(742)**	**(2,528)**	(495)	(905)
Transfer idleness for expense	(a)	**36,214**	**134,282**	33,653	141,275
		(1,495,193)	**(3,572,659)**	(1,122,162)	(2,697,378)
Cost of products sold		**(1,466,999)**	**(3,495,482)**	(1,078,466)	(2,603,948)
Sales expenses		**(7,137)**	**(20,428)**	(6,716)	(19,506)
Administrative and general expenses		**(21,057)**	**(56,749)**	(36,980)	(73,924)
		(1,495,193)	**(3,572,659)**	(1,122,162)	(2,697,378)

		Consolidated			
		3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Metal cost		**(1,192,686)**	**(2,903,460)**	(775,799)	(1,860,694)
Personnel and benefits	(b)	**(63,657)**	**(185,553)**	(60,423)	(176,888)
Depreciation		**(38,086)**	**(108,850)**	(31,940)	(94,461)
Electricity/water/gas/fuel and lube oil		**(39,689)**	**(106,053)**	(34,187)	(89,339)
Services rendered by third parties and others		**(20,597)**	**(50,760)**	(32,125)	(61,124)
Maintenance		**(22,657)**	**(68,741)**	(17,896)	(53,353)
Petrochemicals stock used/absorbed		**(13,535)**	**(26,200)**	(11,342)	(44,902)
Rent		**(7,072)**	**(16,752)**	(4,537)	(15,672)
Issues institutional and legal		**(5,076)**	**(13,869)**	(4,392)	(10,709)
Informatics/telecommunications		**(4,544)**	**(9,917)**	(1,529)	(4,477)
Other expenses		**(2,495)**	**(7,539)**	(1,212)	(3,460)
Travel expenses		**(876)**	**(2,613)**	(790)	(2,009)
Sales and marketing		**(750)**	**(2,554)**	(497)	(910)
Transfer idleness for expense	(a)	**36,214**	**134,282**	33,653	141,275
		(1,375,506)	**(3,368,579)**	(943,016)	(2,276,723)
Cost of products sold		**(1,346,454)**	**(3,288,717)**	**(898,045)**	**(2,179,631)**
Sales expenses		**(7,668)**	**(22,080)**	**(7,261)**	**(20,932)**
Administrative and general expenses		**(21,384)**	**(57,782)**	**(37,710)**	**(76,160)**
		(1,375,506)	(3,368,579)	(943,016)	(2,276,723)

a) Idleness derives mainly from the lower production volume due to unscheduled downtime caused by operating problems in the smelter and due to the scheduled maintenance in its industrial complex of Dias D'Ávila (BA), as described in Note 1. The transfer to other operating expenses is in accordance with the Company's accounting practices.

b) The amounts related to personnel and benefits include salaries, vacations, 13th month's salary, social security and private pension, medical and dental care, meals and transportation.

23. Other income (expenses)

Parent company

	Notes	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Sundry recoveries		**599**	**1,135**	360	5,338
Energy sales revenue	a)	**4,755**	**12,052**	3,597	5,554
Tax recoveries	b)	**21,510**	**28,118**	-	1,681
Sundry sales		**638**	**1,812**	270	746
Leasing of property and equipment		**73**	**220**	73	216
Profits and dividends		**-**	**18**	-	61
Property, plant and equipment sales		**-**	**35**	-	-
Special tax adjustment program- PERT		**-**	**-**	1,326	1,326
Other income		**82**	**829**	9	804
Total of other income		**27,657**	**44,219**	5,635	15,726
Idle capacity	22	**(36,214)**	**(134,282)**	(33,653)	(141,275)
Provision for judicial claims	18	**(18,473)**	**(48,938)**	(205,837)	(259,962)
Provision for estimated doubtful accounts	06	**-**	**-**	267	(2,874)
Severance pay		**(1,709)**	**(3,908)**	(1,753)	(4,782)
PIS and COFINS on other income		**(745)**	**(1,829)**	935	(948)
Write-off of property, plant and equipment		**-**	**(5)**	(7)	(658)
Provision for judicial claims		**(62)**	**(247)**	(164)	(620)
Fines from infraction notices		**(171)**	**(618)**	(175)	(341)
Sundry sales costs		**(112)**	**(214)**	(71)	(130)
Provision for losses - Assets held for sale	10	**-**	**(3,453)**	-	-
Provision penalty - Onerous contracts		**-**	**(7,092)**	-	-
PL controlled negative		**(5,738)**	**(5,738)**	-	-
Special tax adjustment program- PERT		**-**	**-**	(3,535)	(3,535)
Other expenses		**(1,027)**	**(2,225)**	(331)	(2,510)
Total of other expenses		**(64,251)**	**(208,549)**	(244,324)	(417,635)
Total of other income (expenses), net		**(36,594)**	**(164,330)**	(238,689)	(401,909)

Consolidated

	Notes	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Sundry recoveries		**508**	**1,128**	360	5,338
Precatories receipt		**-**	**-**	3,597	5,554
Energy sales revenue	a)	**4,755**	**12,052**	-	1,710
Tax recoveries	b)	**21,510**	**28,118**	270	746
Sundry sales		**638**	**1,812**	73	216
Leasing of property and equipment		**73**	**220**	-	61
Profits and dividends		**-**	**18**	-	-
Property, plant and equipment sales		**-**	**35**	-	-
Special tax adjustment program- PERT		**-**	**-**	1,326	1,326
Other income		**83**	**920**	10	806
Total of other income		**27,567**	**44,303**	5,636	15,757
Idle capacity	22	**(36,214)**	**(134,282)**	(33,653)	(141,275)
Provision for judicial claims	18	**(18,473)**	**(48,938)**	(205,837)	(259,962)
Provision for estimated doubtful accounts	06	**-**	**-**	267	(3,178)
Severance pay		**(1,709)**	**(3,928)**	(1,763)	(4,803)
PIS and COFINS on other income		**(744)**	**(1,837)**	1,345	(948)
Write-off of property, plant and equipment		**-**	**(5)**	(7)	(658)
Provision for judicial claims		**(62)**	**(247)**	(164)	(620)
Fines from infraction notices		**(174)**	**(649)**	(179)	(411)
Sundry sales costs		**(112)**	**(214)**	(71)	(130)
Provision for losses - Assets held for sale	10	**-**	**(3,453)**	-	-
Provision penalty - Onerous contracts		**-**	**(7,092)**	-	-
Special tax adjustment program- PERT		**-**	**-**	(3,535)	(3,535)
Other expenses		**(1,025)**	**(2,283)**	(343)	(2,919)
Total of other expenses		**(58,513)**	**(202,928)**	(243,940)	(418,439)
Total of other income (expenses), net		**(30,946)**	**(158,625)**	(238,304)	(402,682)

a) Income from sales of surplus electricity not used in production.

b) The Company recognized tax credits related to the exclusion from the PIS and COFINS calculation basis of amounts related to ICMS, in the amount of R$17,582.

24. Financial income (expenses)

Parent company

	Note	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Liability foreign exchange fluctuations	a	**(66,300)**	**(577,192)**	(99,170)	(206,635)
Derivative financial instruments		**(22,310)**	**(103,607)**	(30,425)	(112,526)
Interest expenses		**(39,579)**	**(113,675)**	(45,325)	(113,014)
Adjustment to present value		**(2,335)**	**(5,890)**	(2,440)	(10,872)
Hedge on fair value of inventory		**(173,157)**	**(259,240)**	(16,077)	(19,199)
Bank expenses/IOF		**(671)**	**(2,486)**	(5,816)	(10,318)
Liability monetary variation		**1,011**	**(981)**	(493)	(825)
Other financial expenses		**(3,490)**	**(10,757)**	(7,208)	(9,099)
Total financial expenses		**(306,831)**	**(1,073,828)**	(206,954)	(482,488)
Asset foreign exchange fluctuations	a	**24,749**	**327,669**	100,631	219,202
Derivative financial instruments		**5,079**	**14,388**	30,468	98,745
Adjustment to present value		**7,934**	**19,170**	7,291	20,218
Interest income		**2,132**	**9,723**	7,414	15,620
Hedge on fair value of inventory		**178,492**	**321,430**	17,396	41,821
Monetary variation – assets		**745**	**2,165**	1,433	3,848
Other financial income		**2,759**	**5,889**	1,006	4,665
Total financial income		**221,890**	**700,434**	165,639	404,119
Total financial result		**(84,941)**	**(373,394)**	(41,315)	(78,369)

Consolidated

	Note	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Liability foreign exchange fluctuations	a	**(66,300)**	**(577,192)**	(99,170)	(206,635)
Derivative financial instruments		**(22,310)**	**(103,643)**	(30,425)	(112,526)
Interest expenses		**(41,337)**	**(117,871)**	(46,394)	(120,742)
Adjustment to present value		**(6,365)**	**(16,590)**	(6,634)	(21,280)
Hedge on fair value of inventory		**(181,206)**	**(270,109)**	(16,077)	(19,199)
Bank expenses/IOF		**(738)**	**(2,600)**	(5,824)	(10,417)
Liability monetary variation		**1,011**	**(981)**	(493)	(825)
Other financial expenses		**(3,797)**	**(11,634)**	(7,889)	(10,122)
Total financial expenses		**(321,042)**	**(1,100,620)**	(212,906)	(501,746)
Asset foreign exchange fluctuations	a	**24,749**	**327,669**	100,631	219,202
Derivative financial instruments		**5,079**	**14,388**	30,502	98,803
Adjustment to present value		**10,428**	**25,683**	9,946	30,753
Interest income		**2,225**	**10,043**	8,618	24,400
Hedge on fair value of inventory		**178,817**	**329,176**	17,396	41,821
Monetary variation – assets		**774**	**2,194**	1,433	3,848
Other financial income		**5,602**	**14,735**	3,036	7,955
Total financial income		**227,674**	**723,888**	171,562	426,782
Total financial result		**(93,368)**	**(376,732)**	(41,344)	(74,964)

a) Exchange-rate change: Refers to the restatement of assets and liabilities exposed in foreign currency, mainly in US$, the appreciation of which against the R$ during the period generated considerable exchange-rate changes, on both the asset and liability sides. Despite this, in practice the consolidated result of the Company's exchange-rate change is neutralized during the periods, as shown below:

Parent company / Consolidated

	3rd Quarter 2018	Year to date 2018	3rd Quarter 2017	Year to date 2017
Negative exchange variation	**(66,300)**	**(577,192)**	**(99,170)**	**(206,635)**
Exchange variation gain	**24,749**	**327,669**	**100,631**	**219,202**
Net effect of exchange rate variation	**(41,551)**	**(249,523)**	**1,461**	**12,567**

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25. Deferred income tax and social contribution

25.1 Deferred income tax and social contribution

Deferred income tax and social contribution have the following sources:

		09/30/2018			12/31/2017		
	Note	Parent company	Parent company	Consolidated	Parent company	Parent company	Consolidated
Rate		25%	34%		25%	34%	
Credits on tax losses		1,170,742	30,550	1,201,292	979,183	33,410	1,012,593
Income tax over fiscal loss	a)	292,686	10,386	303,072	244,796	11,359	256,155
Net exchange variations		(471,245)	-	(471,245)	(783,478)	-	(783,478)
Estimated losses (reversals) on allowance for doubtful assets		56,654	5,244	61,898	77,333	5,471	82,804
Shareholders' deficit		5,738	-	5,738	-	-	-
Provision for lawsuits		207,423	(13)	207,410	186,205	-	186,205
Estimated loss (reversal) on recoverable inventory sums		3,981	-	3,981	(1,150)	-	(1,150)
Estimated sundry losses (reversals)		40,705	-	40,705	20,348	-	20,348
Provision (Reversals) for financial instruments and others		(59,207)	1,068	(58,139)	(26,955)	899	(26,056)
Management profit sharing and others		4,258	45	4,303	6,760	57	6,817
Provision for adjustment to present value		2,895	2,857	5,752	1,860	4,571	6,431
Total temporary differences		(208,798)	9,201	(199,597)	(519,077)	10,998	(508,079)
Income tax on temporary differences	b)	(52,200)	3,128	(49,072)	(129,769)	3,739	(126,030)
Deferred income tax and social contribution		240,486	13,514	254,000	115,027	15,098	130,125
Tax on revaluation reserve	c)	(69,485)	-	(69,485)	(74,744)	-	(74,744)
		171,001	13,514	184,515	40,283	15,098	55,381
Non-current assets		171,000	13,514	184,516	40,283	15,098	55,381
Non-current liabilities		-	-	-	-	-	-

a) The Company has consolidated tax losses generated in Brazil in the amount of R$1,201,292 (R$1,012,593 as at December 31, 2017), subject to offsetting against future taxable income. In Brazil, the offsetting of fiscal losses has no statute of limitations, being limited to the offsetting of 30% of the annual profits.

b) On September 30, 2018, the Company had under the caption "Deferred income tax" amounts calculated on temporarily non-deductible expenses on calculation of taxable income for income tax purposes, which are available for future offset against said tax.

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

Additionally, based on the technical study of generation of future taxable profit, several financial and business assumptions were considered, such as the optimization of the installed capacity diluting fixed costs and optimizing cash generation, increase in the sales volume mainly by means of exports, timely management focus on the reduction in the cash conversion cycle through customs actions, and reduction in the terms of receivables, so that the working capital need is not increased. The Company continues to adopt a conservative approach to cash management combined with greater use of operating assets and the streamlining of costs and expenses.

The Group expects to recover tax credits over tax losses within a period of up to ten years.

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

The 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.

25.2 Reconciliation of income tax and social contribution expense

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	
	Year to date 2018	Year to date 2017	Year to date 2018	Year to date 2017
(Loss) before income and social contribution taxes	**(486,763)**	(407,062)	**(482,928)**	(404,230)
Nominal combined statutory rates	**25%**	25%	**25% e 34%**	25% e 34%
Income tax	**-**	-	**1,304**	(4,265)
Permanent additions	**(7,248)**	(7,442)	**(7,238)**	(7,442)
Realization of revaluation reserve (depreciation/write-off)	**3,479**	1,871	**3,479**	1,871
Provision for doubtful credit	**(5,170)**	676	**(5,247)**	714
Provision for litigation	**5,305**	10,278	**5,301**	10,278
Other deductible provision	**(2,058)**	5,098	**(2,587)**	6,553
Net exchange variance (cash basis)	**78,058**	13,004	**78,058**	13,004
Shareholders' deficit	**1,435**	-	**1,435**	-
Deferred income tax and social contribution on tax losses				
Tax loss and negative basis of social contribution	**51,659**	363,345	**47,120**	363,285
Deferred income tax on revaluation reserve	**5,259**	1,799	**5,259**	1,799
Current Income tax credits	**130,719**	388,629	**126,884**	385,797
Income tax for the current year	**-**	-	**(1,650)**	(2,224)
Social contribution for the current year	**-**	-	**(600)**	(807)
Current taxes	**-**	-	**(2,250)**	(3,031)
Deferred income tax	**125,460**	386,830	**124,294**	386,984
Deferred social contribution	**-**	-	**(419)**	46
Deferred income tax on revaluation reserve	**5,259**	1,799	**5,259**	1,798
Deferred taxes	**130,719**	388,629	**129,134**	388,828
Credit (expense) from income and social contribution taxes	**130,719**	388,629	**126,884**	385,797
Total effective rate	**-26.85%**	-95.47%	**-26.27%**	-95.44%
Current effective rate	**0.00%**	0.00%	**0.47%**	0.75%

26. Operating segments

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

27. Financial instruments

27.1 Market risk management policy

The Company recognizes that certain financial risks such as changes in commodities prices, foreign exchange (FX) rates and interest rates are inherent to its business. However, the Company's policy is to avoid unnecessary risks and to 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 a Finance, Risks and Contingencies Committee to assist with the establishment of risk management policies and to guarantee that proper procedures are in place at the Company so that all risk exposure can be identified and evaluated. In addition, the Committee must monitor this exposure to ensure that it is 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, forecast 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.

The Risk Management policy permits the Company to use approved derivative financial instruments to minimize exposure to market risks,: FX, commodities and interest rate risks.

Derivative instruments are only used for hedging purposes, as they limit the financial exposure associated with the risks identified in certain of the Company’s assets and liabilities. The use of derivatives is not automatic, nor is it 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, as defined by the CVM Resolution No. 763 (CPC 48). Not all hedge transactions with derivatives are accounted for by applying the hedge accounting rules.

27.2 Fair value methodologies

Derivative financial instruments are measured at fair value and recognized in the respective Statement of Financial Position accounts. The methodology for fair value evaluation involves verifiable parameters extracted from B3 S.A. - Brasil, Bolsa, Balcão (Foreign Exchange Coupon and Fixed Coupon), LME (copper, zinc, tin and lead) and LBMA (gold and silver), British Bankers’ Association (LIBOR), Reuters, and Bloomberg (US$ spot).

The Company measures the fair value of its FX derivatives by calculating the present value of the future price discounted by the market curve (Pre- and FX Coupon), all values published by Bloomberg and B3 S.A. - Brasil, Bolsa, Balcão. Adjustments to embedded derivatives are carried out at average future prices, based on curves disclosed in the LME and LBMA.

27.3 Embedded derivatives

Purchase 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 48, the cash flow adjustment of payments indexed to raw materials prices (such as copper, for example) embedded in financial liabilities 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 for copper products normally include a provisional price on the shipment date, with a final price based on the monthly average copper price at the 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 with a provisional price contains an embedded derivative that must be separate from the main contract and calculated as a separate derivative in the income (loss).

27.4 Classification of financial instruments

Financial assets and liabilities are classified into two measurement categories: assets and liabilities at fair value through profit or loss or at amortized cost.

In the chart below we state the balances of financial instruments previously reported as at 12.31.2017 with the new classifications.

	2017	Category CPC 38 / IAS 39	Category CPC 48 / IFRS 9
Financial assets			
Cash and cash equivalents	343,678	Loans and receivables	Amortized cost
Interest earning bank deposits	52,359	Loans and receivables	Amortized cost
Trade accounts receivable	432,347	Loans and receivables	Amortized cost
Financial instruments	85,554	At fair value through result	Fair value through result
Total assets	913,938		
Financial liabilities			
Suppliers	801,502	Other Liabilities-Amortized Cost Method	Amortized cost
Securitization of accounts payab	41,819	Other Liabilities-Amortized Cost Method	Amortized cost
Advances from customers	33,799	Other Liabilities-Amortized Cost Method	Amortized cost
Customer credit	617	Other Liabilities-Amortized Cost Method	Amortized cost
Loans and financing	1,927,974	Other Liabilities-Amortized Cost Method	Amortized cost
Financial instruments.	183,670	At fair value through result	Fair value through result
Total liabilities	2,989,381		

The classification of financial assets and liabilities is as follows:

				Parent company	
				Book value	Fair value
	Notes	At fair value through profit or loss	Amortized cost method	09/30/2018	09/30/2018
Financial assets					
Cash and cash equivalents	05	-	336,659	336,659	336,659
Interest-earning bank deposits	05	-	66,820	66,820	66,820
Trade accounts receivable	06	-	604,254	604,254	604,254
Financial instr. - Hedge accounting	27	12,130	-	12,130	12,130
Financial instr. - Other derivatives	27	147,921	-	147,921	147,921
Total assets		160,051	1,007,733	1,167,784	1,167,784
Financial liabilities					
Suppliers	13	-	1,072,554	1,072,554	1,072,554
Securitization of accounts payable	14	-	38,403	38,403	38,403
Advances from customers	19	-	153,155	153,155	153,155
Customer credit	19	-	7,337	7,337	7,337
Loans and financing	15	-	2,234,333	2,234,333	2,234,333
Financial instr. - Hedge accounting	27	32,041	-	32,041	32,041
Financial instr. - Other derivatives	27	5,113	-	5,113	5,113
Total liabilities		37,154	3,505,782	3,542,936	3,542,936

				Parent company	
				Book value	Fair value
	Notes	At fair value through profit or loss	Amortized cost method	12/31/2017	12/31/2017
Financial assets					
Cash and cash equivalents	05	-	343,678	343,678	343,678
Interest-earning bank deposits	05	-	52,359	52,359	52,359
Trade accounts receivable	06	-	432,347	-	-
Financial instr. - Other derivatives	27	85,554	-	85,554	85,554
Total assets		85,554	828,384	481,591	481,591
Financial liabilities					
Suppliers	13	-	801,502	801,502	801,502
Securitization of accounts payable	14	-	41,819	41,819	41,819
Advances from customers	19	-	33,799	33,799	33,799
Customer credit	19	-	617	617	617
Loans and financing	15	-	1,927,974	1,927,974	1,927,974
Financial instr. - Hedge accounting	27	44,034	-	44,034	44,034
Financial instr. - Other derivatives	27	139,636	-	139,636	139,636
Total liabilities		183,670	2,805,711	2,989,381	2,989,381

Consolidated

	Notes	At fair value through profit or loss	Amortized cost method	Book value 09/30/2018	Fair value 09/30/2018
Financial assets					
Cash and cash equivalents	05	-	344,201	344,201	344,201
Interest-earning bank deposits	05	-	66,820	66,820	66,820
Trade accounts receivable	06	-	507,012	507,012	507,012
Financial instr. - Hedge accounting	27	12,130	-	12,130	12,130
Financial instr. - Other derivatives	27	147,921	-	147,921	147,921
Total assets		160,051	918,033	1,078,084	1,078,084
Financial liabilities					
Suppliers	13	-	1,002,278	1,002,278	1,002,278
Securitization of accounts payable	14	-	38,403	38,403	38,403
Advances from customers	19	-	154,031	154,031	154,031
Customer credit	19	-	7,693	7,693	7,693
Loans and financing	15	-	2,234,333	2,234,333	2,234,333
Financial instr. - Hedge accounting	27	32,041	-	32,041	32,041
Financial instr. - Other derivatives	27	5,148	-	5,148	5,148
Total liabilities		37,189	3,436,738	3,473,927	3,473,927

Consolidated

	Notes	At fair value through profit or loss	Amortized cost method	Book value 12/31/2017	Fair value 12/31/2017
Financial assets					
Cash and cash equivalents	05	-	345,551	345,551	345,551
Interest-earning bank deposits	05	-	53,085	53,085	53,085
Trade accounts receivable	06	-	389,279	389,279	389,279
Financial instr. - Other derivatives	27	85,591	-	85,591	85,591
Total assets		85,591	787,915	873,506	873,506
Financial liabilities					
Suppliers	13	-	801,807	801,807	801,807
Securitization of accounts payable	14	-	41,819	41,819	41,819
Advances from customers	19	-	37,520	37,520	37,520
Customer credit	19	-	1,115	1,115	1,115
Loans and financing	15	-	1,927,978	1,927,978	1,927,978
Financial instr. - Hedge accounting	27	44,034	-	44,034	44,034
Financial instr. - Other derivatives	27	139,636	-	139,636	139,636
Total liabilities		183,670	2,810,239	2,993,909	2,993,909

Fair value hierarchy

The Company discloses its assets and liabilities at fair value, based on relevant accounting pronouncements that define the fair value, and the structure for determining the fair value, which refers to the evaluation criteria and practices and requires certain disclosures regarding 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 at the measurement date. A price that is quoted in an active market provides a more reliable evidence of the 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 involving 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 through 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 has Level 3 category characteristics.

Parent company and consolidated assets and liabilities measured at fair value as at September 30, 2018 and December 31, 2017 were as follows:

		Parent company		Consolidated	
	Notes	Level 2	09/30/2018	Level 2	09/30/2018
Financial assets					
Financial instr. - Hedge accounting	27	12,130	12,130	12,130	12,130
Financial instr. - Other derivatives	27	147,921	147,921	147,921	147,921
Total assets		160,051	160,051	160,051	160,051
Financial liabilities					
Suppliers	13	1,072,554	1,072,554	1,002,278	1,002,278
Forfait and letter of credit operations	14	38,403	38,403	38,403	38,403
Loans and financing	15	2,234,333	2,234,333	2,234,333	2,234,333
Advances from customers	19	153,155	153,155	154,031	154,031
Customer credit	19	7,337	7,337	7,693	7,693
Financial instr. - Hedge accounting	27	32,041	32,041	32,041	32,041
Financial instr. - Other derivatives	27	5,113	5,113	5,148	5,148
Total liabilities		3,542,936	3,542,936	3,473,927	3,473,927

		Parent company		Consolidated	
	Notes	Level 2	12/31/2017	Level 2	12/31/2017
Financial assets					
Financial instr. - Other derivatives	27	85,554	85,554	85,591	85,591
Total assets		85,554	85,554	85,591	85,591
Financial liabilities					
Suppliers	13	801,502	801,502	801,807	801,807
Forfait and letter of credit operations	14	41,819	41,819	41,819	41,819
Loans and financing	15	1,927,974	1,927,974	1,927,978	1,927,978
Advances from customers	19	33,799	33,799	37,520	37,520
Customer credit	19	617	617	1,115	1,115
Financial instr. - Hedge accounting	27	44,034	44,034	44,034	44,034
Financial instr. - Other derivatives	27	139,636	139,636	139,636	139,636
Total liabilities		2,989,381	2,989,381	2,993,909	2,993,909

Summary of consolidated derivative financial instruments

Consolidated

Instrument	Position	Index	Reference Value 09/30/2018	Reference Value 12/31/2017	Fair value 09/30/2018	Fair value 12/31/2017
Designated for hedge accounting						
Risk of commodity prices						
NDF	Purchased	Copper	6,458 tonnes	5,234 tonnes	9,413	10,409
Firm commitment for sales	Sold	Copper	(6,458) tonnes	(5,234) tonnes	(9,413)	(10,409)
NDF	Sold	Copper	(11,686) tonnes	(14,691) tonnes	(1,707)	(8,397)
NDF	Sold	Gold	(13,360) Oz	(8,776) Oz	145	534
NDF	Sold	Silver	(542,804) Oz	(87,251) Oz	1,630	245
NDF	Sold	Zinc/Tin/Lead	(1,725) tonnes	(1,852) tonnes	566	272
Embedded derivative	Sold	Copper	(18,547) tonnes	(38,157) tonnes	(20,921)	(38,947)
Embedded derivative	Sold	Gold	(7,587) Oz	(9,658) Oz	81	591
Embedded derivative	Sold	Silver	(110,577) Oz	(526,914) Oz	295	1,668
Total					**(19,911)**	**(44,034)**
Total derivatives designated for hedge accounting					**(19,911)**	**(44,034)**
Not designated for hedge accounting						
Risk of commodity prices						
Firm commitment for sales	Purchased	Copper	- tonnes	- tonnes	(2,588)	(46)
Cash Flow - Cost	Purchased	Cobre	2,695 tonnes	- tonnes	2,637	-
NDF	Sold	Copper	(1,389) tonnes	- tonnes	15,666	16,162
NDF	Sold	Gold	(7,923) Oz	- Oz	3,096	(3,301)
NDF	Sold	Silver	(124,567) Oz	- Oz	(477)	(2,056)
NDF	Purchased	Zinc/Tin/Lead	245 tonnes	- tonnes	(391)	(1,157)
Embedded derivative	Purchased	Copper/Gold;Silver	- tonnes	- tonnes	147,932	(68,698)
Embedded derivative	Purchased	Anodic mud	- tonnes	- tonnes	-	4,896
Total					**165,875**	**(54,200)**
Economic Hedge - Exchange Rate US$ / BRL						
MTM NDF	Sold	USD/BRL	(65,500) US$	- US$	(24,713)	
BM&F Futures	Purchased	US$ Futuro	36,250 US$	- US$	1,474	-
Total					**(23,239)**	**-**
Risk of interest rate						
Swap	Purchased	LIBOR 3M/6M + VC	3,301 US$	6,603 US$	13,354	22,202
Swap	Sold	Pre+Foreign exchange variation	(3,301) US$	(6,603) US$	(13,217)	(22,047)
Total			-	-	**137**	**155**
Total other derivatives					**142,773**	**(54,045)**
Total					**122,862**	**(98,079)**
Current Assets					**160,051**	**85,591**
Current liabilities					**(37,189)**	**(183,670)**

27.5 Market risks

27.5.1 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 currencies.

The Policy establishes that risk management has as its objective hedging against the exchange risk of the forecast cash flow denominated in foreign currency using over-the-counter operations (NDFs), stock exchange futures, zero cost collars and non-derivative financial instruments (liabilities indexed in US Dollars).

The foreign currency exposure is shown in the table below:

	Position	Parent company / Consolidated 09/30/2018 US$	12/31/2017 US$
Object			
Accounts receivable	Purchased	1,471,352	1,206,643
Inventory	Purchased	215,558	-
Instrument designated as hedge accounting			
NDF - Revenue	Sold	(253,452)	(221,823)
Loans and financing	Sold	(857,179)	(624,934)
Suppliers	Sold	(576,279)	(359,886)
Derivatives not designated as hedge accounting			
NDF (US$/R$)	Sold	(60,000)	(27,000)
Option Call (US$/R$)	Purchased	-	-
Option Put (US$/R$)	Purchased	-	-
Future (Pre x US$)	Sold	(36,000)	-
Loans and financing	Sold	(344,917)	(356,422)
Total net exposure		**(440,917)**	**(383,422)**

27.5.2 Interest rate risk

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

Exposure to interest rates is shown in the table below:

		Parent company/Consolidated 09/30/2018	12/31/2017
Designated to hedge accounting			
Loans and financing	LIBOR	(1,326,879)	(1,112,650)
Derivatives – Swap	LIBOR	6,609	21,841
		(1,320,270)	**(1,090,809)**
Not designated to hedge accounting			
Loans and financing	TJLP	(16,563)	(19,399)
		(16,563)	**(19,399)**
Loans and financing	Interest rate Res.635/87	(3,838)	(6,537)
		(3,838)	**(6,537)**
Investments	PRE	259,860	145,615
Loans and financing	PRE	(82,454)	(110,125)
		177,406	**35,490**

27.5.3 Commodities risk

Paranapanema’s business activities include acquiring raw materials and selling products, both benchmarked against the amounts of metals contained therein, and prices of these metals on the international exchanges LME and LBMA.

The origin of commodity risk is the mismatch between the selling and buying prices of the metals contained in the 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 the volume of this metal already priced for purchase and the amounts of this metal already priced for sale, and sets risk exposure limits.
To manage this exposure, the Company has a strategy of keeping all inventory metal costs in US$ fluctuating (mark-to market), and only fixing the metal prices when they are sold and the price can be known.

Parent company/Consolidated

Copper	Position	09/30/2018 Reference value		Exposure	12/31/2017 Reference value		Exposure
Assets, net	Purchased	36,194	tonnes	895,584	45,939	tonnes	1,087,618
Designated for hedge accounting							
Embedded derivatives	Sold	(18,926)	tonnes	(430,400)	(22,900)	tonnes	(542,154)
Firm commitments	Sold	(7,319)	tonnes	(181,095)	(5,234)	tonnes	(123,917)
NDF	Sold	(3,913)	tonnes	(96,824)	(14,416)	tonnes	(341,304)
Not designated for hedge accounting							
Embedded derivatives	Sold	(223)	tonnes	(5,512)	(26)	tonnes	(606)
Firm commitments	Sold	(7,718)	tonnes	(190,980)	(5,085)	tonnes	(120,396)
NDF	Purchased	-	tonnes	-	-	tonnes	-
Total net exposure		**(1,905)**	**tonnes**	**(9,227)**	**(1,722)**	**tonnes**	**(40,759)**

Parent company/Consolidated

Gold	Position	09/30/2018 Reference value		Exposure	12/31/2017 Reference value		Exposure
Assets, net	Purchased	9,166	Oz	43,503	12,016	Oz	51,534
Designated for hedge accounting							
Embedded derivatives	Sold	(7,742)	Oz	(36,744)	(5,502)	Oz	(23,599)
Firm commitments	Purchased	-	Oz	-	-	Oz	-
NDF	Sold	(13,360)	Oz	(63,407)	(8,776)	Oz	(37,640)
Not designated for hedge accounting							
Embedded derivatives	Purchased	9,751	Oz	46,280	8,238	Oz	35,330
Firm commitments	Purchased	19	Oz	92	2,452	Oz	965
NDF	Sold	(7,923)	Oz	(37,605)	(11,588)	Oz	(49,697)
Total net exposure		**(10,089)**	**Oz**	**(47,881)**	**(3,160)**	**Oz**	**(23,107)**

Parent company/Consolidated

Silver	Position	09/30/2018 Reference value		Exposure	12/31/2017 Reference value		Exposure
Assets, net	Purchased	324,932	Oz	18,611	503,925	Oz	28,114
Designated for hedge accounting							
Embedded derivatives	Purchased	29,584	Oz	1,694	(78,218)	Oz	(4,364)
NDF	Purchased	-	Oz	-	-	Oz	-
NDF	Sold	(542,804)	Oz	(31,090)	(87,251)	Oz	(4,868)
Not designated for hedge accounting							
Embedded derivatives	Purchased	-	Oz	-	-	Oz	-
Firm commitments	Purchased	390	Oz	22	37,345	Oz	2,083
NDF	Sold	(124,567)	Oz	(7,135)	(363,511)	Oz	(20,280)
Total net exposure		**(312,465)**	**Oz**	**(17,898)**	**12,290**	**Oz**	**685**

Parent company/Consolidated

Other	Position	09/30/2018 Reference value		Exposure	12/31/2017 Reference value		Exposure
Assets, net	Purchased	1,413	tonnes	18,323	1,774	tonnes	21,452
Designated for hedge accounting							
NDF	Sold	(1,475)	tonnes	(18,360)	(1,685)	tonnes	(20,295)
Not designated for hedge accounting							
Embedded derivatives	Purchased	-	tonne	-	-	tonne	-
Firm commitments	Sold	(78)	tonnes	(855)	(78)	tonnes	(892)
NDF	Sold	(5)	tonnes	(379)	(25)	tonnes	(206)
Total net exposure		**(145)**	**tonnes**	**(1,271)**	**(14)**	**tonnes**	**59**

27.5.4 Sensitivity analysis

In order to measure the impact on the Company's net income (loss) and shareholders' equity arising from changes in financial market rates, stress scenarios were constructed in relation to the rates effective as at September 30, 2018. As required by CVM Instruction No. 475/08, the Company carried out a sensitivity analysis using the probable scenario, and scenarios involving a 25% and 50% decrease and increase.

Parent company/Consolidated

	Notional	Unit	Risk factors	Probable scenario	Falling scenario 25%	Falling scenario 50%	Rising scenario 25%	Rising scenario 50%
								Impact on profit or loss
Foreign exchange rate risk								
Subject to hedge								
Accounts receivable	$ 1,471,352	US$	US$	5,891,146	(1,472,787)	(2,945,573)	1,472,787	2,945,573
Inventory	$ 215,558	US$	US$	863,073	(215,768)	(431,537)	215,768	431,537
Hedge instrument								
NDF - Cash flow hedge	$ -253,452	US$	US$	(124,721)	-	-	-	-
Suppliers	$ -576,279	US$	US$	(424,584)	576,841	1,153,682	(576,841)	(1,153,682)
Loans	$ -857,179	US$	US$	(399,593)	858,015	1,716,029	(858,015)	(1,716,029)
Other non-derivatives financial instruments								
Liabilities	$ -344,917	US$	US$	(1,381,014)	345,253	690,507	(345,253)	(690,507)
Other derivativess								
NDF (US$/R$)	$ -60,000	US$	US$	(21,406)	(90,458)	(156,198)	90,458	156,198
Option Call (US$/R$)	$ -	US$	US$	-	-	-	-	-
Option Put (US$/R$)	$ -	US$	US$	-	-	-	-	-
Future (Pre x US$)	$ -36,000	US$	US$	(13,365)	(36,612)	(73,225)	36,612	73,225
Total	(440,917)			4,389,536	(35,516)	(46,315)	35,516	46,315
Interest rate risk								
Subject to hedge								
Liabilities	$ -331,397	US$	LIBOR	(1,426,280)	9,800	19,572	(9,741)	(19,512)
Hedge instrument								
Swap - Cash flow hedge	$ 1,651	US$	LIBOR	13,352	(24)	(48)	24	48
Other non-derivatives financial instruments								
Liabilities	$ -16,563	R$	TJLP	(18,620)	522	1,050	(514)	(1,022)
Assets	$ 259,860	R$	PRÉ	259,150	207	(67)	751	1,010
Liabilities	$ -82,454	R$	PRÉ	(75,308)	1,462	3,432	(2,157)	(3,823)
Total	$ -168,903			(1,247,706)	11,967	23,939	(11,637)	(23,299)
Commodity price risk								
Hedge instrument								
NDF (Copper) - Fair value hedge	(7,319)	tonnes	Copper	(181,095)	45,274	90,547	(45,274)	(90,547)
NDF (Copper) - Fair value hedge Inventory	(3,913)	tonnes	Copper	(96,824)	24,206	48,412	(24,206)	(48,412)
Embedded derivatives (Cooper) - Fair Value Hedge	(17,394)	tonnes	Copper	(430,400)	107,600	215,200	(107,600)	(215,200)
Not designated for hedge accounting								
Embedded derivatives	(223)	tonnes	Copper	(5,512)	1,378	2,756	(1,378)	(2,756)
Total	(28,849)			(713,831)	178,458	356,915	(178,458)	(356,915)
Not designated for hedge accounting								
NDF	(7,923)	Oz	Gold	(37,605)	9,401	18,803	(9,401)	(18,803)
Hedge instrument								
NDF	(13,360)	Oz	Gold	(63,407)	15,852	31,703	(15,852)	(31,703)
Embedded derivatives	2,009	Oz	Gold	9,536	(2,384)	(4,768)	2,384	4,768
Total	(19,274)			(91,476)	22,869	45,738	(22,869)	(45,738)
Not designated for hedge accounting								
NDF	(124,567)	Oz	Silver	(7,135)	1,784	3,567	(1,784)	(3,567)
Hedge instrument								
NDF	(542,804)	Oz	Silver	(31,090)	7,772	15,545	(7,772)	(15,545)
Embedded derivatives	29,584	Oz	Silver	1,694	(424)	(847)	424	847
Total	(637,787)			(36,531)	9,132	18,265	(9,132)	(18,265)
Hedge instrument								
NDF (Zinc, Lead and Tin)	(1,475)	tonnes	Other Metals	(18,360)	4,590	9,180	(4,590)	(9,180)
Not designated for hedge accounting								
Assets, net								
NDF	(5)	tonnes	Other Metals	(379)	95	190	(95)	(190)
Total	(1,480)			(18,739)	4,685	9,370	(4,685)	(9,370)
Premises								
Exchange tax	Ptax - US$/R$			4.0039	3.0029	2.0020	5.0049	6.0059
Copper Price	Official Price Cash LME			$6,180	$4,635	$3,090	$7,725	$9,270
Gold Price	Official Price Cash LBMA			$1,185	$889	$593	$1,482	$1,778
Silver Price	Official Price Cash LBMA			$14	$11	$7	$18	$21
Price Zinc	Official Price Cash LME			$2,573	$1,930	$1,287	$3,216	$3,860
Tin Price	Official Price Cash LME			$18,950	$14,213	$9,475	$23,688	$28,425
Lead Price	Official Price Cash LME			$2,002	$1,502	$1,001	$2,503	$3,003

27.6 Hedge accounting

Paranapanema adopted the following hedge accounting programs:

27.6.1 US Dollar Income Cash Flow Hedge

The program's purpose is to ensure that a percentage of income equivalent to the sales premium pegged to the US$ is not impacted by exchange-rate changes. 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 income equivalent to the highly probable future sales premium indexed to the US Dollar. The hedging instruments contracted for this program are US$/R$ (NDF) currency contracts. Besides the derivative instruments, the Company also, as authorized by CVM Resolution 604/09, uses changes in the exchange rates of non-derivative financial instruments such as Advance of Exchange Contracts (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 from November 2013 for the ACC and PPE instruments, and from December 2013 for the other debts such as hedge instruments.

The exchange-rate change on debt in US$ is credited in OCI and debited from loans and financing when the adjustment is positive. In the case of a negative adjustment, the loans and financing account is credited, and the Equity Valuation Adjustment account is debited. The corresponding balance in OCI is recognized within operating profit or loss only when the hedged item (the income percentage equivalent to the sales premium) matures, and the hedge relationship is effective.

Based on CPC 48, hedge instruments can be rolled over until the hedged item's expected realization month. The realization month is defined at the hedge relationship designation date.

27.6.2 Firm Sales Commitment Fair Value Hedge

The purpose of the Firm Sales Commitment hedge is to protect the fair value in US Dollars of the fixed sales price of copper against unfavorable trends in the price of copper quoted on the LME.

The hedge covers future copper sales in US Dollars with a pre-fixed price for clients subject to fixed sales commitments. The hedging instruments are copper derivatives quoted on the LME.

The metal price mark-to-market adjustments on derivatives contracts designated as hedges are recognized within operating profit or loss, along with the metal price adjustments to firm sales contracts (the hedged item). The derivative financial instruments account within assets is debited against the operating profit or loss when adjustments are positive, and credited within liabilities against the operational loss when adjustments are negative.

27.6.3 Inventory Fair Value Hedge

The purpose of the Inventory Fair Value hedge is to hedge the Company's highest cost item, which is the metal portion (copper, zinc, lead, tin, gold and silver) of inventory, maintaining them at market prices (price of metal in Reais) until the effective sale. The costs of transformation of metals (labor force and inputs) are not material compared to the total inventory cost, and are denominated in Reais, and therefore are not the object of metal price hedges or exchange hedges.

Hedging instruments of the metal price are embedded derivatives of copper concentrate supply contracts, which were separated from the contracts. This program was implemented from December 2013. On March 1, 2014, an inventory fair value hedge was implemented using mercantile exchange derivatives as hedging instruments to protect the changes in the monthly average spot prices. The same strategy was implemented on May 1, 2014 with derivatives on the stock exchange for the metals zinc, lead and tin. The same strategy was implemented on June 1, 2014 with derivatives on the stock exchange for gold and silver. On January 1, 2016, the prices of metals in Reais were marked-to-market by means of the designation of financial instruments as foreign exchange hedges.

The mark-to-market effects of derivative instruments of the fair value of inventory are subject to retrospective and prospective effectiveness testing, respecting the limits of 80% - 125% of effectiveness to maintain the hedge relationship. The ineffective portion is recorded directly in the result.

The mark-to-market adjustments on metal price derivatives contracts designated as hedges and financial instruments are recognized within inventory, as well as the metal portion of inventory (the hedged item). The derivative financial instruments account within assets is debited against the operating profit or loss when adjustments are positive, and credited within liabilities against the operational loss when adjustments are negative.

27.6.4 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 based on price references (LME) that are identical or close to the price references of income from the sale of copper. This hedge, together with the inventory fair value hedge program, allows the US$ cost of metals in Cost of goods sold (COGS) to be similar to the R$ metal price in income.

The item to be hedged is the cost of copper in the products sold in a particular month. The hedge instrument consists of forward contracts for copper, the objective of which is to exchange references of average copper prices. This program has been implemented since April 2014.

The mark-to-market adjustments to the metal prices on derivative contracts designated as hedges are credited to the 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 the operating profit or loss when the hedged item matures.

27.6.5 *Payments' Cash Flow Hedge (CAPEX) in foreign currency*

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-rate changes. 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 a NDF of US$/R$, CAD/R$ and EUR/R$.

In compliance with the documentation requirements that are defined in CPC 38 and IAS 39, 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 hedging activities;
iii. The identification of the 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; and
viii. The prospective and retrospective statement of the hedge's effectiveness.

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

Parent company/Consolidated

Instrument	Object	Index	Maturities	Reference		Market
						09/30/2018
Cash flow hedge						
Derivatives – designated						Instrument
NDF – Closed	Income (in USD)	USD/BRL	jan-18 - sep-18	(87,843)	US$	**(23,080)**
NDF – Provision	Income (in USD)	USD/BRL	Oct-18 - sep-21	(253,452)	US$	**(124,722)**
NDF – Closed	Cost	Copper	jan-18 - sep-18	4,823	tonnes	**(2,175)**
NDF – Provision	Cost	Copper	Oct-18	2,703	tonnes	**771**
Non-derivative - designated						
ACC / PPE – Provision	Income (in USD)	USD/BRL	Oct-18 - jun-30	(676,117)	US$	**(431,402)**
Other debt – provision	Income (in USD)	USD/BRL	Oct-18 - nov-36	(541,783)	US$	**(424,584)**
Fair value hedge						
Derivatives						
NDF – Closed	Sales commitment	Copper	jan-18 - sep-18	7,246	tonnes	**(3,919)**
NDF – Provision	Sales commitment	Copper	Oct-18 - jun-19	6,458	tonnes	**9,413**
Embedded derivatives	Inventory	Copper	jan-18 - sep-18	91,798	tonnes	**(17,525)**
Embedded derivatives	Inventory	Copper	Oct-18 - sep-18	18,547	tonnes	**20,921**
Embedded derivatives	Inventory	Gold	jan-18 - sep-18	38,072	Oz	**(2,361)**
Embedded derivatives	Inventory	Gold	Oct-18 - sep-18	7,587	Oz	**(81)**
Embedded derivatives	Inventory	Silver	jan-18 - sep-18	905,800	Oz	**(443)**
Embedded derivatives	Inventory	Silver	Oct-18 - sep-18	110,577	Oz	**(295)**
NDF – Closed	Inventory	Copper	jan-18 - sep-18	89,020	tonnes	**(20,794)**
NDF – Provision	Inventory	Copper	Oct-18 - sep-18	11,686	tonnes	**1,707**
NDF – Closed	Inventory	Zinc	jan-18 - sep-18	9,850	tonnes	**(3,480)**
NDF – Provision	Inventory	Zinc	Oct-18 - sep-18	1,625	tonnes	**(503)**
NDF – Closed	Inventory	Lead	jan-18 - sep-18	275	tonnes	**(74)**
NDF – Provision	Inventory	Lead	Oct-18 - sep-18	50	tonnes	**(7)**
NDF – Closed	Inventory	Tin	jan-18 - sep-18	240	tonnes	**(20)**
NDF – Provision	Inventory	Tin	Oct-18 - sep-18	50	tonnes	**(56)**
NDF – Closed	Inventory	Gold	jan-18 - sep-18	60,776	Oz	**(3,315)**
NDF – Provision	Inventory	Gold	Oct-18 - sep-18	13,360	Oz	**(145)**
NDF – Closed	Inventory	Silver	jan-18 - sep-18	1,766,798	Oz	**(1,576)**
NDF – Provision	Inventory	Silver	Oct-18 - sep-18	542,804	Oz	**(1,630)**

(*) The market value for the derivatives designated as providing cash flow hedge accounting are stated in shareholders equity

	Parent company/Consolidated	
	Equity	
	09/30/2018	12/31/2017
Derivatives designated for hedge accounting		
Commodities risk	**771**	81
Foreign exchange risk	**(124,722)**	(147,526)
	(123,951)	(147,445)
Non-derivatives designated to hedge accounting		
Foreign exchange risk - Outstanding operations	**(855,986)**	(857,729)
	(855,986)	(857,729)

27.7 Credit risk

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

Credit is an important instrument for 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 quantitative and qualitative evaluations of the clients, as well as considering the industry in which they operate. This analysis takes into consideration the client's past performance, a forecast of its economic-financial robustness, the client's 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 limits per individual client are among the procedures adopted to minimize delays and defaults on accounts receivable. In addition to performing credit limit checking procedures, individual client balances are limited to 10% of the Company's total income. Thus, the Company spreads the credit risk among several clients.

As regards the credit risk associated to interest-earning bank deposits, the Company always invests with low-risk institutions, as evaluated by independent ratings agencies.

Credit risks		Parent company		Consolidated	
	Notes	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Assets					
Cash and cash equivalents	05	**336,659**	343,678	**344,201**	345,551
Interest-earning bank deposits	05	**66,820**	52,359	**66,820**	53,085
Trade accounts receivable	06	**604,254**	432,347	**507,012**	389,279
Other assets	09	**97,728**	88,546	**91,644**	88,394
Derivative financial instruments	27	**160,051**	85,554	**160,051**	85,591
		1,265,512	1,002,484	**1,169,728**	961,900

27.8 Liquidity risk

a) The risk management policy implies maintaining a safe level of cash and cash equivalents and access to credit lines. The Company's investments have immediate liquidity, at amounts sufficient to cover the possible necessity to settle accounts with suppliers, loans or financing.

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

Estimate of existing debt contract payments, as at September 30, 2018, was as follows:

Presented amounts include estimated principal amounts and interest calculated using the US Dollar rate prevailing on September 30, 2018 (R$4.0039/US$ 1.0000) for debts denominated in US Dollars (PPE, ACC and FINIMP) and the prevailing contracts' interest rates.

Liquidity risk						Parent company/Consolidated
	Notes	Amount	Up to 1 year	1 – 2 years	2 – 5 years	Over 5 years
Assets						
Cash and cash equivalents	05	344,201	344,201	-	-	-
Interest-earning bank deposits	05	66,820	54,153	12,667	-	-
Trade accounts receivable	06	507,012	501,380	5,632	-	-
Other assets	09	91,644	7,582	84,062		
Derivative financial instruments	27	160,051	160,051	-	-	-
		1,169,728	1,067,367	102,361	-	-
Liabilities						
Loans and financing	16	(2,234,333)	(133,642)	(12,712)	(1,566,216)	(521,763)
Advances from customers	19	(154,031)	(154,031)	-	-	-
Customer credit	19	(7,693)	(7,693)	-	-	-
Derivative financial instruments	27	(37,189)	(37,189)	-	-	-
Suppliers	13	(1,002,278)	(1,002,278)	-	-	-
Forfait and credit card operations	14	(38,403)	(38,403)	-	-	-
		(3,473,927)	(1,373,236)	(12,712)	(1,566,216)	(521,763)
Net position		(2,304,199)	(305,869)	89,649	(1,566,216)	(521,763)

27.9 Book value/fair value

Management considers that the fair value is a tax incentive reserve to the book value for short-term transactions, once the book value for such transactions is a reasonable approximation of the fair value (CPC-40/item 29), except for loans and financing transactions, for which the fair values are determined and shown in the Note 27.4 chart giving the classification of financial instruments.

27.10 Capital management

The main purpose of the capital management of Paranapanema and its subsidiaries is to ensure strong credit ratings for institutions and an adequate capital ratio to support the Company's business and to 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	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Loans and financing	15	2,234,333	1,927,974	2,234,333	1,927,978
Derivatives financial instruments payable	27	16,233	157,303	16,268	157,266
Credit Card	19	-	-	-	-
(-) Cash and cash equivalents	05	(336,659)	(343,678)	(344,201)	(345,551)
(-) Interest-earning bank deposits	05	(66,820)	(52,359)	(66,820)	(53,085)
(-) Linked bank account	06	-	-	-	-
(-) Derivatives financial instruments receivable	27	(11,743)	(83,332)	(11,743)	(83,332)
(=) Net debt (cash)		**1,835,344**	**1,605,908**	**1,827,837**	**1,603,276**
Derivatives financial instruments payable	27	20,921	26,404	20,921	26,404
(-) Derivatives financial instruments receivable	27	(148,308)	(2,259)	(148,308)	(2,259)
(=) Net debt on embedded derivatives		**1,707,957**	**1,630,053**	**1,700,450**	**1,627,421**
Equity	20	557,955	888,522	557,954	888,522
Leverage ratio		76.69%	64.38%	76.61%	64.34%
Leverage ratio with embedded derivative		75.38%	64.72%	75.29%	64.68%

28. Assumed commitments

The Company has a contractual commitment with a supplier for the coming years regarding the outsourcing of the 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 follows:

	09/30/2018	12/31/2017
Up to one year	1,248	1,304
From two to four years	2,303	2,397
Over four years	1,491	2,326
	5,042	6,027

29. 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.

As at September 30, 2018, the amounts insured and coverage limits contracted within the respective insurance segments were as follows:

Type	Endangered Declared Value	Maximum Limit Indemnified
Operational Risks	R$ 1,348,203	R$ 200,000
General Liability	R$ 11,000	R$ 22,000
Liability (D&O)		R$ 65,000
Transport (National territory)	R$ 15,000,000	R$ 15,000,000
Export Credit Insurance	USD 70.000	USD 4.312
Transports (international territory)	USD 2,400,000	USD 2,400,000
Judicial and Financial Actions		Stipulated value for cause defended
Vehicles		100% of the vehicle's value (Based on FIPE table)
Group Life insurance		30 x base salary

30. Private pension

The private pension plans offered by the Company and its subsidiaries include 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 contributions for 120 months and reaching 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 the case of termination by the Company before becoming eligible, the beneficiary shall be entitled to withdraw up to 80% of the amount deposited by the Company, respecting a policy which provides for a rate of 1% per month of contributions.

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 value of the contributions made to the plans by the Company and subsidiaries in the period was R$1,599 (R$1,552 in the same period of 2017).

31. Variable remuneration plan

General terms and conditions

Beneficiaries: All of the Company's executives holding positions such as Director, Manager or Chief are eligible for the Variable Remuneration Program. Consisting of short (ICP) and long-term (ILP) incentives. The ICP and ILP are linked to pre-determined collective and individual goals.

Until 2016, the ILP was based on the Company's shares using the concept of "phantom shares", whereby, at the end of each period, the goals achieved in the period between January and December were converted into units (URVs) based on the performance, changes and value of Company's 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 the definition of ILP, revoking the calculation based on the performance of phantom shares. ILP is now calculated on salary multiples and based on collective goals established by the Board of Directors, and on previously agreed individual goals.

The 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 executives.

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

The contract provides the following eligibility conditions for variable remuneration:

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

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

II. In the 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 two installments, with annual payments, or 50% of salary multiples per year, being the first payment due for the year following the ILP acquisition. The amount to be granted will be based on the salary multiple as at December 31 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, with 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 the results in the last social year and forecast to the current social year: The Company completed in the first quarter of 2017 the second evaluation cycle referring to 2016, where phantom shares, which will be deferred in four years, 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 Extraordinary Shareholders' Meeting (AGE), upon approval of the 2016 quarterly information. The provisioned amount in the period was R$ 1,160 (R$ 146 in 2017).

32. Additional information regarding cash flow

a) Transactions on investment and financing activities not involving cash

	Year to date 2018	Year to date 2017
Investing activities		
Residual value of written-off fixed assets	5	658
Depreciation and amortization	108,850	94,461
Financial charges	(196)	31
Transfer to stock of spare parts	56,253	-
Fixed assets and intangible additions	164,912	95,150
Financing activities		
Loans and financing converted into debentures	-	(170,522)
ACC paid with exports	-	(8,969)
Rollover operations refinanced as CCB/Finimp	-	148,697
Forfait operations refinanced as PPE	-	207,847
Financial charges	458,157	48,470
	458,157	225,523

b) Reconciliation of the net debt

	09/30/2018	12/31/2017
Loans and financing	**2,234,333**	1,927,978
Forfaiting and letter of credit operations	**38,403**	41,819
Derivative financial instruments	**(122,862)**	98,079
Indebtedness	**2,149,874**	2,067,876
Cash and cash equivalents	**344,201**	345,551
Financial investments	**66,820**	53,085
Total cash	**411,021**	398,636
Net debt	**1,738,853**	1,669,240

	Loans and financing	Forfait and letter of credit operations	Derivative Financial Instruments	Indebtedness	Total Cash	Net Debt
Net debt at December 31, 2017	**1,927,978**	**41,819**	**98,079**	**2,067,876**	**398,636**	**1,669,240**
Transactions with cash impact	**(151,802)**	**(10,071)**	**(191,461)**	**(353,334)**	**12,385**	**(365,719)**
Transactions without cash impact	**458,157**	**6,655**	**(29,480)**	**435,332**	**-**	**435,332**
Financial charges and exchange rate variations	458,157	6,655	(29,480)	435,332	-	435,332
Net debt at September 30,2018	**2,234,333**	**38,403**	**(122,862)**	**2,149,874**	**411,021**	**1,738,853**

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. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2018, comprising the balance sheet as at that date and the statements of operations and comprehensive income (loss) for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, as well as 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

We draw attention to Note 18.2 to the interim accounting information, in which the Company states that it has various judicial claims arising from its operations totaling R$ 1,256,940 thousand (consolidated - R$ 1,257,269 thousand), for which risks of loss have been assessed as possible, based on the position of its legal counsel and, therefore, the Company has not set up a provision against these claims. The main lawsuit refers to a judicial decision determining whether the Company is liable to Social Contribution on Net Income (CSLL).

Additionally, as disclosed in Note 18.2, following a new arbitration decision on the contract executed with BTG Pactual S.A. and Banco Santander S.A, management, supported by its legal counsel, believes that there is no indication in this decision determining the calculation of possible amounts due between the parties.

In the event the Company's position on these claims does not prevail, the financial position and results of operations could be significantly affected. Our conclusion is not qualified in respect of these matters.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2018. These statements, which are the responsibility of the Company's management, are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information, and are considered supplementary information under IFRS, which do not require the presentation of the statements of value added. These statements have been subjected 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 are not prepared, in all material respects, in a manner consistent with the interim financial information taken as a whole.

Barueri, October 25, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Kieran John McManus
Contador CRC 1SP216241/O-4

PARANAPANEMA S.A.
EIN 60.398.369/0004-79 – NIRE 29.300.030.155
PUBLICLY-HELD COMPANY

Statement of the Executive Officers on the Financial Statements

In compliance with Article 25, paragraph 1, subsection VI, of CVM Instruction No. 480/2009, the Executive Board declares that it has reviewed, discussed and agreed to the Company's "Parent Company and Consolidated" financial statements, for the fiscal year ended September 30, 2018.

Dias d'Ávila, October 25, 2018.

CEO
Marcos Paletta Camara

Finance and Investor Relations Director
André Luis da Costa Gaia

Chief Legal Officer
Paulo Rodrigo Chung

PARANAPANEMA S.A.
EIN 60.398.369/0004-79 – NIRE 29.300.030.155

PUBLICLY-HELD COMPANY

Directors Statement on 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 October 25, 2018 by PRICEWATERHOUSECOOPERS, the Independent Auditors of the Company and its subsidiaries, regarding the "Parent Company and Consolidated" financial statements, related to the quarter ended September 30, 2018.

Dias D'Ávila, October 25, 2018.

CEO
Marcos Paletta Camara

Finance and Investor Relations Director
André Luis da Costa Gaia

Chief Legal Officer
Paulo Rodrigo Chung