PARANAPANEMA

[B]³ BRASIL BOLSA BALCÃO · Índice de Ações com Tag Along Diferenciado ITAG · Índice de Ações com Governança Corporativa Diferenciada IGC

O cobre transforma o mundo. **A Paranapanema transforma o cobre.**

PMAM NOVO MERCADO BM&FBOVESPA

PARANAPANEMA

Quarterly Financial Report
Individual and Consolidated

March 31, 2020

PARANAPANEMA

O cobre transforma o mundo. **A Paranapanema transforma o cobre.**

Company information/Capital composition

Quantity of shares (Units)	Current quarter 03/31/2020
Paid-in capital	
Common	43.403.849
Preferred	0
Total	43.403.849
Treasury shares	
Common	1,441
Preferred	0
Total	1,441

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

Code of account	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
1	Total assets	4,069,449	3,868,768
1.01	Total current assets	1,758,352	1,567,003
1.01.01	Cash and cash equivalents	109,153	102,266
1.01.02	Financial investments	2,334	6,631
1.01.03	Accounts receivable	301,492	215,758
1.01.04	Inventory	894,338	1,012,434
1.01.06	Taxes recoverable	154,089	155,242
1.01.07	Prepaid expenses	17,890	10,303
1.01.08	Other current assets	279,056	64,369
1.01.08.03	Others	279,056	64,369
1.01.08.03.01	Derivative financial instruments	226,232	16,670
1.01.08.03.02	Other current assets	52,824	47,699
1.02	Total non-current assets	2,311,097	2,301,765
1.02.01	Long term assets	994,265	955,829
1.02.01.01	Financial investments	13,407	13,312
1.02.01.07	Taxes	704,473	701,659
1.02.01.07.02	Taxes recoverable	704,473	701,659
1.02.01.08	Prepaid expenses	7,675	5,652
1.02.01.10	Other non-current assets	268,710	235,206
1.02.01.10.03	Assets held for sale	111,987	111,987
1.02.01.10.04	Legal deposits	31,613	27,498
1.02.01.10.05	Other non-current assets	125,110	95,721
1.02.02	Investments	28,325	27,041
1.02.02.01	Equity interest	25,812	24,623
1.02.02.01.02	Investments	25,812	24,623
1.02.02.02	Investment Property	2,513	2,418
1.02.02.02.01	Other investments	2,513	2,418
1.02.03	Property, plant and equipment	1,279,173	1,308,832
1.02.03.01	Fixed assets in operation	1,191,386	1,100,738
1.02.03.02	Prepaid expenses	19,856	23,190
1.02.03.03	Property, plant and equipment in progress	67,931	184,904
1.02.04	Intangible assets	9,334	10,063

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

Code of account	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
2	Total liabilities	4,069,449	3,868,768
2.01	Total current liabilities	3,717,719	1,354,621
2.01.01	Payroll and related charges	47,085	50,773
2.01.02	Suppliers	608,825	494,270
2.01.02.01	Domestic suppliers	145,775	137,444
2.01.02.02	Foreign suppliers	463,050	356,826
2.01.03	Taxes payable	15,547	12,319
2.01.03.01	Federal tax liabilities	9,036	6,385
2.01.03.01.02	Excise tax	2,367	1,778
2.01.03.01.03	Withholding income tax–IRRF	1,198	3,166
2.01.03.01.04	PIS and COFINS	4,825	891
2.01.03.01.05	Withholding social contribution tax	614	522
2.01.03.01.07	Others	32	28
2.01.03.02	State tax liabilities	3,324	5,095
2.01.03.02.01	Value-Added Tax on Sales and Services	3,324	5,095
2.01.03.03	Municipal tax liabilities	3,187	839
2.01.03.03.01	Service tax	3,187	839
2.01.04	Loans and financing	2,770,729	568,009
2.01.05	Other liabilities	275,533	229,250
2.01.05.02	Others	275,533	229,250
2.01.05.02.02	Dividends payable	152	172
2.01.05.02.04	Derivative financial instruments	65,817	49,381
2.01.05.02.05	Advances from clients	46,771	10,980
2.01.05.02.06	Other current liabilities	39,602	70,919
2.01.05.02.07	Forfaiting and letter of credit operations	111,538	85,641
2.01.05.02.08	Leasing	11,653	12,157
2.02	Total non-current liabilities	288,155	1,892,751
2.02.01	Loans and financing	32,982	1,642,876
2.02.02	Other liabilities	2,959	77
2.02.02.02	Other non - current liabilities	2,959	77
2.02.02.02.06	Suppliers	2,959	77
2.02.03	Deferred Taxes	44,814	45,508
2.02.03.01	Deferred income tax and social contribution	44,814	45,508
2.02.04	Provisions	207,400	204,290
2.02.04.01	Legal deposits	197,690	191,910
2.02.04.01.01	Tax Provision	504	1,453
2.02.04.01.02	Social security and labor provisions	188,480	182,427
2.02.04.01.04	Civil provisions	8,706	8,030
2.02.04.01.05	Others	0	0
2.02.04.02	Others provisions	9,710	12,380
2.02.04.02.04	Provision for negative net equity	252	195
2.02.04.02.05	Leasing	9,458	12,185
2.03	Shareholders' equity	63,575	621,396
2.03.01	Paid-in capital	2,089,978	2,089,978
2.03.01.01	Paid-in capital	2,069,566	2,069,566
2.03.01.02	Debentures convertible into shares	25,787	25,787
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
2.03.05	Retained earnings	-1,309,851	-742,151
2.03.06	Equity valuation adjustments	-715,811	-725,690

Comentado [A1]: Referente a ON: 3.99.01.01: A DF em português possui um saldo de -13,86445 enquanto que a em inglês -13,99840;
Referente a ON: 3.99.02.01: A DF em português possui um saldo de -13,57265 enquanto que a em inglês -13,70377;

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

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
3.01	Net sales	914,631	1,418,335
3.02	Cost of goods sold	-898,418	-1,354,689
3.03	Gross Profit	16,213	63,646
3.04	Operating expenses	-82,840	-90,082
3.04.01	Sales expenses	-5,804	-5,464
3.04.02	General and administrative expenses	-23,542	-20,374
3.04.02.01	General and administrative	-17,724	-19,050
3.04.02.02	Management fees	-1,719	-1,962
3.04.02.03	General and administrative	-4,099	638
3.04.04	Other income	12,788	12,623
3.04.05	Other expenses	-67,145	-78,850
3.04.06	Equity income (loss)	863	1,983
3.05	(Loss) operating profit before financial results	-66,627	-26,436
3.06	Financial income (loss)	-503,857	-26,550
3.06.01	Financial income	461,217	444,091
3.06.02	Financial expenses	-965,074	-470,641
3.07	(Loss) before income and social contribution taxes	-570,484	-52,986
3.08	Income and social contribution tax	694	14,045
3.08.02	Deferred income and social contribution taxes	694	14,045
3.09	Net income (loss) from continuing operations	-569,790	-38,941
3.11	Income (Loss) for the period	-569,790	-38,941
3.99	Earning per share - (Reais / Share)	-	-
3.99.01	Basic earnings per share	-	-
3.99.01.01	ON	-13.86445	-0.96061
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-13.57265	-0.88323

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

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
4.01	Income (Loss) for the period	-569,790	-38,941
4.02	Other comprehensive Income	11,969	9,665
4.02.01	Hedge cash flow – Export income ACC/PPE	0	-189
4.02.02	Hedge cash flow – NDF sales income	12,453	12,304
4.02.06	Earnings from Foreign exchange variations	271	180
4.02.07	Hedge cash flow - NDF (***) - Capex	0	0
4.02.08	Hedge cash flow – Cost metal – Future stock exchange	-755	-2,630
4.02.09	Swap Cash flow	0	0
4.03	Comprehensive income for the year	-557,821	-29,276

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Individual financial statements / Statements of cash flows - Indirect method
(In thousands of Reais)

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
6.01	Net cash provided by operating activities	60,929	21,971
6.01.01	Cash generated from operations	211,419	64,220
6.01.01.01	(Loss) before income and social contribution taxes	-570,484	-52,986
6.01.01.03	Depreciation and amortization	38,315	40,310
6.01.01.04	Equity in net income	-863	-1,983
6.01.01.05	Provision for losses on lawsuits	7,600	34,010
6.01.01.06	Amortization of right-to-use assets	3,335	3,361
6.01.01.07	Provision of other estimated losses	0	-6,104
6.01.01.08	Financial charges	733,012	46,540
6.01.01.09	Present value adjustment - receivables and suppliers	-778	1,695
6.01.01.12	Provision (reversal) for recoverable value of estimated losses	1,282	-623
6.01.02	Changes in assets and liabilities	-150,490	-42,249
6.01.02.02	Accounts receivable	-69,412	361,947
6.01.02.04	Inventory	118,355	-46,422
6.01.02.05	Taxes recoverable	-1,661	10,224
6.01.02.06	Prepaid expenses	-9,610	-4,376
6.01.02.07	Legal deposits	-4,115	7,255
6.01.02.08	Derivative financial instruments	-189,915	87,824
6.01.02.09	Assets held for sale	0	-120
6.01.02.10	Other current and non-current liabilities	-23,987	-9,855
6.01.02.11	Suppliers	-1,500	-323,171
6.01.02.12	Forfaiting and letter of credit operations	25,897	12,681
6.01.02.14	Taxes payable	3,228	14,421
6.01.02.15	Legal deposits	-5,583	-13,312
6.01.02.16	Payroll and related charges	-3,688	-7,027
6.01.02.18	Advances from clients	32,395	-168,007
6.01.02.19	Derivative financial instruments	10,423	48,629
6.01.02.20	Other current and non-current liabilities	-31,317	-12,940
6.02	Net cash used in investment activities	-6,942	2,914
6.02.04	Other investments	-95	-91
6.02.06	Variations in the capital of controlled companies	0	-2,947
6.02.07	Fixed assets and intangible additions	-11,049	-16,755
6.02.08	Financial investments made	4,202	-732,534
6.02.09	Redemption of financial investments	0	755,241
6.03	Net cash generated by (used in) financing activities	-47,100	-84,621
6.03.01	Loans and financing	67,096	23,264
6.03.02	Amortization of loans and financing	-101,235	-52,264
6.03.03	Dividends	-20	0
6.03.04	Interest payments on loans	-9,293	-51,873
6.03.05	Leasing	-3,648	-3,748
6.05	Reduction in cash and cash equivalents	6,887	-59,736
6.05.01	Cash and cash equivalents at the beginning of the year	102,266	201,571
6.05.02	Cash and cash equivalents at the end of the year	109,153	141,835

Individual financial statements / Statement of changes in equity – 01/01/2020 - 03/31/2020
(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	2,069,566	19,671	0	-742,151	-725,690	621,396
5.03	Adjusted opening balances	2,069,566	19,671	0	-742,151	-725,690	621,396
5.05	Total comprehensive income	0	0	0	-569,790	11,969	-557,821
5.05.01	Net income for the period	0	0	0	-569,790	0	-569,790
5.05.02	Other comprehensive income	0	0	0	0	11,969	11,969
5.05.02.01	Financial instruments - adjustments	0	0	0	0	11,698	11,698
5.05.02.06	Earnings and losses from foreign exchange variations-foreign investment	0	0	0	0	271	271
5.06	Internal changes in equity	0	0	0	2,090	-2,090	0
5.06.02	Realization of revaluation reserve	0	0	0	2,787	-2,787	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-697	697	0
5.07	Closing balances	2,069,566	19,671	0	-1,309,851	-715,811	63,575

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Individual financial statements / Statement of changes in equity – 01/01/2019 - 03/31/2019
(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	1,990,708	98,529	0	-725,250	-761,490	602,497
5.03	Adjusted opening balances	1,990,708	98,529	0	-725,250	-761,490	602,497
5.05	Total comprehensive income	0	0	0	-38,941	9,665	-29,276
5.05.01	Net income for the period	0	0	0	-38,941	0	-38,941
5.05.02	Other comprehensive income	0	0	0	0	9,665	9,665
5.05.02.01	Financial instruments - adjustments	0	0	0	0	9,485	9,485
5.05.02.06	Earnings and losses from foreign exchange variations-foreign investment	0	0	0	0	180	180
5.06	Internal changes in equity	0	0	0	1,883	-1,883	0
5.06.02	Realization of revaluation reserve	0	0	0	2,511	-2,511	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-628	628	0
5.07	Closing balances	1,990,708	98,529	0	-762,308	-753,708	573,221

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

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
7.01	Income	1,034,374	1,589,393
7.01.01	Sales of goods and services	1,024,864	1,576,236
7.01.02	Other income	10,792	12,534
7.01.04	Provision for doubtful accounts	-1,282	623
7.02	Inputs acquired from third parties	-1,000,189	-1,464,031
7.02.01	Cost of goods and services sold	-877,463	-1,295,790
7.02.02	Materials, energy, third party services and other	-122,726	-168,241
7.03	Gross added value	34,185	125,362
7.04	Retentions	-41,650	-43,671
7.04.01	Depreciation and amortization	-38,315	-43,671
7.04.02	Others	-3,335	0
7.05	Net added value	-7,465	81,691
7.06	Added value received through transfers	462,080	446,074
7.06.01	Equity equivalence result	863	1,983
7.06.02	Financial income	461,217	444,091
7.07	Total net added value payable	454,615	527,765
7.08	Net added value payable	454,615	527,765
7.08.01	Personnel and charges	55,029	54,789
7.08.02	Taxes, duties and contributions	2,293	38,349
7.08.03	Third-party capital remuneration	967,083	473,568
7.08.04	Remuneration of own capital	-569,790	-38,941
7.08.04.03	Income (Loss) for the period	-569,790	-38,941

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

Code of account	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
1	Total assets	4,071,094	3,870,086
1.01	Total current assets	1,773,437	1,580,500
1.01.01	Cash and cash equivalents	111,470	118,036
1.01.02	Financial investments	7,462	11,717
1.01.03	Accounts receivable	297,776	203,616
1.01.04	Inventory	902,562	1,014,982
1.01.06	Taxes recoverable	157,043	157,006
1.01.07	Prepaid expenses	17,794	10,473
1.01.08	Other current assets	279,330	64,670
1.01.08.03	Others	279,330	64,670
1.01.08.03.01	Derivative financial instruments	226,232	16,670
1.01.08.03.02	Other current assets	53,098	48,000
1.02	Total non-current assets	2,297,657	2,289,586
1.02.01	Long term assets	1,005,611	967,173
1.02.01.01	Financial investments	13,407	13,312
1.02.01.07	Taxes	715,818	713,002
1.02.01.07.01	Deferred income tax and social contribution	11,345	11,343
1.02.01.07.02	Taxes recoverable	704,473	701,659
1.02.01.08	Prepaid expenses	7,675	5,653
1.02.01.10	Other non-current assets	268,711	235,206
1.02.01.10.03	Assets held for sale	111,987	111,987
1.02.01.10.04	Legal deposits	31,613	27,498
1.02.01.10.05	Other non-current assets	125,111	95,721
1.02.02	Investments	2,513	2,418
1.02.02.02	Investment Property	2,513	2,418
1.02.02.02.01	Other investments	2,513	2,418
1.02.03	Property, plant and equipment	1,280,199	1,309,932
1.02.03.01	Fixed assets in operation	1,192,188	1,101,571
1.02.03.02	Prepaid expenses	20,080	23,457
1.02.03.03	Property, plant and equipment in progress	67,931	184,904
1.02.04	Intangible assets	9,334	10,063

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

Code of account	Account description	Current quarter 03/31/2020	Prior year 12/31/2019
2	Total liabilities	4,071,094	3,870,086
2.01	Total current liabilities	3,719,556	1,356,030
2.01.01	Payroll and related charges	47,207	50,881
2.01.02	Suppliers	609,511	495,498
2.01.02.01	Domestic suppliers	146,202	138,472
2.01.02.02	Foreign suppliers	463,309	357,026
2.01.03	Taxes payable	15,554	12,455
2.01.03.01	Federal tax liabilities	9,037	6,504
2.01.03.01.01	Income tax and social contribution	0	7
2.01.03.01.02	Excise tax	2,367	1,778
2.01.03.01.03	Withholding income tax–IRRF	1,199	3,169
2.01.03.01.04	PIS and COFINS	4,825	1,000
2.01.03.01.05	Withholding social contribution tax	614	522
2.01.03.01.07	Others	32	28
2.01.03.02	State tax liabilities	3,329	5,111
2.01.03.02.01	Value-Added Tax on Sales and Services	3,329	5,111
2.01.03.03	Municipal tax liabilities	3,188	840
2.01.03.03.01	Service tax	3,188	840
2.01.04	Loans and financing	2,770,729	568,009
2.01.05	Other liabilities	276,555	229,187
2.01.05.02	Others	276,555	229,187
2.01.05.02.02	Dividends payable	152	172
2.01.05.02.04	Derivative financial instruments	65,817	49,381
2.01.05.02.05	Advances from clients	47,111	11,097
2.01.05.02.06	Other current liabilities	40,104	70,561
2.01.05.02.07	Forfaiting and letter of credit operations	111,538	85,641
2.01.05.02.08	Leasing	11,833	12,335
2.02	Total non-current liabilities	287,963	1,892,660
2.02.01	Loans and financing	32,982	1,642,876
2.02.02	Other liabilities	2,959	77
2.02.02.02	Other non-current liabilities	2,959	77
2.02.02.02.06	Suppliers	2,959	77
2.02.03	Deferred Taxes	44,814	45,508
2.02.03.01	Deferred income tax and social contribution	44,814	45,508
2.02.04	Provisions	207,208	204,199
2.02.04.01	Legal deposits	197,690	191,910
2.02.04.01.01	Tax Provision	504	1,453
2.02.04.01.02	Social security and labor provisions	188,480	182,427
2.02.04.01.04	Civil provisions	8,706	8,030
2.02.04.02	Others provisions	9,518	12,289
2.02.04.02.05	Leasing	9,518	12,289
2.03	Shareholders' equity	63,575	621,396
2.03.01	Paid-in capital	2,089,978	2,089,978
2.03.01.01	Paid-in capital	2,069,566	2,069,566
2.03.01.02	Debentures convertible into shares	25,787	25,787
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
2.03.05	Retained earnings	-1,309,851	-742,151
2.03.06	Equity valuation adjustments	-715,811	-725,690

Comentado [A2]: Referente ao ON - 3.99.01.01: A DF em português possui um saldo de -13,86445 enquanto que a em inglês -13,99840;

Referente ao ON - 3.99.02.01: A DF em português possui um saldo de -13,57265 enquanto que a em inglês -13,70377;

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

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
3.01	Net sales	909,750	1,336,389
3.02	Cost of goods sold	-892,068	-1,267,002
3.03	Gross Profit	17,682	69,387
3.04	Operating expenses	-83,644	-92,966
3.04.01	Sales expenses	-6,199	-5,978
3.04.02	General and administrative expenses	-23,845	-20,769
3.04.02.01	General and administrative	-18,013	-19,424
3.04.02.02	Management fees	-1,719	-1,962
3.04.02.03	General and administrative	-4,113	617
3.04.04	Other income	13,659	12,645
3.04.05	Other expenses	-67,259	-78,864
3.05	(Loss) operating profit before financial results	-65,962	-23,579
3.06	Financial income (loss)	-504,523	-28,392
3.06.01	Financial income	462,266	303,497
3.06.02	Financial expenses	-966,789	-331,889
3.07	(Loss) before income and social contribution taxes	-570,485	-51,971
3.08	Income and social contribution tax	695	13,030
3.08.01	Income and social contribution tax for the current year	0	-432
3.08.02	Deferred income and social contribution taxes	695	13,462
3.09	Net income (loss) from continuing operations	-569,790	-38,941
3.11	Income (Loss) for the period	-569,790	-38,941
3.11.01	Atributed to Parent Company Share Holders	-569,790	-38,941
3.99	Earning per share - (Reais / Share)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-13.86445	-0.96061
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-13.57265	-0.88323

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

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
4.01	Income (Loss) for the period	-569,790	-38,941
4.02	Other comprehensive Income	11,969	9,665
4.02.01	Hedge cash flow – Export income ACC/PPE	0	-189
4.02.02	Hedge cash flow – NDF sales income	12,453	12,304
4.02.08	Hedge cash flow – Cost metal – Future stock exchange	-755	-2,630
4.02.06	Earnings from Foreign exchange variations	271	180
4.03	Comprehensive income for the year	-557,821	-29,276
4.03.01	Atributed to Parent Company Share Holders	-557,821	-29,276

Consolidated financial statements / Statements of cash flows - Indirect method
(In thousands of Reais)

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
6.01	Net cash provided by operating activities	47,791	5,698
6.01.01	Cash generated from operations	213,141	66,453
6.01.01.01	(Loss) before income and social contribution taxes	-570,485	-51,971
6.01.01.03	Depreciation and amortization	38,346	40,340
6.01.01.05	Provision for losses on lawsuits	7,600	34,010
6.01.01.06	Amortization of right-to-use assets	3,378	3,403
6.01.01.07	Provision of other estimated losses	0	-6,104
6.01.01.08	Financial charges	733,281	46,721
6.01.01.09	Present value adjustment - receivables and suppliers	-249	669
6.01.01.12	Provision (reversal) for recoverable value of estimated losses	1,270	-615
6.01.02	Changes in assets and liabilities	-165,350	-60,741
6.01.02.02	Accounts receivable	-78,125	297,377
6.01.02.04	Inventory	112,679	-31,027
6.01.02.05	Taxes recoverable	-2,859	15,303
6.01.02.06	Prepaid expenses	-9,343	-4,260
6.01.02.07	Legal deposits	-4,115	-664
6.01.02.08	Derivative financial instruments	-189,915	87,824
6.01.02.09	Assets held for sale	0	-120
6.01.02.10	Other current and non-current liabilities	-23,961	-13,015
6.01.02.11	Suppliers	-2,041	-294,717
6.01.02.12	Forfaiting and letter of credit operations	25,897	12,681
6.01.02.14	Taxes payable	3,106	14,404
6.01.02.15	Legal deposits	-5,583	-5,392
6.01.02.16	Payroll and related charges	-3,674	-7,051
6.01.02.18	Advances from clients	32,618	-167,394
6.01.02.19	Derivative financial instruments	10,423	48,629
6.01.02.20	Other current and non-current liabilities	-30,457	-13,319
6.01.03	Other	0	-14
6.01.03.01	Income and social contribution taxes paid	0	-14
6.02	Net cash used in investment activities	-6,984	5,851
6.02.04	Other investments	-95	-91
6.02.07	Fixed assets and intangible additions	-11,049	-16,754
6.02.08	Financial investments made	4,160	-732,545
6.02.09	Redemption of financial investments	0	755,241
6.03	Net cash generated by (used in) financing activities	-47,373	-84,669
6.03.01	Loans and financing	67,096	23,264
6.03.02	Amortization of loans and financing	-101,235	-52,264
6.03.04	Interest payments on loans	-9,293	-51,873
6.03.03	Dividends	-20	0
6.03.05	Leasing	-3,921	-3,796
6.05	Reduction in cash and cash equivalents	-6,566	-73,120
6.05.01	Cash and cash equivalents at the beginning of the year	118,036	216,668
6.05.02	Cash and cash equivalents at the end of the year	111,470	143,548

Consolidated financial statements / Statement of changes in equity – 01/01/2020 - 03/31/2020
(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	2,069,566	19,671	0	-742,151	-725,690	621,396	621,396
5.03	Adjusted opening balances	2,069,566	19,671	0	-742,151	-725,690	621,396	621,396
5.05	Total comprehensive income	0	0	0	-569,790	11,969	-557,821	-557,821
5.05.01	Net income for the period	0	0	0	-569,790	0	-569,790	-569,790
5.05.02	Other comprehensive income	0	0	0	0	11,969	11,969	11,969
5.05.02.01	Financial instruments - adjustments	0	0	0	0	11,698	11,698	11,698
5.05.02.06	Earnings and losses from foreign exchange variations-foreign investment	0	0	0	0	271	271	271
5.06	Internal changes in equity	0	0	0	2,090	-2,090	0	0
5.06.02	Realization of revaluation reserve	0	0	0	2,787	-2,787	0	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-697	697	0	0
5.07	Closing balances	2,069,566	19,671	0	-1,309,851	-715,811	63,575	63,575

Consolidated financial statements / Statement of changes in equity – 01/01/2019 - 03/31/2019
(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	1,990,708	98,529	0	-725,250	-761,490	602,497	602,497
5.03	Adjusted opening balances	1,990,708	98,529	0	-725,250	-761,490	602,497	602,497
5.05	Total comprehensive income	0	0	0	-38,941	9,665	-29,276	-29,276
5.05.01	Net income for the period	0	0	0	-38,941	0	-38,941	-38,941
5.05.02	Other comprehensive income	0	0	0	0	9,665	9,665	9,665
5.05.02.01	Financial instruments - adjustments	0	0	0	0	9,485	9,485	9,485
5.05.02.06	Earnings and losses from foreign exchange variations-foreign investment	0	0	0	0	180	180	180
5.06	Internal changes in equity	0	0	0	1,883	-1,883	0	0
5.06.02	Realization of revaluation reserve	0	0	0	2,511	-2,511	0	0
5.06.03	Taxes on the realization of the revaluation reserve	0	0	0	-628	628	0	0
5.07	Closing balances	1,990,708	98,529	0	-762,308	-753,708	573,221	573,221

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

Code of account	Account description	1 st Quarter 2020	1 st Quarter 2019
7.01	Income	1,030,393	1,486,673
7.01.01	Sales of goods and services	1,020,001	1,473,502
7.01.02	Other income	11,662	12,556
7.01.04	Provision for doubtful accounts	-1,270	615
7.02	Inputs acquired from third parties	-994,924	-1,380,185
7.02.01	Cost of goods and services sold	-872,634	-1,207,511
7.02.02	Materials, energy, third party services and other	-122,290	-172,674
7.03	Gross added value	35,469	106,488
7.04	Retentions	-41,724	-43,743
7.04.01	Depreciation and amortization	-38,346	-43,743
7.04.02	Others	-3,378	0
7.05	Net added value	-6,255	62,745
7.06	Added value received through transfers	462,266	303,497
7.06.02	Financial income	462,266	303,497
7.07	Total net added value payable	456,011	366,242
7.08	Net added value payable	456,011	366,242
7.08.01	Personnel and charges	55,351	55,259
7.08.02	Taxes, duties and contributions	1,505	14,929
7.08.03	Third-party capital remuneration	968,945	334,995
7.08.04	Remuneration of own capital	-569,790	-38,941
7.08.04.03	Income (Loss) for the period	-569,790	-38,941

MESSAGE FROM THE BOARD

In the first quarter of 2020, the Company's main focus continued to be the operating cash generation by reducing its operating cycles, reducing costs and readjusting its business volumes.

Net revenue generated in 1Q20 totaled R$910 million, lower than the amount of R$1,336 million generated in 1Q19, due to the adequacy of the Company's business volume to greater cash generation and obtainment of better operating margins.

The Company's net loss reached R$569.8 million, impacted by the non-monetary effect of the exchange rate variation on the Company's foreign currency debt.

Regarding the new coronavirus (COVID-19), management highlights that it is continuing to take all the measures recommended by the health authorities to face the pandemic, under the coordination of Paranapanema's medical team. With the support of a committee specially designated to address these issues, we are monitoring the evolution of COVID-19 and assessing the need for new measures daily. Among the actions already implemented, we highlight the following: (i) daily health reports for its employees with preventive measures on COVID-19; (ii) preventive measures for entering and staying at its facilities, such as daily temperature measurements and screening in an isolated location within the medical services area; (iii) minimum distance; (iv) home office regime for its employees in the administrative areas; and (v) temporary leave of absence for employees over 60 years of age, among other measures.

Due to this scenario brought about by COVID-19, the operations of the industrial plants in Santo André/SP and Serra/ES (Eluma products) were temporarily reduced as of the end of March and a significant number of the employees allocated in such units had their employment contracts suspended, in line with Provisional Measure No. 936/20 of the Federal Government. Despite the temporary reduction in these plants, the production of hospital tubes continued, and they were used to equip 20,000 hospital beds across Brazil.

Nevertheless, the Dias D'ávila/BA plant (Caraíba products), responsible for the production of primary copper (Caraíba brand products), and historically accounting for around 85% of the Company's revenue, continues to operate regularly, in line with the current Company's focus on manufacturing and exporting its copper cathode (commodity) production, considering that this product has a expressive ongoing demand in the foreign market, especially from Asian markets. This measure also greatly helps in reducing the cash conversion cycle when compared to the cycle of other Company's products. This strategy considerably mitigates the fall in revenues due to the lower temporary activity at the Santo André/SP and Serra/ES plants (Eluma products).

The Company is working to equalize its financial debt profile. Since the first quarter of 2020, the Company has been negotiating with its main financial creditors (essentially the same ones that participated in the renegotiation process in 2017) to extend its debt profile in order to adapt to its future cash generation and investment needs. In May, the Company signed a standstill agreement with the creditors, temporarily suspending the principal and interest payment obligations. This is an important step in the negotiation process with creditors to readjust the Company's capital structure, liquidity and debt profile.

ECONOMIC PERFORMANCE

Net Revenue

In R$ thd, except otherwise stated	*1Q19*	*1Q20*	*Δ %*
Primary Copper	**279,936**	**46,281**	**-83%**
% of Revenue	20.9%	5.1%	-15.9 p.p.
Copper Products	**830,908**	**714,343**	**-14%**
% of Revenue	62.2%	78.5%	16.3 p.p.
Rods, Wires and Others	**657,696**	**545,503**	**-17%**
Bars/Profiles/Rolled/Tubes/Fittings	**173,212**	**168,840**	**-3%**
Byproducts	**225,545**	**149,125**	**-34%**
% of Revenue	16.9%	16.4%	-0.5 p.p.
Total Net Revenue	**1,336,389**	**909,749**	**-32%**
Domestic Market [%]	43.1%	48.7%	5.6 p.p.
Export Market [%]	56.0%	50.1%	-5.9 p.p.
Toll [%]	0.9%	1.2%	0.3 p.p.

Total net revenue in 1Q20 decreased 32% over 1Q19, due to the effects of readjusted volumes and reduced OEE.

The Company's net revenue was negatively impacted by other comprehensive income (OCI), which corresponds to the non-monetary effect of the deferred 2015 exchange-rate change due to adjustments in hedge accounting; this negatively impacted the Company's revenue by R$12.4 million both in 1Q20 and 1Q19.

Gross Income

In R$ thd, except otherwise stated	*1Q19*	*1Q20*	*Δ %*
Net Revenue	**1,336,389**	**909,749**	**-32%**
Total COGS	**(1,267,002)**	**(892,068)**	**-30%**
(-) Metal Cost	(1,122,902)	(777,747)	**-31%**
(-) Transformation Cost	(144,100)	(114,321)	**-21%**
COGS Total/tonnes sold	26.5	31.7	**20%**
Metal Cost/tonnes sold	23.5	27.7	**18%**
Transformation Cost/tonnes sold	3.0	4.1	**35%**
Gross Profit	**69,387**	**17,681**	**-75%**
% of Revenue	5.2%	1.9%	-3.2 p.p.
Lucro Bruto - Ajustado(LME e Dolar nos estoques e OCI	**81,691**	**95,159**	**16%**
% of Revenue	6.1%	10.5%	4.3 p.p.
TC/RC (reduces metal cost)	62,696	68,870	10%
Premiums	213,487	132,002	-38%
Premium/Net Revenue [%]	16.0%	14.5%	-1.5 p.p.
Premium/tonnes sold	4.46	4.69	5%

The Company presented gross income of R$17.7 million in 1Q20, impacted by the non-monetary effect of inventory adjustments of R$65 million and by OCI of R$12 million. The gross income adjusted for such effects totaled R$95 million and a gross margin of 10%.

Costs of Transformation

In R$ thd, except otherwise stated	1Q19	1Q20	Δ $
Transformation Cost	**(144,100)**	**(114,321)**	**29,779**
Fixed Costs	(97,801)	(78,324)	19,477
Variable Costs	(46,299)	(35,997)	10,302

In line with its cost optimization strategy initiated in 4Q19, the company reduced its fixed costs of transformation by 20%, saving R$ 19.4 million in relation to 1Q19.

Operating Expenses

In R$ thd, except otherwise stated	1Q19	1Q20	Δ %
Total Operating Expenses	**(92,966)**	**(83,644)**	-10%
Sales Expenses	(5,978)	(6,199)	**4%**
G&A Expenses and Management Compensation	(21,386)	(19,732)	**-8%**
Other Operating, net	(65,602)	(57,713)	**-12%**
Total Expenses/Net Revenue [%]	7.0%	9.2%	2.2 p.p.
Recurring Expenses/Gross Profit [%]	26.1%	183.4%	157.3 p.p.
Recurring Expenses/tonnes sold	0.38	1.15	205%
Main items - Other Operating, Net:			
Provisions for labor and tax contingencies	(32,756)	(7,600)	77%
Other provisions	(530)	(270)	49%
Idle capacity	(41,582)	(43,349)	-4%

Operating expenses fell 10% in 1Q20 due to the actions to reduce general and administrative expenses started in 4Q19, as well as other operational actions.

EBITDA

	1Q19	1Q20	Δ %
Net Income	**(38,941)**	**(569,790)**	-1363%
(+) Taxes	(13,030)	(695)	95%
(+) Net Financial Result	28,392	504,523	1677%
EBIT	**(23,579)**	**(65,962)**	**-180%**
EBITDA	**20,164**	**(24,238)**	**-220%**
% of Revenue	1.5%	-2.7%	-4.2 p.p.
ADJUSTED EBITDA	**65,657**	**65,930**	**0%**
% of Revenue	4.9%	7.2%	2.3 p.p.

Adjusted EBITDA, excluding the effects of LME and the Dollar on inventory, OCI and contingencies, closed at R$ 65.9 million, accounting for 7.2% on revenue, against 4.9% in the same period in 2019.

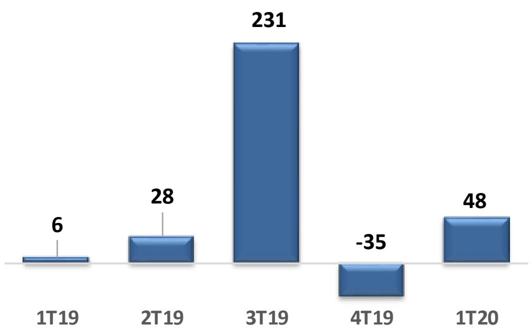
Net Income

In 1Q20, the Company had a Loss of R$570 million including non-monetary impacts of the exchange rate variation on long-term debts, totaling a financial expense of R$574 million.

Operating Cash Generation

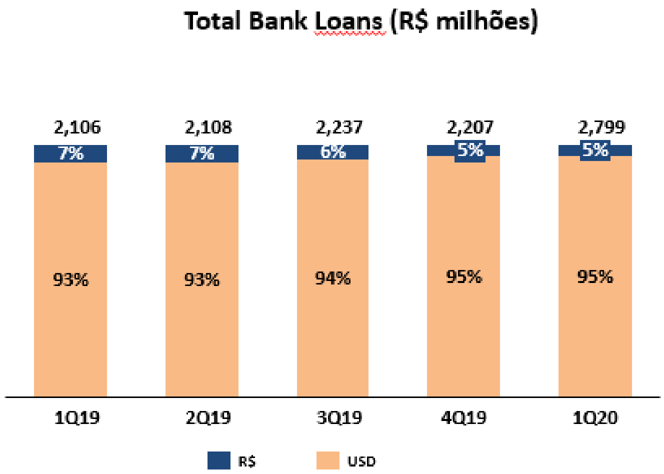
Operating cash generation was positive by R$47.8 million in 1Q20 (Attachment III).

Operating Cash Generation (R$ million)



Indebtedness

In R$ thd, except otherwise stated	1Q19	2Q19	3Q19	4Q19	1Q20
Loans and Financing Short Term	258,561	329,370	499,898	563,650	2,766,370
Loans and Financing Long Term	1,847,287	1,779,276	1,737,374	1,642,876	32,982
Total Bank Loans	**2,105,848**	**2,108,646**	**2,237,272**	**2,206,526**	**2,799,352**
Transaction Costs - reprofiling	23,972	22,883	21,793	20,704	19,614
Total Loans	**2,129,820**	**2,131,529**	**2,259,065**	**2,227,230**	**2,818,966**
Forfaiting and letter of credit operations	79,775	112,904	131,701	85,641	111,538
Derivatives financial instruments	75,678	30,900	25,207	49,381	65,817
Derivatives	(50,661)	(64,052)	(82,471)	(16,670)	(226,232)
Gross Debt	**2,234,612**	**2,211,281**	**2,333,502**	**2,345,582**	**2,770,089**
Cash and Cash Equivalents	143,548	147,993	254,480	118,036	111,470
Financial Investments	22,860	20,310	25,612	25,029	20,869
Net Debt	**2,068,204**	**2,042,978**	**2,053,410**	**2,202,517**	**2,637,750**
Short Term (%)	**12%**	**16%**	**22%**	**26%**	**99%**
Long Term (%)	**88%**	**84%**	**78%**	**74%**	**1%**
LTM EBITDA*	159,520	325,687	393,931	288,543	244,141
Net Debt /LTM EBITDA	12.84x	6.22x	5.17x	7.58x	10.74x



Despite the fact that a payment suspension agreement for debts maturing in 2020 is under negotiation with the creditors, the Company, in compliance with CPC 26 – Presentation of Financial Statements, is reclassifying debts under renegotiation from non-current liabilities to current liabilities, in the amount of R$ 1,853,116, due to non-compliance with the contractual clause regarding the payment term.

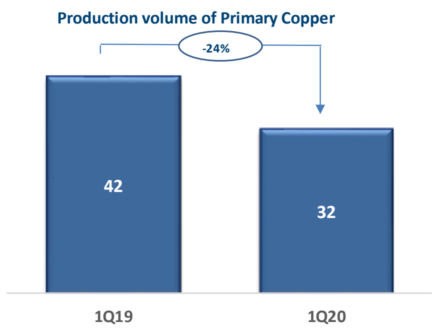
On May 6, 2020, Paranapanema formalized, together with its main creditors (essentially the same ones who participated in the restructuring process in 2017), a new standstill agreement for a period of 30 days, under which the creditors undertake not to take measures related to the collection of their credits, including refraining from accelerating the maturity of principal or interest, execute guarantees, or make voluntary notes in the records of credit reporting agencies, as a result of financial instruments and/or bank debts listed in the standstill agreement.

OPERATING PERFORMANCE

Total Production Volume

Production volumes in 1Q20 in relation to 1Q19 were impacted by the reduction in OEE, which closed the quarter at 53%, against 59% in 1Q19, and by the readjustment of volumes aiming to preserve cash for the quarter.

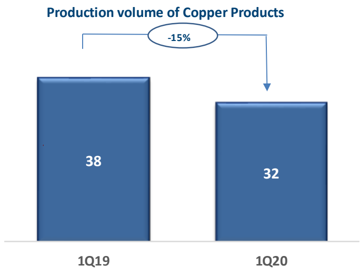
Production of Primary Copper (Cathode)



In the 1Q20, we had a 24% decrease in primary copper production compared to the 1Q19.

Copper Products*

We recorded a 16% decrease in the production of copper products in 1Q20 compared to 1Q19, a reduction lower than that of primary copper, due to the strategy of focusing on products with higher added value.



Byproducts

In 1Q20, the production volume reached 142 thousand tons, a reduction of 5% in relation to 1Q19, of 150 thousand tons.

**Copper products: rods, wires, bars, profiles, wires, laminates, pipes and connections.*

Balance Sheet
March 31, 2020 and December 31, 2019
(in thousands of Reais)

		Parent company		Consolidated	
ASSETS	**Notes**	**03/31/2020**	**12/31/2019**	**03/31/2020**	**12/31/2019**
Cash and cash equivalents	05	**109,153**	102,266	**111,470**	118,036
Financial investments	05	**2,334**	6,631	**7,462**	11,717
Accounts receivable	06	**301,492**	215,758	**297,776**	203,616
Inventory	07	**894,338**	1,012,434	**902,562**	1,014,982
Taxes recoverable	08	**154,089**	155,242	**157,043**	157,006
Other current assets	09	**52,824**	47,699	**53,098**	48,000
Derivative financial instruments	28	**226,232**	16,670	**226,232**	16,670
Prepaid expenses		**17,890**	10,303	**17,794**	10,473
Total current assets		**1,758,352**	1,567,003	**1,773,437**	1,580,500
Financial investments	05	**13,407**	13,312	**13,407**	13,312
Taxes recoverable	08	**704,473**	701,659	**704,473**	701,659
Assets held for sale	10	**111,987**	111,987	**111,987**	111,987
Deferred income tax and social contribution	26	-	-	**11,345**	11,343
Legal deposits	09.2	**31,613**	27,498	**31,613**	27,498
Other non-current assets	09.1	**125,110**	95,721	**125,111**	95,721
Prepaid expenses		**7,675**	5,652	**7,675**	5,653
		994,265	955,829	**1,005,611**	967,173
Prepaid expenses	15	**19,856**	23,190	**20,080**	23,457
Investments	11	**25,812**	24,623	-	-
Other investments		**2,513**	2,418	**2,513**	2,418
Property, plant and equipment	12	**1,259,317**	1,285,642	**1,260,119**	1,286,475
Intangible assets	12	**9,334**	10,063	**9,334**	10,063
		1,316,832	1,345,936	**1,292,046**	1,322,413
Total non-current assets		**2,311,097**	2,301,765	**2,297,657**	2,289,586
Total assets		**4,069,449**	3,868,768	**4,071,094**	3,870,086

See the accompanying notes to the quarterly information.

Balance Sheet
March 31, 2020 and December 31, 2019
(in thousands of Reais)

		Parent company		Consolidated	
LIABILITIES	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Suppliers	13	**608,825**	494,270	**609,511**	495,498
Forfaiting and letter of credit operations	14	**111,538**	85,641	**111,538**	85,641
Leasing	15	**11,653**	12,157	**11,833**	12,335
Loans and financing	16	**2,770,729**	568,009	**2,770,729**	568,009
Derivative financial instruments	28	**65,817**	49,381	**65,817**	49,381
Payroll and related charges	17	**47,085**	50,773	**47,207**	50,881
Taxes payable	18	**15,547**	12,319	**15,554**	12,455
Dividends payable	20	**152**	172	**152**	172
Advances from clients	20	**46,771**	10,980	**47,111**	11,097
Other current liabilities	20	**39,602**	70,919	**40,104**	70,561
Total current liabilities		**3,717,719**	1,354,621	**3,719,556**	1,356,030
Suppliers	13	**2,959**	77	**2,959**	77
Leasing	15	**9,458**	12,185	**9,518**	12,289
Loans and financing	16	**32,982**	1,642,876	**32,982**	1,642,876
Legal deposits	19	**197,690**	191,910	**197,690**	191,910
Deferred income tax and social contribution	26.2	**44,814**	45,508	**44,814**	45,508
Provision for negative net equity	11	**252**	195	-	-
Total non-current liabilities		**288,155**	1,892,751	**287,963**	1,892,660
Total liabilities		**4,005,874**	3,247,372	**4,007,519**	3,248,690
Paid-in capital	21.a	**2,069,566**	2,069,566	**2,069,566**	2,069,566
Debentures convertible into shares	21.b	**25,787**	25,787	**25,787**	25,787
Capitalization costs		**(5,375)**	(5,375)	**(5,375)**	(5,375)
Equity valuation adjustments	21.h	**(715,811)**	(725,690)	**(715,811)**	(725,690)
Treasury shares		**(741)**	(741)	**(741)**	(741)
Retained earnings		**(1,309,851)**	(742,151)	**(1,309,851)**	(742,151)
Shareholders' equity	21	**63,575**	621,396	**63,575**	621,396
Total shareholders' equity		**63,575**	621,396	**63,575**	621,396
Total liabilities and equity		**4,069,449**	3,868,768	**4,071,094**	3,870,086
Net equity per share – in Brazilian Reais (R$)		**1.46**	14.32		

See the accompanying notes to the quarterly information.

Statements of operations

Three-month period ended March 31

(In thousands of Reais, except earnings per share)

		Parent company		Consolidated	
	Notes	1 st Quarter 2020	1 st Quarter 2019	1 st Quarter 2020	1 st Quarter 2019
Net sales	22	**914,631**	1,418,335	**909,750**	1,336,389
Cost of goods sold	23	**(898,418)**	(1,354,689)	**(892,068)**	(1,267,002)
Gross Profit		**16,213**	63,646	**17,682**	69,387
Commercial	23	**(5,804)**	(5,464)	**(6,199)**	(5,978)
General and administrative	23	**(17,724)**	(19,050)	**(18,013)**	(19,424)
Management fees	11.4	**(1,719)**	(1,962)	**(1,719)**	(1,962)
Equity	11.1	**863**	1,983	-	-
General and administrative		**(4,099)**	638	**(4,113)**	617
Other expenses	24	**(67,145)**	(78,850)	**(67,259)**	(78,864)
Other income	24	**12,788**	12,623	**13,659**	12,645
Operating expenses		**(82,840)**	(90,082)	**(83,644)**	(92,966)
(Loss) operating profit before financial results		**(66,627)**	(26,436)	**(65,962)**	(23,579)
Financial expenses	25	**(965,074)**	(470,641)	**(966,789)**	(331,889)
Financial income	25	**461,217**	444,091	**462,266**	303,497
(Loss) before income and social contribution taxes		**(570,484)**	(52,986)	**(570,485)**	(51,971)
Income and social contribution tax for the current year	26.2	-	-	-	(432)
Deferred income and social contribution taxes	26.2	**694**	14,045	**695**	13,462
Income and social contribution tax		**694**	14,045	**695**	13,030
Income (Loss) for the period		**(569,790)**	(38,941)	**(569,790)**	(38,941)
Earning (Loss) per common share		**(13.99840)**	(0.96061)	**(13.99840)**	(0.96061)
Earning (Loss) per diluted common share		**(13.70377)**	(0.88323)	**(13.70377)**	(0.88323)

See the accompanying notes to the quarterly information.

Statements of comprehensive income (loss)
Three-month period ended March 31
(in thousands of Reais)

	Parent company/Consolidated	
	1 st Quarter 2020	1 st Quarter 2019
Income (Loss) for the period	**(569,790)**	(38,941)
Other income components, net of tax effects		
Items to be subsequently reclassified to the result		
	11,969	9,665
Hedge cash flow – Export income ACC/PPE	-	(189)
Hedge cash flow – NDF sales income	**12,453**	12,304
Hedge cash flow – Cost metal – Future stock exchange	**(755)**	(2,630)
Earnings from Foreign exchange variations	**271**	180
Comprehensive income for the year	**(557,821)**	(29,276)
Allocated to:		
Controlling shareholders	**(557,821)**	(29,276)

See the accompanying notes to the quarterly information.

Statements of changes in equity

Three-month period ended March 31
(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, 2018		1,990,708	104,645	(5,375)	(741)	(725,250)	(761,490)	602,497
Financial instruments, net of taxes	21.h	-	-	-	-	-	9,485	9,485
Earnings and losses from foreign exchange variations-foreign investment	21.h	-	-	-	-	-	180	180
Equity evaluation adjustment	21.h	-	-	-	-	2,511	(2,511)	-
Tax on realization of equity evaluation adjustment	21.h	-	-	-	-	(628)	628	-
Other comprehensive income		-	-	-	-	1,883	7,782	9,665
Loss for the period		-	-	-	-	(38,941)	-	(38,941)
Balance as at March 31,2019		1,990,708	104,645	(5,375)	(741)	(762,308)	(753,708)	573,221
Balance as at December 31, 2019		2,069,566	25,787	(5,375)	(741)	(742,151)	(725,690)	621,396
Financial instruments, net of taxes	21.h	-	-	-	-	-	11,698	11,698
Earnings and losses from foreign exchange variations-foreign investment	21.h	-	-	-	-	-	271	271
Equity evaluation adjustment	21.h	-	-	-	-	2,787	(2,787)	-
Tax on realization of equity evaluation adjustment	21.h	-	-	-	-	(697)	697	-
Other comprehensive income		-	-	-	-	2,090	9,879	11,969
Loss for the period		-	-	-	-	(569,790)	-	(569,790)
Balance as at March 31,2020		2,069,566	25,787	(5,375)	(741)	(1,309,851)	(715,811)	63,575

See the accompanying notes to the quarterly information.

Statements of cash flows – Indirect method

Three-month period ended March 31

(in thousands of Reais)

	Parent company		Consolidated	
	1 st Quarter 2020	1 st Quarter 2019	1 st Quarter 2020	1 st Quarter 2019
(Loss) before income and social contribution taxes	(570,484)	(52,986)	(570,485)	(51,971)
Adjustments to reconcile net (loss) with resources provided by operating activities				
Depreciation and amortization	38,315	40,310	38,346	40,340
Amortization of right-to-use assets	3,335	3,361	3,378	3,403
Equity in net income	(863)	(1,983)	-	-
Provision (reversal) for recoverable value of estimated losses	1,282	(623)	1,270	(615)
Provision of other estimated losses	-	(6,104)	-	(6,104)
Provision for losses on lawsuits	7,600	34,010	7,600	34,010
Present value adjustment - receivables and suppliers	(778)	1,695	(249)	669
Financial charges	733,012	46,540	733,281	46,721
	211,419	64,220	213,141	66,453
(Increase) decrease in assets				
Accounts receivable	(69,412)	361,947	(78,125)	297,377
Inventory	118,355	(46,422)	112,679	(31,027)
Taxes recoverable	(1,661)	10,224	(2,859)	15,303
Prepaid expenses	(9,610)	(4,376)	(9,343)	(4,260)
Legal deposits	(4,115)	7,255	(4,115)	(664)
Derivative financial instruments	(189,915)	87,824	(189,915)	87,824
Assets held for sale	-	(120)	-	(120)
Other current and non-current liabilities	(23,987)	(9,855)	(23,961)	(13,015)
Increase (decrease) in liabilities				
Suppliers	(1,500)	(323,171)	(2,041)	(294,717)
Forfaiting and letter of credit operations	25,897	12,681	25,897	12,681
Taxes payable	3,228	14,421	3,106	14,404
Legal deposits	(5,583)	(13,312)	(5,583)	(5,392)
Payroll and related charges	(3,688)	(7,027)	(3,674)	(7,051)
Derivative financial instruments	10,423	48,629	10,423	48,629
Advances from clients	32,395	(168,007)	32,618	(167,394)
Other current and non-current liabilities	(31,317)	(12,940)	(30,457)	(13,319)
Cash flow generated from operations	60,929	21,971	47,791	5,712
Income and social contribution taxes paid	-	-	-	(14)
Net cash provided by operating activities	60,929	21,971	47,791	5,698
Investing activities				
Financial investments made	4,202	(732,534)	4,160	(732,545)
Redemption of financial investments	-	755,241	-	755,241
Other investments	(95)	(91)	(95)	(91)
Variations in the capital of controlled companies	-	(2,947)	-	-
Fixed assets and intangible additions	(11,049)	(16,755)	(11,049)	(16,754)
Net cash used in investing activities	(6,942)	2,914	(6,984)	5,851
Financing activities				
Loans and financing	67,096	23,264	67,096	23,264
Amortization of loans and financing	(101,235)	(52,264)	(101,235)	(52,264)
Interest payments on loans	(9,293)	(51,873)	(9,293)	(51,873)
Leasing	(3,648)	(3,748)	(3,921)	(3,796)
Dividends	(20)	-	(20)	-
Net cash used in financing activities	(47,100)	(84,621)	(47,373)	(84,669)
Reduction in cash and cash equivalents	6,887	(59,736)	(6,566)	(73,120)
Cash and cash equivalents at the beginning of the year	102,266	201,571	118,036	216,668
Cash and cash equivalents at the end of the year	109,153	141,835	111,470	143,548
Reduction in cash and cash equivalents	6,887	(59,736)	(6,566)	(73,120)

See the accompanying notes to the quarterly information.

Statements of added value
Three-month period ended March 31
(in thousands of Reais)

	Parent company		Consolidated	
	1 st Quarter 2020	1 st Quarter 2019	1 st Quarter 2020	1 st Quarter 2020
Income				
Sales of goods and services	**1,024,864**	1,576,236	**1,020,001**	1,473,502
Provision for doubtful accounts	**(1,282)**	623	**(1,270)**	615
Other income	**10,792**	12,534	**11,662**	12,556
Inputs acquired from third parties (Including taxes)				
Cost of goods and services sold	**(877,463)**	(1,295,790)	**(872,634)**	(1,207,511)
Materials, energy, third party services and other	**(122,726)**	(168,241)	**(122,290)**	(172,674)
Gross added value	**34,185**	125,362	**35,469**	106,488
Retentions				
Depreciation and amortization	**(38,315)**	(43,671)	**(38,346)**	(43,743)
Amortization of right-to-use assets	**(3,335)**	-	**(3,378)**	-
Net added value	**(7,465)**	81,691	**(6,255)**	62,745
Received from third parties				
Equity equivalence result	**863**	1,983	-	-
Financial income	**461,217**	444,091	**462,266**	303,497
Total net added value payable	**454,615**	527,765	**456,011**	366,242
Net added value payable	**454,615**	527,765	**456,011**	366,242
Personnel and charges	**55,029**	54,789	**55,351**	55,259
Taxes and contributions	**2,293**	38,349	**1,505**	14,929
Interest and rent	**967,083**	473,568	**968,945**	334,995
Income (Loss) for the period	**(569,790)**	(38,941)	**(569,790)**	(38,941)

See the accompanying notes to the quarterly information.

01. Operations

Paranapanema S.A. (Paranapanema, “the Parent Company” or “the Company”) is a publicly-held 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.

Paranapanema’s shares have been listed and traded on B3 S.A. (Brasil, Bolsa, Balcão), the highest level of corporate governance on the stock market since 1971, and in the "New Market" segment since 2012, both under the ticker code PMAM3.

The Company and its subsidiaries are engaged in industrial activities related to the transformation and processing of ores and their byproducts, and in 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 March 31, 2020 was prepared based on the assumption of operational continuity in line with the business plan, which includes the projected cash flow. Various financial and business assumptions were considered for the projections, including the re-profiling of the Company’s financial debt and the optimization of installed capacity by diluting fixed costs and improving cash generation, intensification of actions for the monetization of non-operating assets, reduction of cash conversion cycle in order to control the working capital needs and decrease of costs and expenses to achieve the expected profitability for the year 2020.

Management believes that the business plan presented is adequate, within reasonable assumptions for its implementation.

Paranapanema’s business model depends substantially on investments and financing, obtained through funding of bank credit facilities, prepayment of receivables, payment terms with its raw material suppliers and financing in general. After the restructuring process completed in 2017, and despite the fact of not having taken any relevant additional credit facility, the Company has been recording cash generation year after year, albeit at lower levels than its financial commitments require.

In this context, the Company is working to equalize its financial debt profile. Since the first quarter of 2020, the Company has been negotiating with its main financial creditors (essentially the same ones that participated in the renegotiation process in 2017) to align its debt profile with its future cash generation and investment needs.

Despite the fact that a payment suspension agreement for debts maturing in 2020 is under negotiation with the creditors, the Company, in compliance with CPC 26 – Presentation of Financial Statements, is reclassifying debts under renegotiation from non-current liabilities to current liabilities, in the amount of R$ 1,853,116, due to non-compliance with the contractual clause regarding the payment term.

On May 6, 2020, Paranapanema together with its main creditors formalized a new standstill agreement for a period of 30 days, under which the Consenting Creditors undertake not to take measures related to the collection of their credits, including refraining from accelerating the maturity of principal or interest, execute guarantees, or make voluntary notes in the records of credit reporting agencies, as a result of financial instruments and/or bank debts listed in the standstill agreement.

COVID-19

COVID-19 emerged at the end of 2019 and has since spread to several countries, including the locations where the Company operates. On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. During March 2020, government officials from several locations imposed confinements or other restrictions to contain the virus spread and several companies suspended or reduced their operations.

The final impact on the global economy and financial markets is still uncertain, but it is expected to be material. As the effects of the pandemic affect the most diverse regions and markets, the Company may face greater difficulties since part of its revenue comes from sales to clients in locations affected by the restrictions arising from COVID-19. Moreover, the Company relies on a logistics and supply chain, including ports, distribution centers and suppliers that also have operations in the affected regions.

In this context, considering the notable drop in economic activity resulting from COVID-19, the operations of the industrial plants in Santo André/SP and Serra/ES, responsible for the production of finished copper products (Eluma brand products), and historically accounting for 15 % of the Company's revenue, were temporarily reduced as of mid-March, including the suspension of the employment contract of a significant number of the employees allocated in such units, all in line with Provisional Measure No. 936/20 of the Federal Government. Aiming to guarantee the delivery of core products, mainly to the healthcare industry, a contingent team was maintained to meet these requests. Such suspension may be interrupted at any time at the Company's discretion, especially in the event of a demand resumption.

Notwithstanding, the Dias D'ávila/BA plant, which is responsible for the production of primary copper (Caraíba brand products) and accounts for the remaining 85% of the Company's revenue, continues to operate regularly, in line with the current Company's focus to manufacture and export its copper cathode (commodity) production, considering that this product has an ongoing and expressive demand in the foreign market, especially from Asian markets. This measure also greatly helps in reducing the cash conversion cycle when compared to the cycle of the Company's other products. This strategy considerably mitigates the fall in revenues due to the lower temporary activity at the Santo André/SP and Serra/ES plants.

The Company emphasizes that it is an essential supplier in the production chain of several other industries, and continues delivering core products to industries that are critical to the population at this time of crisis, such as hospital infrastructure, basic sanitation, gases, and the electric power sector, among others.

Impacts on PMA's business

The Company is evaluating the impact of COVID 19 on the business. A summary of the main impacts on the Company's business as at March 31, 2020 is presented below:

(i) Impairment: there were no significant changes in circumstances that would indicate an impairment loss. As the pandemic is still advancing, the Company will maintain ongoing monitoring of the situation and if a new financial impact arises from COVID-19 in its cash generating units, the scenario will be evaluated and disclosed in due time. Currently, management assesses that the main long-term assumptions adopted in the preparation of cash flow models, such as commodity prices and production levels for the Company's main assets, have not undergone significant changes for the impairment assessment. It is worth highlighting that the Company does not have intangible assets with indefinite useful lives in its balance sheet (goodwill and/or other intangible assets), as well as having already recorded an adjustment to the recoverable amount of the significant portion of its deferred income tax assets for the previous year. Thus, the relevant long-term assets are concentrated in its property, plant and equipment (fixed assets), which has been depreciated and for which the Company has carried out an analysis of the realization value (market value of assets, net of costs to sell these assets) with a specialized company for the end of the previous year and have not identified the need for adjustments to the recoverable value of these assets. We understand that the assumptions and basis for analysis of this study carried out by third parties remain valid for March 31, 2020.

(ii) Fair value of other assets and liabilities: the effects of the pandemic did not have a significant impact on the fair value of the Company's assets and liabilities. The continuing effects of the pandemic remain uncertain. However, the Company currently has not identified material impacts on its liquidity and financial position, and will keep track of the developments of the crisis to disclose any significant changes in the fair value of assets and liabilities in subsequent periods in a timely manner.

(iii) Accounts receivable: the Company recorded an allowance for doubtful accounts, as shown in Note 6, in accordance with the IFRS 9 (CPC 48) standard, the measurement of expected credit losses for financial and contractual assets. At the end of March 2020, due to the crisis, some clients started negotiating some trade notes, with no significant impact on cash. The agreements were fulfilled with no need for impairment.

<u>Protection measures for employees and outsourced personnel:</u>

The Company has been adopting strict and updated health procedures in all units, especially in the unit located in Dias D'ávila /BA, which remains fully operational. Such health procedures aim to protect and prevent the contamination of its employees, clients, suppliers and the community, all in accordance with the recommendations and determinations of authorities. With the support of a committee specially designated to address these issues, we are monitoring the evolution of COVID-19 and assessing, implementing and monitoring several measures on a daily basis in addition to those described below:

(i) creation of a Health Commission and Crisis Committee to ensure quick responses to new information;

(ii) production of daily communications with prevention tips and other information;

(iii) implementation of a home office regime for all employees in the administrative areas;

(iv) distribution of fabric masks to be worn by employees during their movement from the Company to home and vice-versa, availability of hand sanitizer in all areas and access control with temperature measurement and recommended distance;

(v) adaptations of common areas, such as the cafeteria and leisure area within the three units; and

(vi) anticipation of a flu vaccination campaign for employees.

Group entities – "Subsidiaries"

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

Subsidiaries	03/31/2020	12/31/2019
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 9, 2014.	100.00%	100.00%

(*) The Company is currently inactive.

02. Preparation basis

A) Declaration of compliance

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” and 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 the 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 May 07, 2020.

B) 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.

C) 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.

D) Use of estimates and judgments

The preparation of individual and consolidated quarterly information, according to the IFRS and CPC standards, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported values of assets, liabilities, revenue 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.

E) Uncertainty regarding accounting and critical assumptions and estimates

Information regarding the uncertainty arising from the use of assumptions and accounting estimates that carry a significant risk of material adjustments to critical accounts for the year ended December 31, 2019 is included in the following notes:

- Note 9 - Recoverable taxes and contributions: Note 08 – Recoverable taxes: actions taken by the Company to realize ICMS credits;
- Note 12 - Property, plant and equipment and intangible assets: key assumptions regarding the recoverable values of assets and a substantive analysis of their useful lives;
- Note 19 - Provision for judicial claims: Main assumptions regarding the probability and amounts of cash disbursements;
- Note 26 - Current and deferred income tax and social contribution: Availability of future taxable income to compensate accumulated losses;
- Note 28 – Financial instruments: fair value of derivatives.

03. Measuring the fair value

A number of the Company's accounting policies and disclosures require the determination of the fair value, for both financial and non-financial assets and liabilities. The fair values have been determined for measurement and/or disclosure purposes based on the methods outlined below.

Where 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 28.4).

A) Forward exchange rate agreements and interest rate swaps

The fair values of forward exchange rate agreements 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 the contract conditions and maturities, 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 reflect the credit risk of Paranapanema, and of 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 stage of production, 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 as 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 same accounting principles, methods and policies, except where indicated, as those presented in the last fiscal year prior to December 31, 2019.

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

		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash and banks		**72,743**	91,956	**74,870**	105,620
Foreign exchange received		-	-	-	-
Interest-earning bank deposits	(a)	**36,410**	10,310	**36,600**	12,416
Cash and cash equivalents		**109,153**	102,266	**111,470**	118,036
Interest-earning bank deposits	(b)	**15,741**	19,943	**20,869**	25,029
Interest-earning bank deposits		**15,741**	19,943	**20,869**	25,029
Current assets		**2,334**	6,631	**7,462**	11,717
Non-current assets		**13,407**	13,312	**13,407**	13,312

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

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

Refer to bank deposit certificates and buyback debentures, reflecting normal market conditions as at the financial statement closing dates. The consolidated balance as at March 31, 2020 in the amount of R$ 20,869 (R$ 25,029 as at December 31, 2019) was the collateral for the purchase of energy in the free market, purchases of US dollar futures and bank guarantees.

As at March 31, 2020, the investments yielded an average of 76.7% of the Interbank Deposit Certificate (CDI 76.7% as at December 31, 2019), measured at fair value through P&L.

06. Trade accounts receivable

		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Domestic clients:					
Third parties		**160,602**	148,011	**193,739**	172,707
Adjustment to present value - Third parties		-	(283)	-	(380)
Related parties	11.2	**35,701**	35,974	-	-
Adjustment to present value - Related parties	11.2	-	(396)	-	-
Estimated loss on recoverable value		**(51,939)**	(51,816)	**(53,091)**	(52,979)
		144,364	131,490	**140,648**	119,348
Foreign clients:					
Third parties		**149,853**	65,831	**149,853**	65,831
Price adjustment		**10,565**	21,332	**10,565**	21,332
Adjustment to present value		-	(763)	-	(763)
Estimated loss on recoverable value		**(3,290)**	(2,132)	**(3,290)**	(2,132)
		157,128	84,268	**157,128**	84,268
Current assets		**301,492**	215,758	**297,776**	203,616
		301,492	215,758	**297,776**	203,616

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

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Due in more than 120 days	**1,396**	1,303	**1,396**	1,303
Due in 91 to 120 days	**8,348**	7,112	**8,348**	7,112
Due in 61 to 90 days	**16,890**	9,975	**10,498**	9,976
Due in 31 to 60 days	**57,472**	65,438	**52,749**	35,186
Due in 30 days	**183,066**	100,202	**192,158**	117,574
Total Due	**267,172**	184,030	**265,149**	171,151
Overdue up to 30 days	**23,441**	9,328	**21,747**	9,764
Overdue from 31 to 60 days	-	1,663	-	1,663
Overdue from 61 to 90 days	**77**	625	**77**	626
Overdue for more than 90 days	**237**	223	**238**	224
Total due	**23,755**	11,839	**22,062**	12,277
	290,927	195,869	**287,211**	183,428
Adjustment to present value	-	(1,442)	-	(1,143)
Price adjustment	**10,565**	21,331	**10,565**	21,331
	301,492	215,758	**297,776**	203,616

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.

In accordance with IFRS 9, the expected losses on financial assets form the basis for determining the losses to be recognized in profit or loss as a result of the *impairment* of financial assets.

The recording of the PECLD balance as at March 31, 2020 considers the sum of the expected loss, and applied a loss percentage according to the customer's score (punctuality x restrictions), plus all notes overdue for more than 90 days.

The amount of R$ 238 in the consolidated as at March 31, 2020 (R$ 224 as at December 31, 2019), referring to securities overdue for more than 90 days, was 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 line item “sales deductions”.

Changes in the provision for estimated doubtful accounts are shown below:

	Parent company	Consolidated
Balance as at December 31, 2018	(77,333)	(82,803)
Reversals for the year	173	173
Definitive drop	-	47
Balance as at March 31,2019	(77,160)	(82,583)
Balance as at December 31, 2019	(53,948)	(55,111)
Provision for the year	**(1,281)**	**(1,270)**
Balance as at March 31,2020	**(55,229)**	**(56,381)**

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 by the bank. The value of the global limit of the instrument is US$16,150,000, translated at the selling exchange rate of R$5.1987 as at March 31, 2020 equivalent to R$83,959.
The Company entered into private instruments for the assignment of credit receivables from accounts receivable, with Banco Safra, to ensure the payment of loans and financing. For Automatic BNDES operations, the amount of R$ 179 on March 31, 2020 (R$ 239 on December 31, 2019), which represents 70% of the restated debt balance, was offered as a guarantee, while the Company offered R$ 30,335 for export credit note (NCE) operations.

07. Inventory

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Raw materials	**314,040**	302,094	**314,040**	302,094
Work in progress	**216,614**	190,229	**216,614**	190,229
Finished products	**229,767**	165,701	**229,767**	165,701
Imports in transit	**34,925**	269,992	**34,925**	269,992
Advances to suppliers for purchases of raw materials	**859**	1,772	**859**	1,772
Maintenance materials and others	**74,453**	73,665	**74,453**	73,665
Resale materials	**25,573**	13,358	**33,800**	15,926
Raw materials in transit	**3,261**	777	**3,258**	757
Estimated loss on recoverable value	**(5,154)**	(5,154)	**(5,154)**	(5,154)
Current assets	**894,338**	1,012,434	**902,562**	1,014,982

The inventory is initially measured at its historical cost, and subsequently recorded under the inventory hedge accounting program (see Note 28.6.3). The portion related to the cost of metals (copper, gold, silver, lead, zinc and tin) is adjusted to reflect the average market price in US Dollars based on the future market price curve. The translation of each metal’s 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 program for the hedge accounting treatment of the fair value of inventory.

The balance of estimated losses in the amount of R$ 5,154 as at March 31, 2020 and December 31, 2019 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, as at March 31, 2020, totaled R$6,770 (R$6,536 as at December 31, 2019). In the case of an unfavorable decision, the full amount will be paid in cash.

08. Recoverable taxes and contributions

Parent company

	Notes	03/31/2020 Current assets	03/31/2020 Non-current	12/31/2019 Current assets	12/31/2019 Non-current
Exclusion of ICMS from the COFINS assessment base	(f)	**98,400**	**499,851**	98,400	496,316
Exclusion of ICMS from the PIS assessment base	(f)	**17,714**	**108,946**	21,600	108,177
Value-added tax on sales and services–ICMS	(a)	**20,819**	**83,800**	20,268	83,800
Taxes on fixed assets recoverable		**12,113**	**11,876**	12,174	13,366
Income and social contribution taxes to be refunded	(b)	**1,226**	**10,277**	59	10,277
Special Tax Reintegration Regime for Exporting Companies (Reintegra)	(c)	**1,166**	-	777	-
Contribution for social security funding–COFINS	(d)	**1,402**	-	213	-
Social integration program - PIS	(d)	**304**	-	46	-
Withholding income tax–IRRF		**127**	-	1,147	-
Excise tax–IPI		**665**	-	493	-
Estimated loss on recoverable value	(e)	-	**(10,277)**	-	(10,277)
Other		**153**	-	65	-
		154,089	**704,473**	155,242	701,659

Consolidated

	Notes	03/31/2020 Current assets	03/31/2020 Non-current assets	12/31/2019 Current assets	12/31/2019 Non-current assets
Exclusion of ICMS from the COFINS assessment base	(f)	**98,400**	**499,851**	98,400	496,316
Exclusion of ICMS from the PIS assessment base	(f)	**17,714**	**108,946**	21,600	108,177
Value-added tax on sales and services–ICMS	(a)	**21,625**	**83,800**	20,566	83,800
Taxes on fixed assets recoverable		**12,113**	**11,876**	12,174	13,366
Income and social contribution taxes to be refunded	(b)	**2,672**	**10,277**	1,033	10,277
Special Tax Reintegration Regime for Exporting Companies (Reintegra)	(c)	**1,166**	-	777	-
Contribution for social security funding–COFINS	(d)	**1,933**	-	213	-
Social integration program - PIS	(d)	**420**	-	46	-
Withholding income tax–IRRF		**140**	-	1,208	-
Excise tax–IPI		**665**	-	493	-
Prepaid income and social contribution taxes		**42**	-	431	-
Estimated loss on recoverable value	(e)	-	**(10,277)**	-	(10,277)
Other		**153**	-	65	-
		157,043	**704,473**	157,006	701,659

Management projects that the future taxable income of the Company and its subsidiaries will be adequate to realize the tax credits classified under non-current assets over a six-year term as of 2021.

These estimates are reviewed annually to ensure that any eventual change in the collection prospects is reflected in the Company's financial information.

a) Refers mainly to the credit balance on the circulation of goods and services (ICMS), generated from the operations of the Santo André-SP unit, as shown at its net realizable value.

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$ 10,277, classified in non-current assets, is subject to provision as a loss, since realization is not certain, as indicated in item (e).

c) Special Tax Reintegration Regime for Exporting Companies. The amounts were calculated in accordance with the parameters defined in Law 12546/2011, with amendments to Law 13043/2014 due to the effects of Decree 9148/2017.

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.

e) The provision for losses on income tax credits in respect of several lawsuits in the amount of R$ 10,277 (item "b"). The Company's legal advisors classified the possibility of loss as being remote for the purposes of obtaining a favorable outcome from the lawsuits.

f) This arises from amounts from favorable decisions obtained in favor of the merged company and the Company in lawsuits challenging the inclusion of ICMS in the PIS and COFINS calculation basis, and final and unappealable decisions in these lawsuits occurred on February 28, 2019 April 25, 2019 and December 17, 2019.

In accordance with CPC 00 (R1), which addresses the "Conceptual Framework for Financial Reporting" (Recognition of the elements of the financial statements), an item must be recognized if it is probable that any future economic benefits will occur, which must have a value that can be reliably measured, i.e. in a complete, neutral and error free manner.

The Company engaged a specialized consulting company to help analyze and quantify the amounts involved. This analysis led the Company to determine a total amount of R$ 724,493. The Company has already approved a portion of this credit and is using it to offset federal taxes.

09. Other current and non-current assets

09.1 - Other current and non-current assets

				Parent company	
		03/31/2020		12/31/2019	
	Note	Current assets	Non-current assets	Current assets	Non-current assets
Municipal writs of payment	(a)	-	**88,477**	-	88,477
Federal writs of payment	(b)	-	**34,203**	-	4,815
Collective Plan Brasilprev Recovery	(c)	**2,313**	-	2,369	-
Margin call deposits	(d)	**35,816**	-	33,619	-
Advances to suppliers	(e)	-	-	6,628	-
Advances to employees		**1,545**	-	2,512	-
Amount receivable - Disposal of Cibrafértil		-	**1,001**	-	1,001
Advances to suppliers	(f)	**12,833**	-	1,728	-
Amounts receivable from suppliers		-	**931**	-	931
Amounts receivable from the sale of energy		**314**	-	841	-
Other		**3**	**498**	2	497
		52,824	**125,110**	47,699	95,721

		Consolidated			
		03/31/2020		12/31/2019	
	Note	Current assets	Non-current assets	Current assets	Non-current assets
Municipal writs of payment	(a)	-	**88,477**	-	88,477
Federal writs of payment	(b)	-	**34,203**	-	4,815
Collective Plan Brasilprev Recovery	(c)	**2,341**	-	2,398	-
Margin call deposits	(d)	**35,816**	-	33,619	-
Advances to suppliers	(e)	-	-	6,628	-
Advances to employees		**1,545**	-	2,515	-
Amount receivable - Disposal of Cibrafértil		-	**1,001**	-	1,001
Advances to suppliers	(f)	**13,080**	-	1,997	-
Amounts receivable from suppliers		-	**931**	-	931
Amounts receivable from the sale of energy		**314**	-	841	-
Other		**3**	**499**	2	497
		53,099	**125,111**	48,000	95,721

a) Refers to writs of payment from the Cities of São Paulo, Santo André and Manaus, to be received starting in 2021.

The Company offered a guarantee on a tax lawsuit, the municipal court-ordered debt payments which, on March 31, 2020 and December 31, 2019 totaled R$ 68,315. If there is an unfavorable decision, the amount will be paid in cash.

b) Value of federal bonds issued to cover Court-ordered debt payments to be received as of 2021.

On March 4, 2020, there was a decision to issue a court-ordered debt payment order (*precatório*) referring to the import license fee, referring to a lawsuit claiming recovery of amounts unduly paid filed against the federal union. The Company recognized the amount of R$ 28,802, of which R$ 6,524 was recognized in the operating profit or loss and R$ 22,278 in the financial income (loss).

c) Refers to the collective account of the private pension plan managed by BrasilPrev, the sum total of which was made up of the amounts not released by the Company according to the criteria described in Note 31. It is defined in the contract that the amount accumulated in the collective reserve may be used to adjust or improve the benefits or to settle future contributions.

d) The line "margin call deposits" refers to amounts deposited with metal brokers to cover the Company's exposure when limits are exceeded. The Company is limited to transacting with certain brokers and in certain cases, because of the contracted volumes and changes in commodities prices (copper/zinc/tin/lead) published by the LME, this limit can be exceeded; when this situation is verified, the margin call occurs.

e) On July 19, 2019, the Company agreed to the assignment of court-ordered debt payment (Precatório) No. 20190300015878, from the municipal government of Goiás, pursuant to the irrevocable and irreversible commitment contract for the Assignment of Rights. The Company received the amount of R$ 8,800 for the assignment, at the face value of the court-ordered debt payment of R$ 30,168. According to the contractual clause, the Company is entitled to receive an additional amount of 30% if the Assignees actually receive the amount by December 31, 2024. The amount was received on January 09, 2020.

f) Refers to advances to sundry suppliers to be used to settle invoices.

09.2 Deposits for judicial claims

	Parent company/Consolidated	
	03/31/2020	12/31/2019
Labor	**9,345**	6,845
Tax	**20,489**	18,868
Social Security	**567**	572
Civil	**827**	827
Other	**385**	386
Non-current assets	**31,613**	27,498

Judicial deposits made for judicial guarantees in labor, tax, social security and civil proceedings, which will remain in the account at the disposal of the court. If there is any decision to withdraw the deposits, for example due to the replacement of the guarantee, the values can be obtained before the end of the lawsuits. The judicial deposits related to probable risks are reported as reductions in the contingencies provisioned according to Note 19.1.

10. Assets held-for-sale

These represent real estate available for sale in the amount of R$ 111,987 as at March 31, 2020 and December 31, 2019, measured at the acquisition cost less accumulated depreciation, which is lower than the expected realization value which, according to the appraisal report prepared in 2019, is the same as the break-up value, which is R$ 343,306 and experienced no significant change up to this date.

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, which is available for immediate sale under the current conditions.

The Company continues to seek to monetize of assets through an internal team that studies possible alternatives, in conjunction with a consulting firm engaged in August 2018 for the sale of assets. This demonstrates that the entity remains committed to the asset sale plan, as well as indicating that it is unlikely that there will be material changes to the plan, or that the plan will be abandoned. The consulting firm has been assisting the Company with the definition of the market value, as well as on the definition of a marketing plan to communicate effectively with all target audiences, using printed materials, email, marketing, signs, telephone monitoring and the websites.

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

<u>Guarantee</u>:

The Company offered real estate properties in the total amount of R$ 78,845 as guarantees to financial institutions, as a fiduciary assignment, two properties with a total value of R$ 20,216, as guarantees for the collection of the CSLL, and five real estate assets as guarantees for loans in the amount of R$ 7,560.

If the real estate is sold, the Company will replace the assets pledged as collateral, and in the event of an unfavorable decision on the operations, the amounts will be paid in domestic currency.

11. Investments, related parties and others

11.1 Summary information and investment movements as at December 31, 2019

	CDPC - Centro de Distrib.Prods. Cobre Ltda.	Paranapanema Netherland B.V.	CINC - Caraiba International	Paraibuna Agropec. Ltda.	Total
Summarized financial information of subsidiaries					
Current assets	49,218	7	1,561	-	**50,786**
Non-current assets	11,774	-	-	598	**12,372**
Total assets	**60,992**	**7**	**1,561**	**598**	**63,158**
Current liabilities	37,279	259	-	-	**37,538**
Non-current liabilities	60	-	-	-	**60**
Equity	23,653	(252)	1,561	598	**25,560**
Total liabilities and equity	**60,992**	**7**	**1,561**	**598**	**63,158**
Income from sales of goods and/or services	86,530	-	-	-	**86,530**
Cost of goods and/or services sold	(85,060)	-	-	-	**(85,060)**
Gross income	**1,470**	-	-	-	**1,470**
Operating expenses or income	(814)	-	871	-	**57**
Loss before financial income (loss) and taxes	**656**	-	**871**	-	**1,527**
Financial income (loss)	(662)	(1)	(4)	-	**(667)**
Loss before income tax	**(6)**	**(1)**	**867**	-	**860**
Income and social contribution taxes	2	-	-	-	**2**
Net Income (loss) for the period	**(4)**	**(1)**	**867**	-	**862**
Balance as at December 31, 2019	23,657	(195)	368	598	**24,428**
Provision for negative shareholders' equity	-	(1)		-	**(1)**
Foreign exchange variations on foreign investment	-	(56)	326	-	**270**
Equity in net income of subsidiaries	(4)	-	867	-	**863**
Balance as at March 31,2020	**23,653**	**(252)**	**1,561**	**598**	**25,560**

11.2 Parent Company balances and transactions with subsidiaries and other related parties

a) Subsidiaries

	03/31/2020	12/31/2019	
	CDPC - Centro de Distrib.Prods. Cobre Ltda.	CDPC - Centro de Distrib.Prods. Cobre Ltda.	Paranapanema Netherland B.V.
Current assets			
Accounts receivable	35,701	35,578	-
	35,701	**35,578**	-
Current liabilities			
Suppliers	-	26	-
Advances from clients	-	731	-
	-	**757**	-
Gross income			
Sales of goods and services	90,782	1,315,132	429,719
Purchases of goods and services	(629)	(369,987)	-
	90,153	**945,145**	**429,719**

b) Related parties and others

	03/31/2020	12/31/2019	
	Caixa Econômica Federal	Glencore International Investments Ltd	Caixa Econômica Federal
Current assets			
Accounts receivable	-	3,538	-
Derivative financial instruments	-	9,268	-
	-	**12,806**	-
Current liabilities			
Suppliers	-	70,905	-
Advances from clients		394	
Loans and financing	70,261	-	49,475
	70,261	**71,299**	**49,475**
Current liabilities			
Loans and financing	224,245	-	187,960
	224,245	-	**187,960**
Gross income			
Sales of goods and services	-	1,254,807	-
Purchases of goods and services	-	(1,766,272)	-
	-	**(511,465)**	-

11.3 Transactions with subsidiaries, related parties and others

The Executive Board or the Board of Directors, within 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, based on the amounts, terms and the 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 16.18% of the total shares. The contract is subject to the terms and conditions offered by CEF, which are equal to or more competitive than the other credit facilities available to the Company.

As at March 31, 2020 the Company had loans related to the anticipation of foreign currency contracts (ACC), with Caixa Econômica Federal, in the amount of R$ 294,506 (US$ 56,650 thousand at the rate of 5.1987), R$ 237,435 as at December 31, 2019 (US$ 58,906 thousand at the rate of 4.0307).

b) Glencore International AG (Glencore)

The Company had agreements for the sale of anode slime covering the period from March 1, 2019 to February 28, 2021, the purchase of 240kt of copper concentrate and sale of copper cathode until December 2019. These agreements were closed and the Company complied with the existing contractual fines.

As of December 31, 2019, the Company had an amount of R$ 71,299 payable to Glencore and a balance receivable of R$ 12,806.

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

The Parent Company signed a cost sharing agreement on January 2, 2015 with its subsidiary CDPC, which provides for the charging of expenses, costs, 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 the Fiscal Council. The Company has no controlling shareholder and no shareholders' agreement.

	Note	1 st Quarter 2020			
		Statutory Board	Administrative Council	Supervisory Board	Total
Remuneration of Executives from Management		613	546	77	1,236
Labor benefits		138	-	-	138
Social burden		123	109	15	247
Fixed remuneration		874	655	92	1,621
Post-employment benefit		26	-	-	26
Others		72	-	-	72
Other remuneration		98	-	-	98
Management fees		972	655	92	1,719
Bonus (ICP)	32	487	-	-	487
Social Burdens		97	-	-	97
Variable remuneration	32	584	-	-	584
Total remuneration		1,556	655	92	2,303

	Note	1 st Quarter 2019			
		Statutory Board	Administrative Council	Supervisory Board	Total
Remuneration of Executives from Management		870	306	106	1282
Labor benefits		203	-	-	203
Compensation for participation in Committee		-	184	-	184
Social burden		174	98	21	293
Fixed remuneration		1,247	588	127	1,962
Management fees		1,247	588	127	1,962
Bonus (ICP)	32	1,593	-	-	1,593
Bonus (ILP)	32	1	-	-	1
Social Burdens		318	-	-	318
Variable remuneration	32	1,912	-	-	1,912
Total remuneration		3,159	588	127	3,874

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, other long-term benefits or remuneration in the form of shares.

12. Property, plant and equipment and intangible assets

Parent company

	Average depreciation rate	12/31/2019	Additions	Transfers	Depreciation Amortization	03/31/2020
PROPERTY, PLANT AND EQUIPMENT						
Land		119,685	-	-	-	119,685
Industrial landfill	25%	13,106	-	-	(1,649)	11,457
Improvements	5%	1,165	-	4	(62)	1,107
Buildings	3%	206,249	-	975	(2,727)	204,497
Installations	16%	34,865	-	-	(837)	34,028
Machines and Equipment	9%	712,402	-	70,090	(30,999)	751,493
Furniture and fixtures	8%	4,120	-	56,870	(1,274)	59,716
Vehicles	20%	162	-	-	(19)	143
Property, plant and equipment in progress		184,904	10,985	(127,958)	-	67,931
Spare parts		8,984	276	-	-	9,260
Total assets		1,285,642	**11,261**	**(19)**	**(37,567)**	**1,259,317**
INTANGIBLES						
ERP/Software	20%	10,063	-	19	(748)	9,334
Intangible assests		10,063	-	**19**	**(748)**	**9,334**

Consolidated

	Average depreciation rate	12/31/2019	Additions	Transfers	Depreciation Amortization	03/31/2020
PROPERTY, PLANT AND EQUIPMENT						
Land		120,283	-	-	-	120,283
Industrial landfill	25%	13,106	-	-	(1,649)	11,457
Improvements	5%	1,369	-	4	(88)	1,285
Buildings	3%	206,249	-	975	(2,727)	204,497
Installations	16%	34,865	-	-	(837)	34,028
Machines and Equipment	9%	712,422	-	70,090	(31,001)	751,511
Furniture and fixtures	8%	4,131	-	56,870	(1,277)	59,724
Vehicles	20%	162	-	-	(19)	143
Property, plant and equipment in progress		184,904	10,985	(127,958)	-	67,931
Spare parts		8,984	276	-	-	9,260
Total assets		1,286,475	**11,261**	**(19)**	**(37,598)**	**1,260,119**
INTANGIBLES						
ERP/Software	20%	10,063	-	19	(748)	9,334
Intangible assests		10,063	-	**19**	**(748)**	**9,334**

The balances in the consolidated balance of R$ 37,598 in property, plant and equipment related to depreciation expenses and R$ 748 in intangible assets related to amortization, totaling R$ 38,346, refer to the following:

	Consolidated	
	1 st Quarter	1 st Quarter 2019
Cost of goods sold	**36,117**	38,260
Commercial expenses	**909**	774
General and administrative expenses	**1,320**	1,306
Total depreciation and amortization expenses	**38,346**	40,340

12.1. Property, plant and equipment in progress

As at March 31, 2020, the balance of the account property, plant and equipment in progress presented in the Parent Company and Consolidated was R$ 67,931 (R$ 184,904 as at December 31, 2019), and was substantially represented by expenditure on projects under execution and advances to suppliers.

12.1.1. The Unit at Dias D'Ávila (Bahia) had a balance of R$ 51,551 as at March 31, 2020 (R$ 167,983 as at December 31, 2019), referring to several projects to improve the production, operational guarantees, safety and environment, with the main project being a new tower for intermediate absorption and preventive maintenance shutdown in 2019.

12.1.2. The Santo André-SP unit had a balance of R$ 16,380 as at March 31, 2020 (R$ 16,921 as at December 31, 2019). The main projects are aimed at maintaining and improving operating activities, technological upgrades and corporate safety.

12.2. Losses on the impairment of fixed and intangible assets

In compliance with the requirements set out in IAS 36/CPC 01 (R1) – "Impairment of Assets", the Company carried out a physical inventory of fixed assets at the base date of December 31, 2018 in the 3rd quarter of 2019, once the work was completed it was evident that the estimated market value was in excess of the net book value as at the assessment date.

12.3. Property, plant and equipment in guarantee

The Company offered its fixed assets as guarantees for tax lawsuits, the financing of expansion projects and production line technological updates, and loans under the debt re-profiling process. As at March 31, 2020, total guarantees were R$ 607,297 (R$ 617,992 as at December 31, 2019) in the line item Residual value of property, plant and equipment and R$ 1,248,044 for fair value obtained from appraisal report prepared in 2019 and no significant change up to this date:

Guarantees for lawsuits	Modality	Plant and	Fair value
Labor	Labor Suit	413	853
Fiduciary assignment of rights - CSLL	Fiduciary alienation contract	46,794	50,349
Fiduciary assignment of rights - HSBC	Fiduciary alienation contract	68,558	101,105
Total		**115,765**	**152,307**

Loan Guarantees	Modality	Plant and	Fair value
FNE		195,649	255,969
Sub-total (previous to restructuring)		**195,649**	**255,969**
Mortgage (Post debt reprofiling)	First-degree mortgage	111,799	150,225
Pledge (Post debt reprofiling) - Dias D'ávila		112,218	510,821
Pledge (Post debt reprofiling) - Utinga		71,205	157,866
Pledge (Post debt reprofiling) - Serra		661	20,856
Sub-total (Mortgaged/Pledged post debt reprofiling)		**295,883**	**839,768**
Total Loan Guarantees		**491,532**	**1,095,737**
Total Guarantees		**607,297**	**1,248,044**

13. Suppliers

		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Domestic					
Goods		**98,586**	86,514	**98,604**	86,547
Freight and transportation		**12,045**	17,080	**12,394**	18,025
Services		**28,970**	21,910	**29,030**	21,986
Electric power/Water and sewage/Gas		**8,761**	9,457	**8,761**	9,457
Insurance		**32**	1,342	**32**	1,342
Others		**340**	1,439	**340**	1,439
Related parties	11.2	-	26	-	-
Adjustment to present value		-	(247)	-	(247)
		148,734	137,521	**149,161**	138,549
Foreign					
Goods		**463,050**	356,826	**463,309**	357,026
		463,050	356,826	**463,309**	357,026
		611,784	494,347	**612,470**	495,575
Current liabilities		**608,825**	494,270	**609,511**	495,498
Non-current liabilities		**2,959**	77	**2,959**	77

14. Forfaiting and letters of credit operations

These operations relate to signed copper concentrate purchase contracts with suppliers that use banking operations called "forfaiting" and letters of credit. As part of such transactions, suppliers transfer their rights to receive securities to the banks which, in turn, become the creditors under the respective transactions. 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 the payment terms to clients and, at the same time, anticipate the receipt of payments for forward sales, contributing to improvements in 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 within a specific line item. The terms and conditions are presented below:

			Parent company/Consolidated	
			03/31/2020	12/31/2019
	Interest rate	Deadline	R$	R$
Forfaiting - Domestic suppliers	0.99% to 1.4% p.y.	**up to 120 days**	111,538	85,641
			111,538	**85,641**

15. Lease

Until the year 2018, leases of fixed assets were classified as financial or operating leases. As of January 1, 2019, leases are recognized as a right of use asset and a corresponding liability on the date the leased asset becomes available for use by the Company.

Each lease payment is allocated between the liability and the financial expenses. Financial expenses are recognized in income during the period of the lease. The right to use an asset is depreciated over the useful life of the asset or lease term by the straight-line method, whichever is lower.

The table below shows the changes in lease agreements for the year:

									Consolidated
			Non-current			LIABILITIES			
Contract	Months should be capitalized	Interest rate	12/31/2019	Amortization	03/31/2020	Initial Adoption	Additions	Payments	03/31/2020
Car rental for Board of Directors	sep-21	0.92%	46	(6)	40	53	-	(8)	45
Forklift Rental-ES	aug-23	0.92%	93	(6)	87	119	-	(8)	111
Rental of Forklifts-SP	dec-20	0.92%	65	(16)	49	73	-	(18)	55
Rental Truck Munck	jan-20	0.92%	39	(39)	-	41	-	(41)	-
Scaffolding Rental + Assembly and Dismantling	feb-20	0.92%	252	(252)	-	270	-	(270)	-
Crane rental-BA	mar-20	0.92%	182	(182)	-	196	-	(196)	-
Lifting Platforms rental-BA	apr-20	0.92%	179	(134)	45	193	-	(145)	48
Forklifts rental-SP	jul-23	0.92%	3,293	(230)	3,063	4,209	-	(294)	3,915
Commercial Room Rental	mar-23	0.92%	900	(69)	831	1,177	-	(91)	1,086
Forklift Rental-BA	jul-21	0.92%	1,817	(287)	1,530	2,096	-	(331)	1,765
Equipment Rental for Internal Handling	nov-21	0.92%	13,763	(1,795)	11,968	16,160	-	(2,108)	14,052
Forklift Rental-RJ	jul-21	0.92%	267	(43)	224	308	-	(48)	260
Generator Rental	apr-21	0.92%	507	(95)	412	568	-	(106)	462
Equipment Rental for scrap movement	may-21	0.92%	311	(55)	256	347	-	(61)	286
Equipment Rental	sep-22	0.92%	1,486	(136)	1,350	1,698	-	(159)	1,539
Rental Lift Platform	dec-21	0.92%	257	(32)	225	288	-	(36)	252
			23,457	**(3,377)**	**20,080**	**27,796**	-	**(3,920)**	**23,876**
Adjustment to present value						**(3,172)**	**647**	-	**(2,525)**
Lease Balance						**24,624**	**647**	**(3,920)**	**21,351**
Current liabilities						12,335			**11,833**
Non-current liabilities						12,289			**9,518**

The interest rate used is the incremental loan rate calculated on the weighted average cost of capital that the Company would have to pay on a loan to get the funds needed to purchase an asset of similar amount, in a similar economic environment, and with equivalent terms and conditions.

The table below shows the maturity of installments:

	Consolidated
	03/31/2020
2020	9,710
2021	11,375
2022	1,994
2023	797
	23,876

In compliance with Circular Letter/CVM/SNC/SEP No. 02/2019, the Company presents the comparative balances of lease liabilities, right of use, financial expense and depreciation expense, considering the effect of projected future inflation in the flows of lease agreements:

Total	2020	2021	2022	2023
Lease Liabilities	23,876	2,791	797	-
Inflation Projected Flow	24,112	2,845	826	-
Right of Use	20,080	2,203	622	-
Inflation Projected Flow	20,279	2,246	644	-
Financial Expense	2,107	851	187	27
Inflation Projected Flow	2,128	867	194	29
Depreciation Expense	11,730	9,478	1,581	622
Inflation Projected Flow	11,846	9,662	1,638	657
Future IPCA	0.99%	1.94%	3.59%	5.60%

The exemption amount proposed by the regulation for lease agreements regulations with 12-month contract termination and lease agreements whose purpose are small amounts or which are contracted on demand was R$ 2,156 in the consolidated period, classified as rents as per note 23.

16. Loans and financing

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

The Company has been negotiating with its main financial creditors (essentially the same ones that participated in the renegotiation process in 2017) to align its debt profile with its future cash generation. In this context, the Company engaged the specialized consulting firm Moelis & Company Assessoria Financeira Ltda. to advise it in this process. The Company agreed on the temporary debt payment suspension with said creditors is under negotiation.

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 entrance, are calculated in a reduction account within liabilities, as shown in the table below.

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

	Parent company/Consolidated			
	03/31/2020		12/31/2019	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Contracted in US$ Currency				
Foreign trade loans	**931,316**	-	205,168	560,244
Loans in foreign currency	**1,659,020**	-	267,873	998,277
Bank Credit Notes	**107,620**	-	17,422	65,009
	2,697,956	-	490,463	1,623,530
Contracted in R$ Currency				
Project financing	**255**	-	348	-
Banco do Nordeste do Brasil – FNE	**24,257**	**11,802**	24,300	17,801
Working capital	**37,214**	**21,180**	27,177	17,889
Credit Export Notes - NCE	**30,661**	-	30,080	-
	92,387	**32,982**	81,905	35,690
Transaction Costs - reprofiling	**(19,614)**	-	(4,359)	(16,344)
	2,770,729	**32,982**	568,009	1,642,876

Long-term installments have the following maturities:

	Parent company/Consolidated	
	03/31/2020	12/31/2019
2021	**27,982**	437,214
2022	**5,000**	681,646
2023	-	261,463
2024	-	262,553
	32,982	1,642,876

Summary of changes in loans during the period

	Parent company/Consolidated					
	12/31/2019	Entry	Payment Principal	Payment Interest	Exchange rate	03/31/2020
Foreign trade loans	765,412	47,096	(88,436)	(7,217)	214,461	931,316
Loans in foreign currency	1,266,150	-	-	-	392,870	1,659,020
Project financing	348	-	(91)	(8)	6	255
Banco do Nordeste do Brasil – FNE	42,101	-	(6,000)	(964)	922	36,059
NCE	30,080	-	-	-	581	30,661
Working capital	45,066	20,000	(6,708)	(1,104)	1,140	58,394
Bank Credit Note	82,431	-	-	-	25,189	107,620
Transaction costs - reprofiling	(20,703)	-	-	-	1,089	(19,614)
Loans and financing	**2,210,885**	**67,096**	**(101,235)**	**(9,293)**	**636,258**	**2,803,711**

Debt breakdown by financial institution.

Modality	Bank	Payment	Maturities Principal	Tax	03/31/2020 Current liabilities - Principal	Current liabilities - Interest	Non-current liabilities	In US$ Current liabilities - Principal	Current liabilities - Interest
Contracted in R$ Currency									
BNDES AUT.	Banco Safra S.A.	Monthly	2018 to 2020	2.5% to 18.5% p.y.	254	1	-	-	-
NCE	Banco Safra S.A.	Annual	2020	CDI + 3.70% p.y.	30,000	661	-	-	-
FNE	Banco do Nordeste do Brasil S.A.	Monthly	2018 to 2023	10% p.y.	24,000	257	11,802	-	-
GIRO	Banco do Nordeste do Brasil S.A.	Monthly	2020 to 2022	0.635% p.y.	10,000	98	10,000	-	-
GIRO	Banco do Nordeste do Brasil S.A.	Monthly	2018 to 2021	CDI + 0.5% p.y.	26,834	282	11,180	-	-
				Total contracted in Currency BRL	**91,088**	**1,299**	**32,982**	-	-
Contracted in US$ Currency									
ACC	Banco BNP Paribas Brasil S.A.	Half-Yearly	2020 to 2022	LIBOR 6 + 1.75% p.y.	139,740	1,805	-	26,880	347
ACC	Banco do Brasil S.A.	Half-Yearly	2020 to 2022	LIBOR 6 + 1.75% p.y.	139,741	1,805	-	26,880	347
ACC	Caixa Economica Federal	Half-Yearly	2020 to 2022	LIBOR 6 + 1.75% p.y.	290,912	3,759	-	55,959	723
ACC	China Construction Bank	Half-Yearly	2020 to 2022	LIBOR 6 + 1.75% p.y.	45,929	593	-	8,835	114
ACC	Ing Bank N.V.	Half-Yearly	2020 to 2022	LIBOR 6 + 1.75% p.y.	99,815	1,290	-	19,200	248
ACC	Scotiabank	Half-Yearly	2020 to 2022	LIBOR 6 + 1.75% p.y.	150,972	1,951	-	29,040	375
ACC	Banco Banrisul	Annual	2020	4.80% a 5.30% p.y.	52,471	533	-	10,093	102
PPE	Banco Sumitomo Mitsui BR. S.A.	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	183,669	5,657	-	35,330	1,088
PPE	Scotiabank	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	18,610	573	-	3,580	110
PPE	Ing Bank N.V.	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	45,207	1,393	-	8,696	268
PPE	China Construction Bank	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	59,581	1,836	-	11,460	353
PPE	Cargill Incorporated	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	719,870	22,175	-	138,471	4,265
PPE	Banco Bradesco S.A.	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	298,216	9,187	-	57,363	1,767
PPE	Banco do Brasil S.A.	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	141,140	4,348	-	27,149	837
PPE	Zion Capital S/A	Half-Yearly	2020 to 2024	LIBOR 12 + 3.25% p.y.	143,148	4,410	-	27,536	848
CCB	Wilbury NPL Fundo de Invest.	Half-Yearly	2020 to 2024	LIBOR 6 + 3.15% p.y.	104,809	2,811	-	20,160	484
				Total contracted in Currency US$	**2,633,830**	**64,126**	-	**506,632**	**12,276**
Transaction Costs - reprofiling					**(19,614)**	-	-	-	-
				Total	**2,705,304**	**65,425**	**32,982**	**506,632**	**12,276**

As at March 31, 2020, the total balance of debts under renegotiation was fully classified in current liabilities, due to non-compliance with the contractual clause regarding the payment term. The amount reclassified to current liabilities totaled R$ 1,853,116.

Guarantees:

As at March 31, 2020, loans and financing were guaranteed by property, plant and equipment items with a residual value of R$ 607,297 (R$ 617,992 as at December 31, 2019), as described in Note 12.3.

Covenants:

In relation to financial covenants, such as those under the Debt Re-profiling Global Agreement, the Company is obliged to comply with 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.

b) Current liquidity

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

c) Minimum limits on inventory and receivables

For the quarter ended September 30, 2017 (including that day), the Company had to deliver to the creditors a detailed calculation of the minimum limit on 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. the Quarterly Financial Information (ITR) for the quarters ended in March, June and September, and the annual financial statements for the year ended in December.

In view of the performance expectation, the Company continues with the regular compliance and monitoring of the indices related to covenants.

17. Salaries and social security charges

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Provision for vacations	**22,717**	27,091	**22,758**	27,134
Profit sharing	**14,048**	14,541	**14,112**	14,592
Provision for 13th month's salary	**3,499**	-	**3,506**	-
Social security	**5,235**	6,972	**5,242**	6,982
Contribution to the Severance Indemnity Fund	**969**	1,657	**971**	1,661
Social security	**402**	440	**403**	440
Other	**215**	72	**215**	72
Current liabilities	**47,085**	50,773	**47,207**	50,881

18. Taxes and contributions payable

		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Contribution for social security funding–COFINS		**4,008**	778	**4,008**	869
Value-added tax on sales and services-ICMS		**3,324**	5,095	**3,329**	5,111
Employees' Profit Participation Program-PIS		**817**	113	**817**	131
Municipal Real Estate Tax-IPTU		**2,675**	185	**2,675**	185
Excise Tax-IPI		**2,367**	1,778	**2,367**	1,778
Withholding income tax–IRRF		**1,198**	3,166	**1,199**	3,169
Income tax and social contribution	26.2	-	-	-	7
Withheld PIS, COFINS, income tax and social		**614**	522	**614**	522
Service Tax - ISS		**512**	654	**513**	655
Other		**32**	28	**32**	28
Current liabilities		**15,547**	12,319	**15,554**	12,455

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

19. Provision for judicial claims

19.1. Accrued risks

The Company makes provisions for tax, labor and civil lawsuits and administrative proceedings against the Company and its subsidiaries in cases where the likelihood of loss is deemed probable by its Legal Advisors.

The balances of the provision for contingencies, with a statement of the net balance of judicial deposits related to the respective claims, are given below. Judicial deposits are provided as guarantees and surveyed by the opposing parties upon settlement of the claim, in the event of an unfavorable final decision.

						Parent company/Consolidated
			03/31/2020			12/31/2019
	Provision	Judicial Claims	Provision	Provision	Judicial Claims	Provision
Labor	**187,347**	**(7,953)**	**179,394**	182,572	(8,076)	174,496
Tax	**1,696**	**(1,192)**	**504**	1,453	-	1,453
Social Security	**9,396**	**(310)**	**9,086**	8,238	(307)	7,931
Civil	**19,481**	**(10,775)**	**8,706**	17,978	(9,948)	8,030
	217,920	**(20,230)**	**197,690**	**210,241**	**(18,331)**	**191,910**

The changes in the provisions were as shown below:

					Parent company/Consolidated
	Labor	Tax	Civil	Social Security	Total
Balance as at December 31, 2018	164,419	2,204	6,744	792	174,159
Provision (Reversal)	30,738	(1,795)	11,588	7,479	48,010
Monetary Restatement	11,241	1,088	2,268	-	14,597
Deposits in court	(8,076)	-	(9,948)	(307)	(18,331)
Write-offs	(23,826)	(44)	(2,622)	(33)	(26,525)
Balance as at December 31, 2019	174,496	1,453	8,030	7,931	191,910
Provision (Reversal)	6,226	(91)	306	1,158	7,599
Monetary Restatement	2,905	334	525	-	3,764
Deposits in court	123	(1,192)	(155)	(3)	(1,227)
Write-offs	(4,356)	-	-	-	(4,356)
Balance as at March 31,2020	**179,394**	**504**	**8,706**	**9,086**	**197,690**

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

The provision for civil lawsuits consists mainly of indemnity suits related to contractual disputes.

19.2. Risks assessed as possible

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

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Labor	**33,087**	36,213	**33,087**	36,213
Tax	**786,141**	792,134	**789,547**	795,522
Social security	**32,853**	33,709	**32,853**	33,709
Civil	**453,276**	435,602	**453,276**	435,602
	1,305,357	1,297,658	**1,308,763**	1,301,046

Most relevant lawsuits with a risk of loss assessed as possible are tax-related, and are commented on in items "a" and "b" below:

a) CSLL

Based on a final legal decision, in 1994 the company Caraíba Metais S.A., merged by Paranapanema S.A. on November 13, 2009, obtained the right not to pay CSLL, as established by Law 7689/88.

Following this decision favorable to Caraíba Metais S.A., a company merged by Paranapanema, this decision was challenged by the National Treasury through a motion for a new trial, proposed in 1994, with the object of reestablishing the obligation of the Company (the successor company of Caraíba Metais S. A.) to pay the contribution. The motion for a new trial was accepted, and the final ruling favorable to the Federal Government was issued on March 29, 2010.

The Company, based on the opinion of its legal advisors, believes that the decision that canceled the Company's right not to pay CSLL cannot have its effects canceled from the year of the Law's enactment. For this reason, the merged Company ceased recording a provision for this contribution beginning from the base year 1994. For periods prior to this date, the Company did not determine a positive calculation basis for CSLL.

In relation to this matter, the Brazilian Internal Revenue Service filed five infraction notices regarding facts generated between 1994 and 2008. Furthermore, one of these notices was segregated, keeping part of the discussion at the administrative level and the other at the judicial level.

As at March 31, 2020, the Company estimated non-provisioned amounts of R$ 356,933 and R$ 319,018 as representing possible risks and R$ 37,915 as remote risks (R$ 355,620 as at December 31, 2019, R$ 317,881 were assessed as representing possible risks and R$ 37,739 as remote risks) according to the opinion of its legal advisors.

b) Isolated IPI and IRPJ fine

The Brazilian Internal Revenue Service filed an infraction notice to collect a one-off fine related to the incorrect payment of IPI and IRPJ debits between 2004 and 2006 by Caraíba Metais S.A. This payment was made by the Company before the final Court ruling on the validity of the use of the credits.

On August 24, 2010, the merged company Caraíba Metais S.A. had a partial success at the Appeals Court, recognizing the lack of a legal basis for the enforcement of a "one-off/non-cumulative" fine until the Enactment of lLaw 11196/2005.

The Company, supported by the opinion of its legal advisors, believes that this collection is not due, in accordance with the decision issued by the Supreme Court of Justice in special appeal 1.164.452/MG, which states that the requisite final ruling can only be applied to lawsuits filed after Complementary Law 104/2001 was published on January 11, 2001. The lawsuit which allowed the use of the credit was published on August 17, 1998.

Presently, the case is under discussion in the lower court, with the collection of the fine being contested by the Company through the tax foreclosure.

As at March 31, 2020, the Company estimated the amount not subject to provision and duly updated as being R$111,619 (R$111,045 as at December 31, 2019) and the risk was evaluated as possible.

c) <u>BTG Pactual S.A. and Banco Santander (Brasil) S.A.</u>

There was a disagreement involving the Company, BTG Pactual S.A. (BTG Pactual) and Banco Santander (Brasil) S.A. (Santander, referred to together with BTG Pactual as Bancos), regarding certain obligations under a credit facility agreement executed between the parties, including collections from swap agreements, also executed between the parties. As a result, Santander, in April 2010, initiated arbitration proceedings before the Arbitration and Mediation Center of the Chamber of Commerce Brazil-Canada (CAM-CCBC and the First Arbitration, respectively). The judgment issued by this body, in favor of Santander, required the payment by the Company 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 of the action proposed by Paranapanema in common law, which was upheld in the first and second instances (interest on equity reserve), determining the annulment of the decision by the Arbitration Court. After the special appeals filed by Paranapanema and BTG Pactual, the Supreme Court of Justice (STJ), on September 18, 2018, upheld the decision rendered by the Court of Justice of Sao Paulo (TJSP), ratifying the annulment of the First Arbitration. The lawsuit was judged in November 2018.

At the beginning of 2015, after the aforementioned decision held by the TJSP, Santander requested the filing of a new arbitration claim with CAM-CCBC. The new arbitration was established under Number 02/2015/SEC1 (the Second Arbitration). This Arbitration involves Santander and BTG Pactual as applicants, and the Company as defendant. This new arbitration was aimed at disputing the same matter as the First Arbitration. On August 10, 2018, Paranapanema was summoned for the partial arbitration decision awarded in this Second Arbitration, which annulled certain obligations set out in the credit facility agreement, with repercussions for swap contracts. On the other hand, the partial arbitration decision recognized the existence of counter-credits between the parties. Thus it determined, as part of the same arbitration procedure, a settlement phase to determine the possible amounts due between the parties, based on the criteria still to be established by the Arbitration Court, thus not giving a precise result, considering that this discussion is in progress.

Supported by Technical Pronouncement CPC 25, Paranapanema's management understands that the circumstances, risks and uncertainties of the case should be taken into account to obtain the best estimate of the possible contingency, asset or liability. Contingencies should be revalued at each balance sheet date and adjusted to reflect the current best estimates. Thus, in view of the extent of the decision by the Arbitration Court in the Second Arbitration to this moment, as well as the fact that certain criteria are still subject to discussion between the parties and definition by the arbitrators, Paranapanema's management, supported by discussions, reports and analysis by its external advisors, understands that it is not possible to predict the outcome or the financial effects of this issue (items 84 onwards of CPC 25).

In March 2019, BTG Pactual filed an annulment action concerning the Second Arbitration, with an injunction requesting the suspension of the effectiveness of the partial arbitration award rendered. The lawsuit is public knowledge before the arbitration court of São Paulo /SP. The injunction was denied, maintainedup to the present.

20. Other current liabilities

		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Dividends payable	(a)	**152**	172	**152**	172
Advances from clients	(d)	**46,771**	10,980	**47,111**	11,097
Attorneys' fees and services		**7,704**	8,191	**7,704**	8,191
Various provisions		**15,269**	45,977	**15,541**	46,151
Sales commission		**8,773**	8,615	**8,907**	8,739
Provision for environmental expenses	(b)	**5,762**	5,787	**5,762**	5,787
Customer credits	(c)	**726**	1,001	**793**	345
Others		**1,368**	1,348	**1,397**	1,348
Current liabilities		**86,525**	82,071	**87,367**	81,830
Dividends payable		**152**	172	**152**	172
Advances from clients		**46,771**	10,980	**47,111**	11,097
Other current liabilities		**39,602**	70,919	**40,104**	70,561
		86,525	82,071	**87,367**	81,830

a) Refers to a mandatory minimum dividend equivalent to 25% of the net income in 2015, adjusted to reflect the legal reserve, with inflation adjustments based on the IGP-M (General Inflation index), as shown in Note 21k. A substantial portion of dividends were paid on December 30, 2019.

b) Refers to the expenditure forecast to be required 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) Customer credit refers to adjustments between price parameters, volumes and / or metallic levels charged in invoicing and the final parameters of the transaction.

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

21. Shareholders' equity

a) Capital

The subscribed and paid-up capital as at March 31, 2020 and December 31, 2019 corresponded to R$ 2,069,566,247.56, represented by 43,403,849 book-entry shares.

The ownership structure of the Company at March 31, 2020 as well as the ownership structure disclosed at December 31, 2019, was as follow:

	%	03/31/2020	%	12/31/2019
Mineração Buritirama S.A.	27.00	**11,719,933**	27.73	12,037,733
Caixa Econômica Federal	16.18	**7,022,365**	16.18	7,022,365
Cargill Financial Services Internat, Inc	8.75	**3,798,867**	8.75	3,798,867
Silvio Tini de Araujo	5.93	**2,573,399**	2.47	1,073,399
Glencore International Investiments Ltd	5.73	**2,488,687**	5.73	2,488,687
João José Oliveira de Araujo	5.00	**2,171,700**	9.46	4,107,300
Bonsucex Holding S.A.	3.91	**1,698,675**	6.91	2,998,675
Treasury shares	0.00	**1,441**	0.00	1,441
Market	27.48	**11,928,782**	22.75	9,875,382
Total shares outstanding		**43,403,849**		43,403,849

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. With the release of a debenture public offering with restricted placement efforts, these debentures are mandatorily convertible into shares in the Company, and are issued in two series, unsecured, without any additional guarantees, for public distribution and with restricted placement efforts under the terms of CVM Instruction 476. 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. Unit value is R$ 1.00.

334,216,991 Series 1 debentures and 25,786,827 Series 2 debentures were issued. The Series 1 debentures matured on September 1, 2019 and the 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.

The Series 1 debentures were fully converted into shares, according to their maturity. The Series 2 debentures may be converted into shares at any time. Moreover, and up to their maturity dates, the conversion will occur automatically and will be mandatory.

As at March 31, 2020, the total debentures translated into shares totaled R$ 334,217, and the balance to be reversed is R$25,787.

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$ 3,500,000, through a resolution of the Board of Directors, which will also establish issuance and placement conditions for the said securities, among the assumptions permitted under the law.

d) Rights of shares

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

In accordance with the regulations of the B3 S.A. (Brasil, Bolsa, Balcão) New Market segment, owners of common shares have the right to sell their shares at the same prices as the shares negotiated by a controlling group/shareholder (tag-along rights of 100%).

e) Legal reserve

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

f) Treasury shares

As at March 31, 2020 and December 31, 2019, the Company had 1,441 treasury shares. The market value of the total treasury shares, calculated based on the last stock exchange quotation as at March 31, 2020, was R$ 16 (R$ 42 as at December 31, 2019).

g) Tax incentive reserve

Paranapanema is a tax beneficiary until 2027 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) 283, dated 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 (the tax amount not paid) which, by definition, does not form part of the 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 in the fair value of financial instruments used as a cash flow hedge, which will later be recognized in the profit or loss upon liquidation (see Note 28).

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

- The balance of the deemed cost reserve refers to values recognized prior to the coming into effect of Law 11638/07, and will be maintained up to its effective realization. The realization of the reserve is reflected in the account retained earnings or losses. The same treatment is given to the reversal of deferred taxes and contributions, which were recorded on a deemed costs basis.

Changes in equity valuation adjustments were as follow:

	Export revenue ACC/PPE	NDF sales revenue	Metal cost x exchange future	Other debts	Revaluation reserve	Exchange variations on investments abroad	Total
Balance as at December 31, 2018	(430,977)	(116,002)	3,238	(424,584)	206,438	397	(761,490)
Other comprehensive income	(133)	46,796	(2,873)	-	(8,174)	184	35,800
Balance as at December 31, 2019	(431,110)	(69,206)	365	(424,584)	198,264	581	(725,690)
Other comprehensive income	-	12,453	(755)	-	(2,090)	271	9,879
Balance as at March 31,2020	**(431,110)**	**(56,753)**	**(390)**	**(424,584)**	**196,174**	**852**	**(715,811)**

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 March 31, 2020 to R$ 483,302 (R$ 1,234,840 as at December 31, 2019). As at March 31, 2020, the Company had shareholders' equity of R$ 63,375 (R$ 621,396 as at December 31, 2019), and the shares' book value was R$ 1.46 (R$ 14.32 as at December 31, 2019).

j) Earnings (loss) per share

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

The diluted earnings (losses) per share is calculated by dividing the net (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 for the calculation of the basic earnings (losses) per share:

	1 st Quarter	1 st Quarter Grouping	1 st Quarter
Profit (Loss) per common share			
Income (Loss) for the period	(569,790)	(38,941)	(38,941)
Weighted average of shares outstanding(*)	40,703,950	40,537,919	689,144,631
Profit (Loss) per common share	(13.99840)	(0.96061)	(0.05651)
Profit (Loss) per diluted common share			
Income (Loss) for the period	(569,790)	(38,941)	(38,941)
Weighted average of shares outstanding(*)	40,703,950	40,537,919	689,144,631
Convertible debentures	875,120	3,551,313	60,372,328
Weighted average of shares diluted with convertible debentures	41,579,070	44,089,233	749,516,959
Profit (Loss) per diluted common share	(13.70377)	(0.88323)	(0.05195)

(*) The weighted average quantity of shares considers the effect of changes in the weighted average quantity of shares during the year (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 these Quarterly Financial Statements.

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. The net income for the year 2019 was used to offset previous losses.

I) 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 was paid until December 30, 2019 including inflation adjustments based on the inflation index IGP-M from June 24, 2016 until the effective payment date.

22. Net sales

a) Breakdown of net revenue

		Parent company		Consolidated	
		1 st Quarter 2020	1 st Quarter 2019	1 st Quarter 2020	1 st Quarter 2019
Gross sales		**1,036,030**	1,586,112	**1,031,168**	1,483,996
Domestic market		**570,422**	849,187	**565,560**	747,071
Foreign market		**465,608**	736,925	**465,608**	736,925
Taxes and sales deductions		**(121,399)**	(167,777)	**(121,418)**	(147,607)
Excise Tax - IPI		**(6,949)**	(5,880)	**(6,949)**	(5,880)
Value-added tax on sales and services - ICMS		**(63,282)**	(95,017)	**(62,853)**	(79,146)
Tax Incentive Fiscal ICMS - Desenvolve	(I)	**18,280**	24,779	**18,280**	24,779
Social Integration Program–PIS		**(7,692)**	(11,596)	**(7,610)**	(9,416)
Contribution for social security funding–COFINS		**(35,431)**	(53,411)	**(35,053)**	(43,372)
Other taxes and sales deductions		**(26,325)**	(26,652)	**(27,233)**	(34,572)
Net revenue from sales		**914,631**	1,418,335	**909,750**	1,336,389
Net revenue DM		**459,403**	698,252	**454,522**	616,312
Net revenue FM		**455,228**	720,083	**455,228**	720,077
		914,631	1,418,335	**909,750**	1,336,389

(I). The industrial headquarters located in Dias D'Ávila, in the State of Bahia, was granted an ICMS tax incentive, within the scope of the Industrial Development and Economic Integration Program of the State of Bahia (DESENVOLVE). In August 2016, through Decree 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 amount of ICMS paid, must contribute the corresponding amount of 10% of the benefit or incentive to the State Fund to Combat and Eradicate Poverty.

b) Geographical information – gross revenue from clients abroad

	Consolidated	
	1 st Quarter 2020	1 st Quarter 2019
America	**332,956**	291,349
Europe	**91,943**	425,955
Asia	**40,709**	19,022
Africa	-	599
	465,608	736,925

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

23. Expenses per type

		Parent company		Consolidated	
		1 st Quarter	1 st Quarter 2019	1 st Quarter	1 st Quarter
Metal cost		**(782,576)**	(1,211,182)	**(777,747)**	(1,122,903)
Personnel and benefits	(b)	**(58,176)**	(62,929)	**(58,499)**	(63,400)
Depreciation		**(38,315)**	(40,310)	**(38,345)**	(40,340)
Amortization of asset usage rights		**(3,335)**	(3,361)	**(3,377)**	(3,403)
Electricity/water/gas/fuel and lube oil		**(36,113)**	(42,049)	**(36,115)**	(42,074)
Services rendered by third parties and others		**(18,152)**	(21,089)	**(18,243)**	(21,375)
Maintenance		**(14,308)**	(21,951)	**(14,319)**	(21,953)
Petrochemicals stock used/absorbed		**(1,663)**	(6,029)	**(145)**	(6,435)
Rent		**(2,009)**	(2,927)	**(2,156)**	(3,106)
Institutional and legal issues		**(4,314)**	(3,923)	**(4,330)**	(3,932)
Informatics/telecommunications		**(2,842)**	(2,108)	**(2,849)**	(2,117)
Other expenses		**(2,708)**	(3,485)	**(2,715)**	(3,499)
Travel expenses		**(509)**	(749)	**(510)**	(751)
Sales and marketing		**(275)**	1,306	**(279)**	1,301
Expenses transference idle capacity	(a)	**43,349**	41,583	**43,349**	41,583
		(921,946)	(1,379,203)	**(916,280)**	(1,292,404)
Cost of products sold		**(898,418)**	(1,354,689)	**(892,068)**	(1,267,002)
Sales expenses		**(5,804)**	(5,464)	**(6,199)**	(5,978)
Administrative and general expenses		**(17,724)**	(19,050)	**(18,013)**	(19,424)
		(921,946)	(1,379,203)	**(916,280)**	(1,292,404)

a) Idleness derives mainly from the lower production volume due to unscheduled downtime caused by operating problems with the smelter, as well as due to the scheduled maintenance at the industrial complex in Dias D'Ávila, in the state of Bahia.

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.

24. Other revenue (expenses)

		Parent company		Consolidated	
	Notes	Quarter 2020	1 st Quarter	Quarter 2020	1 st Quarter
Energy sales revenue	a)	**4,467**	6,845	**4,467**	6,845
Sundry recoveries		**5**	433	**876**	454
Sundry sales		**689**	650	**689**	650
Provision penalty Reversal - Onerous contracts		-	4,020	-	4,020
Receipt related to legal proceedings (Precatory)	09(b)	**6,524**	-	**6,524**	-
Receipt related to legal proceedings (Precatory)		**517**	-	**517**	
Leasing of property and equipment		**75**	65	**75**	65
Property, plant and equipment sales		**9**	-	**9**	-
Other income		**502**	610	**502**	611
Total of other income		**12,788**	**12,623**	**13,659**	12,645
Idleness	23	**(43,349)**	(41,583)	**(43,349)**	(41,583)
Provision for judicial claims	19	**(7,601)**	(32,756)	**(7,601)**	(32,756)
Severance pay		**3,849**	(1,387)	**3,739**	(1,387)
PIS and COFINS on other income		**(1,866)**	(911)	**(1,870)**	(911)
Subsidiary Negative PL		**(1)**	-	-	-
Provision for judicial claims		**(270)**	(530)	**(270)**	(530)
Fines from infraction notices		**(3,105)**	(44)	**(3,106)**	(57)
Fines from infraction notices		**(4,811)**	-	**(4,811)**	-
Sundry sales costs		**(1,996)**	(89)	**(1,996)**	(89)
Other estimated losses		-	(1,254)	-	(1,254)
	b)	**(7,968)**	-	**(7,968)**	-
Other expenses		**(27)**	(296)	**(27)**	(297)
Total other expenses		**(67,145)**	(78,850)	**(67,259)**	(78,864)
Total other income (expenses), net		**(54,357)**	(66,227)	**(53,600)**	(66,219)

a) Revenue from the sale of surplus electricity not used in production.

b) Contact fine and penalty related to negotiations with Glencore International Invest. Ltd.

25. Financial revenue (expenses)

		Parent company		Consolidated	
	Note	Quarter 2020	st Quarter 2019	Quarter 2020	t Quarter 2019
Liability foreign exchange fluctuations	a)	**(864,660)**	(305,791)	**(864,660)**	(158,272)
Derivative financial instruments		**(5,394)**	(19,830)	**(5,394)**	(19,830)
Hedge of fair value of inventory	b)	-	(83,716)	-	(83,716)
Interest expenses		**(36,717)**	(42,608)	**(37,956)**	(46,995)
Adjustment to present value		**(6,496)**	(8,044)	**(6,916)**	(11,786)
Bank expenses/IOF		**(2,656)**	(548)	**(2,671)**	(570)
Liability monetary variation	d)	**(45,749)**	(6,718)	**(45,749)**	(6,718)
Other financial expenses		**(3,402)**	(3,386)	**(3,443)**	(4,002)
Total financial expenses		**(965,074)**	(470,641)	**(966,789)**	(331,889)
Asset foreign exchange fluctuations	a)	**426,437**	305,653	**426,437**	158,134
Derivative financial instruments		**1,752**	33,611	**1,752**	33,611
Hedge on fair value of inventory	b)	-	90,888	-	90,888
Adjustment to present value		**1,456**	7,532	**1,553**	10,700
Interest income		**5,028**	2,004	**5,102**	2,601
Monetary variation – assets		**4,048**	2,576	**4,048**	2,576
Other financial income	c)	**22,496**	1,827	**23,374**	4,987
Total financial income		**461,217**	444,091	**462,266**	303,497
Total financial result		**(503,857)**	(26,550)	**(504,523)**	(28,392)

a) Exchange-rate change: Refers to the restatement of assets and liabilities exposed to foreign currency, mainly in US$, the appreciation of which against the R$ during the period generated considerable exchange-rate change, on both the asset and liability sides. The table below presents the net income (loss) of the Company's exchange-rate change:

	Controladora / Consolidado	
	1º Trim 2020	1º Trim 2019
Variação cambial passiva	(864.660)	(305.791)
Variação cambial ativa	426.437	305.653
Efeito líquido da variação cambial	**(438.223)**	**(138)**

b) Expenses and revenues with fair value hedge in inventories, aiming to hedge the value of the metal in inventories and consequently allowing the sales cost of the metal to be similar to the metal price from revenue, and started to be classified in the cost of goods sold.

c) The increase is substantially represented by the recognition of R$ 22,278 of revenue resulting from the updating of the court-ordered debt payment receipt, according to note 09.b.

d) Refers to the monetary updating of suppliers contracted in the domestic market, indexed by changes in the USD rate

26. Current and Deferred income tax and social contribution

26.1 Deferred income tax and social contribution

The parent company received a favorable court decision regarding the non-payment of CSLL. The Company is only subject to the payment of income tax at a rate of 25% on its profits.

Deferred income tax and CSLL have the following sources:

		03/31/2020			12/31/2019		
	Note	Parent company	Parent company	Consolidated	Parent company	Parent company	Consolidated
Rate		25%	34%		25%	34%	
Credits on tax losses		1,305,421	31,599	1,337,020	1,278,711	31,571	1,310,282
Income tax on fiscal loss		326,355	10,744	337,099	319,678	10,734	330,412
Credits on tax losses		(213,511)	-	(213,511)	(206,834)	-	(206,834)
Income tax on fiscal loss	a)	112,844	10,744	123,588	112,844	10,734	123,578
Net exchange variations		(22,985)	-	(22,985)	(638,120)	-	(638,120)
Estimated losses (reversals) on allowance for doubtful assets		55,230	1,152	56,382	53,948	1,163	55,111
Shareholders' deficit		252	-	252	195	-	195
Provision for lawsuits		197,690	-	197,690	191,910	-	191,910
Estimated loss (reversal) on recoverable inventory sums		(5,649)	-	(5,649)	(15,735)	-	(15,735)
Estimated sundry losses (reversals)		10,882	-	10,882	10,883	-	10,883
Provision (Reversals) for financial instruments and others		(52,511)	584	(51,927)	22,860	915	23,775
Management profit sharing and others		4,065	51	4,116	6,955	37	6,992
Provision for adjustment to present value		(2,505)	(19)	(2,524)	(1,951)	(325)	(2,276)
Total temporary differences		184,469	1,768	186,237	(369,055)	1,790	(367,265)
Income tax on temporary differences		46,117	601	46,718	(92,264)	609	(91,655)
Credits on tax losses		(138,381)	-	(138,381)	-	-	-
Income tax on temporary differences	b)	(92,264)	601	(91,663)	(92,264)	609	(91,655)
Deferred income tax and social contribution		20,580	11,345	31,925	20,580	11,343	31,923
Tax on revaluation reserve	c)	(65,394)	-	(65,394)	(66,088)	-	(66,088)
		(44,814)	11,345	(33,469)	(45,508)	11,343	(34,165)
Non-current assets		-	11,345	11,345	-	11,343	11,343
Non-current liabilities		44,814	-	44,814	45,508	-	45,508

a) The Company had consolidated tax losses generated in Brazil in the amount of R$ 1,337,020 (R$ 1,310,282 as at December 31, 2019), subject to offsetting against future taxable income.

Based on technical studies related to future taxable income, the Company recorded an estimated loss in the amount of R$ 213,511 on deferred tax assets of tax loss and R$138,381 on temporary differences, maintaining the level of deferred tax at the end of prior year.

The adjustment stems from projections in 2019, considering the new economic and market scenario, such as the increase in the exchange rate and in metal prices, among other current developments. Management will maintain the timely monitoring of credits and, at any time based on estimates of realization of taxable income, the amounts provisioned for losses will be reversed in favor of the Company. In Brazil, the offsetting of tax losses has no statute of limitations, being limited to the offsetting of 30% of the annual taxable income.

b) As at March 31, 2020, the Company had recorded under the account "deferred income tax" amounts calculated on temporarily non-deductible expenses arising from the calculation of the taxable income for income tax purposes, which are available for future offsetting against the said tax.

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

Additionally, based on the technical study of the generation of future taxable profits, various financial and business assumptions were considered, such as the optimization of the installed capacity, the dilution of fixed costs and optimizing cash generation, an increase in the sales volume mainly due to exports, management's focus on reducing the cash conversion cycle through customs actions, and shortening the terms of receivables to ensure that the working capital needs are 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 projected realization of deferred taxes has been prepared based on management's best estimates, and on the projections of profit or loss approved by the Company's corporate governance bodies. However, since they involve various assumptions that are not under the Company's control, such as inflation rates, exchange rate volatility, international market prices and other economic uncertainties in Brazil, future results may differ materially from those considered in the preparation of the said projection.

The Company and its subsidiaries expect to recover tax credits arising from taxable losses within a period of up to ten years, as shown below:

	Consolidated
2021	3,592
2022	2,002
2023	5,034
2024	6,468
2025 to 2029	106,492
	123,588

The Company has a 75% exemption on 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 2027. This exemption is applied to the balance of income tax payable after the offsetting of tax losses, as described in item a.

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

26.2 Reconciliation of income tax and social contribution expenses

The reconciliation between the tax expense calculated at the combined nominal rates and the income and social contribution tax expense in the Parent Company and income tax and social contribution in Consolidated, charged to income is presented below:

	Parent company		Consolidated	
	1 st Quarter 2020	1 st Quarter 2019	1 st Quarter 2020	1 st Quarter 2019
(Loss) before income and social contribution taxes	(570,484)	(52,986)	(570,485)	(51,971)
Nominal combined statutory rates	25%	25%	25% e 34%	25% e 34%
Income tax	(142,621)	-	(141,343)	1,020
Permanent additions	(4,693)	(717)	(4,693)	(717)
Realization of revaluation reserve (depreciation/write-off)	893	1,677	893	1,677
Provisions for doubtful credit	321	(156)	317	(153)
Provisions for litigation	1,445	4,861	1,445	4,861
Other deductible provision	(17,183)	(2,375)	(17,188)	(2,774)
Net exchange variation (cash basis)	153,784	(7,457)	153,784	(7,457)
Shareholders' deficit	14	(687)	14	(687)
Deferred income tax and social contribution on tax losses				
Tax loss and negative basis of social contribution	146,421	18,271	145,153	16,632
Deferred income tax on revaluation reserve	694	628	694	628
Provision for credit write-offs with temporary differences	(138,381)	-	(138,381)	-
Current Income tax credits	694	14,045	695	13,030
Income tax for the current year	-	-	-	(315)
Social contribution for the current year	-	-	-	(116)
Current taxes	-	-	-	(431)
Deferred income tax	-	13,417	1	12,987
Deferred social contribution	-	-	-	(154)
Deferred income tax on revaluation reserve	694	628	694	628
Deferred taxes	694	14,045	695	13,461
Credit from income and social contribution taxes	694	14,045	695	13,030
Total effective rate	-0.12%	-26.51%	-0.12%	-25.07%
Current effective rate	0.00%	0.00%	0.00%	0.83%

27. Operating segments

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

28. Financial instruments

28.1 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 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 market risk management policies and to guarantee that proper procedures are in place at the Company to ensure that all risk exposure can be identified and evaluated. In addition, the Committee monitors this exposure to ensure that it is within established limits. The identified business risks are as follow:

- Interest rate risk inherent in the Company's debts;
- Foreign exchange risk and commodities price risk derived from raw materials and sold products, forecast transactions and firm commitments;
- Foreign exchange risk arising 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 could occur between the contracting and settlement of hedging instruments and objects.

The Market Risk Management policy permits the Company to use approved derivative financial instruments to minimize its exposure to market risks, such as FX, commodities and interest rates.

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

The Company carries out hedging transactions using derivative or non-derivative financial instruments, and makes such transactions fit the hedge accounting rules, as defined by CVM Resolution 763 (CPC 48). Not all hedge transactions with derivatives are accounted for by applying the hedge accounting rules.

28.2 Fair value methodologies

Derivative financial instruments are measured at fair value and recognized in the respective Statement of Financial Position accounts. The methodology for determining the fair value involves verifiable parameters derived 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 based on the market curve (Pre- and FX Coupon), with 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 the curves disclosed in the LME and LBMA.

28.3 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 as embedded derivatives, and 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 those in the 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 and subject to hedge accounting, such as a fair value hedge of copper inventory.

Purchase contracts for copper concentrate for copper products normally include a provisional price as at the shipment date, with a final price based on the monthly average copper price according to 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 at a provisional price contains an embedded derivative that must be separate from the main contract and calculated as a separate derivative in the statement of income (loss).

28.4 Classification of financial instruments

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

The classification of financial assets and liabilities is as follows:

Parent company

	Notes	At fair value through profit or loss	Amortized cost method	Book value 03/31/2020	Fair value 03/31/2020
Financial assets					
Cash and cash equivalents	05	-	109,153	109,153	109,153
Interest-earning bank deposits	05	-	15,741	15,741	15,741
Trade accounts receivable	06	-	301,492	301,492	301,492
Financial instruments - Hedge accounting	28	120,776	-	120,776	120,776
Financial instruments - Other derivatives	28	105,456	-	105,456	105,456
Total assets		226,232	426,386	652,618	652,618
Financial liabilities					
Suppliers	13	-	611,784	611,784	611,784
Securitization of accounts payable	14	-	111,538	111,538	111,538
Advances from clients	20	-	46,771	46,771	46,771
Customer credit	20	-	726	726	726
Loans and financing	16	-	2,803,711	2,803,711	2,803,711
Financial instruments - Hedge accounting	28	12,857	-	12,857	12,857
Financial instruments - Other derivatives	28	52,960	-	52,960	52,960
Total liabilities		65,817	3,574,530	3,640,347	3,640,347

Parent company

	Notes	At fair value through profit or loss	Amortized cost method	Book value 12/31/2019	Fair value 12/31/2019
Financial assets					
Cash and cash equivalents	05	-	102,266	102,266	102,266
Interest-earning bank deposits	05	-	19,943	19,943	19,943
Trade accounts receivable	06	-	215,758	215,758	215,758
Financial instruments - Hedge accounting	28	4,756	-	4,756	4,756
Financial instruments - Other derivatives	28	11,914	-	11,914	11,914
Total assets		16,670	337,967	354,637	354,637
Financial liabilities					
Suppliers	13	-	494,347	494,347	494,347
Securitization of accounts payable	14	-	85,641	85,641	85,641
Advances from clients	20	-	10,980	10,980	10,980
Customer credit	20	-	1,001	1,001	1,001
Loans and financing	16	-	2,210,885	2,210,885	2,210,885
Financial instruments - Hedge accounting	28	18,448	-	18,448	18,448
Financial instruments - Other derivatives	28	30,933	-	30,933	30,933
Total liabilities		49,381	2,802,854	2,852,235	2,852,235

				Consolidated	
				Book value	Fair value
	Notes	At fair value through profit or loss	Amortized cost method	03/31/2020	03/31/2020
Financial assets					
Cash and cash equivalents	05	-	111,470	111,470	111,470
Interest-earning bank deposits	05	-	20,869	20,869	20,869
Trade accounts receivable	06	-	297,776	297,776	297,776
Financial instruments - Hedge accounting	28	120,776	-	120,776	120,776
Financial instruments - Other derivatives	28	105,456	-	105,456	105,456
Total assets		226,232	430,115	656,347	656,347
Financial liabilities					
Suppliers	13	-	612,470	612,470	612,470
Securitization of accounts payable	14	-	111,538	111,538	111,538
Advances from clients	20	-	47,111	47,111	47,111
Customer credit	20	-	793	793	793
Loans and financing	16	-	2,803,711	2,803,711	2,803,711
Financial instr. - Hedge accounting	28	12,857	-	12,857	12,857
Financial instr. - Other derivatives	28	52,960	-	52,960	52,960
Total liabilities		65,817	3,575,623	3,641,440	3,641,440

				Consolidated	
				Book value	Fair value
	Notes	At fair value through profit or loss	Amortized cost method	12/31/2019	12/31/2019
Financial assets					
Cash and cash equivalents	05	-	118,036	118,036	118,036
Interest-earning bank deposits	05	-	25,029	25,029	25,029
Trade accounts receivable	06	-	203,616	203,616	203,616
Financial instruments - Hedge accounting	28	4,756	-	4,756	4,756
Financial instruments - Other derivatives	28	11,914	-	11,914	11,914
Total assets		16,670	346,681	363,351	363,351
Financial liabilities					
Suppliers	13	-	495,575	495,575	495,575
Securitization of accounts payable	14	-	85,641	85,641	85,641
Advances from clients	20	-	11,097	11,097	11,097
Customer credit	20	-	345	345	345
Loans and financing	16	-	2,210,885	2,210,885	2,210,885
Financial instruments - Hedge accounting	28	18,448	-	18,448	18,448
Financial instruments - Other derivatives	28	30,933	-	30,933	30,933
Total liabilities		49,381	2,803,543	2,852,924	2,852,924

Fair value hierarchy

The Company discloses its assets and liabilities at fair value, based on the 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 related to the fair value.

Financial assets and liabilities recorded at fair value are classified and disclosed with reference to the following hierarchies:

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 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 occur 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 only when observable inputs are not available, and should reflect the business unit's expectations of what other market players would use as assumptions for pricing an asset or a liability, including risk assumptions. None of the company's financial instruments have the characteristics of Level 3.

The Parent company and Consolidated assets and liabilities measured at fair value as at March 31, 2020 and December 31, 2019 were as follow:

				Parent company			Consolidated
	Notes	Level 1	Level 2	03/31/2020	Level 1	Level 2	03/31/2020
Financial assets							
Financial instruments - Hedge accounting	28	-	120,776	120,776	-	120,776	120,776
Financial instruments - Other derivatives	28	-	105,456	105,456	-	105,456	105,456
Total assets		-	226,232	226,232	-	226,232	226,232
Financial liabilities							
Suppliers	13	-	611,784	611,784	-	612,470	612,470
Forfait and letter of credit operations	14	-	111,538	111,538	-	111,538	111,538
Loans and financing	16	2,803,711		2,803,711	2,803,711		2,803,711
Advances from clients	20	-	46,771	46,771	-	47,111	47,111
Customer credit	20	-	726	726	-	793	793
Financial instruments - Hedge accounting	28	-	12,857	12,857	-	12,857	12,857
Financial instruments - Other derivatives	28	-	52,960	52,960	-	52,960	52,960
Total liabilities		2,803,711	836,636	3,640,347	2,803,711	837,729	3,641,440

				Parent company			Consolidated
	Notes	Level 1	Level 2	12/31/2019	Level 1	Level 2	12/31/2019
Financial assets							
Financial instruments - Hedge accounting	28	-	4,756	4,756	-	4,756	4,756
Financial instruments - Other derivatives	28	-	11,914	11,914	-	11,914	11,914
Total assets		-	16,670	16,670	-	16,670	16,670
Financial liabilities							
Suppliers	13	-	494,347	494,347	-	495,575	495,575
Forfait and letter of credit operations	14	-	85,641	85,641	-	85,641	85,641
Loans and financing	16	2,210,885		2,210,885	2,210,885		2,210,885
Advances from clients	20	-	10,980	10,980	-	11,097	11,097
Customer credit	20	-	1,001	1,001	-	345	345
Financial instruments - Hedge accounting	28	-	18,448	18,448	-	18,448	18,448
Financial instruments - Other derivatives	28	-	30,933	30,933	-	30,933	30,933
Total liabilities		2,210,885	641,350	2,852,235	2,210,885	642,039	2,852,924

Summary of consolidated derivative financial instruments

						Consolidated
			Reference Value		Fair value	
Instrument	Position	Index	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Designated for hedge accounting						
Risk of commodity prices						
NDF	Purchased	Copper	4,825 tonnes	5,250 tonnes	12,735	(4,290)
Firm commitment for sales	Sold	Copper	(4,825) tonnes	(5,250) tonnes	(12,735)	4,290
NDF	Sold	Copper	(9,834) tonnes	(7,150) tonnes	24,111	(6,630)
NDF	Sold	Gold	(4,212) Oz	- Oz	112	-
NDF	Sold	Silver	(88,381) Oz	- Oz	1,378	-
NDF	Sold	Zinc/Tin/Lead	(770) tonnes	(865) tonnes	933	460
Embedded derivative	Sold	Copper	(21,273) tonnes	(4,676) tonnes	79,574	(7,522)
Embedded derivative	Sold	Gold	(1,948) Oz	(180) Oz	(122)	(6)
Embedded derivative	Sold	Silver	(145,246) Oz	(22,076) Oz	1,933	6
Total					**107,919**	**(13,692)**
Total derivatives designated for hedge accounting					**107,919**	**(13,692)**
Not designated for hedge accounting						
Risk of commodity prices						
Firm commitment for sales	Purchased	Copper	- tonnes	- tonnes	(4,527)	(97)
Cash Flow - Cost	Purchased	Copper	4,954 tonnes	(7,375) tonnes	(20,024)	(3,854)
NDF	Sold	Copper	(3,291) tonnes	3,300 tonnes	32,126	6,568
NDF	Sold	Gold	(4,486) Oz	(12,160) Oz	2,270	(3,491)
NDF	Purchased	Silver	13,554 Oz	(133,815) Oz	901	(1,023)
NDF	Purchased	Zinc/Tin/Lead	- tonnes	- tonnes	994	(136)
Embedded derivative	Purchased	Copper/Gold;Silver	- tonnes	- tonnes	40,756	(15,865)
Total					**52,496**	**(17,898)**
Economic Hedge - Exchange Rate US$ / R$						
MTM NDF	Purchased	USD/BRL	- US$	(18,000) US$	-	(1,121)
Total					-	**(1,121)**
Total other derivatives					**52,496**	**(19,019)**
Total					**160,415**	**(32,711)**
Current Assets					**226,232**	**16,670**
Current liabilities					**(65,817)**	**(49,381)**

28.5 Market risks

28.5.1 Foreign exchange risk

The Company has assets and liabilities denominated or indexed to foreign currency, as well as futures operations that will involve revenue 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:

		Parent company / Consolidated	
		03/31/2020	12/31/2019
	Position	US$	US$
Object			
Accounts receivable	Purchased	1,326,604	1,341,604
Inventory	Purchased	167,946	118,950
Instrument designated as hedge accounting			
NDF - Revenue	Sold	(113,636)	(128,636)
Loans and financing	Sold	(839,131)	(790,135)
Suppliers	Sold	(541,783)	(541,783)
Derivatives not designated as hedge accounting			
NDF (US$/R$)	Purchased	-	(8,000)
Loans and financing	Sold	(342,222)	(398,548)
Total net exposure		**(342,222)**	**(406,548)**

28.5.2 Interest rate risk

The Company has floating exposure to LIBOR, the 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	
		03/31/2020	12/31/2019
Designated to hedge accounting			
Loans and financing	LIBOR	(1,371,401)	(1,196,187)
		(1,371,401)	**(1,196,187)**
Not designated to hedge accounting			
Loans and financing	TJLP	(1,174)	(1,211)
		(1,174)	**(1,211)**
Investments	PRE	74,365	24,045
Loans and financing	PRE	(58,013)	(44,721)
		16,352	**(20,676)**

28.5.3 Commodities risk

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

Commodity risk arises from mismatches 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 the commodities risk of each metal is derived from 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 (through mark-to market), and only fixing the metal prices when they are sold and the price can be known for certain.

Parent company/Consolidated

Copper	Position	03/31/2020 Reference value	03/31/2020 Exposure	12/31/2019 Reference value	12/31/2019 Exposure
Assets, net	Purchased	42,719 tonnes	1,065,344	40,602 tons	1,007,452
Designated for hedge accounting					
Embedded derivatives	Sold	(35,423) tonnes	(883,373)	(23,376) tons	(580,040)
Firm commitments	Sold	(3,900) tonnes	(97,259)	(4,918) tons	(122,025)
NDF	Sold	(3,346) tonnes	(83,454)	(5,975) tons	(148,258)
Not designated for hedge accounting					
Firm commitments	Sold	(397) tonnes	(9,898)	(8,472) tons	(210,203)
Total net exposure		**(347) tonnes**	**(8,640)**	**(2,139) tons**	**(53,074)**

Parent company/Consolidated

Gold	Position	03/31/2020 Reference value	03/31/2020 Exposure	12/31/2019 Reference value	12/31/2019 Exposure
Assets, net	Purchased	6,667 Oz	55,695	2,246 Oz	13,790
Designated for hedge accounting					
Embedded derivatives	Sold	(1,025) Oz	(8,561)	(180) Oz	(1,107)
NDF	Sold	(4,212) Oz	(35,187)	- Oz	-
Not designated for hedge accounting					
Firm commitments	Purchased	4,974 Oz	41,548	4,832 Oz	29,660
NDF	Sold	(4,486) Oz	(37,469)	(12,160) Oz	(74,647)
Total net exposure		**1,918 Oz**	**16,026**	**(5,262) Oz**	**(32,304)**

Parent company/Consolidated

Silver	Position	03/31/2020 Reference value	03/31/2020 Exposure	12/31/2019 Reference value	12/31/2019 Exposure
Assets, net	Purchased	219,585 Oz	15,902	114,173 Oz	8,304
Designated for hedge accounting					
Embedded derivatives	Sold	(105,360) Oz	(7,630)	(22,076) Oz	(1,606)
NDF	Sold	(88,381) Oz	(6,400)	- Oz	-
Not designated for hedge accounting					
Firm commitments	Purchased	36,724 Oz	2,659	27,679 Oz	2,013
NDF	Purchased	13,554 Oz	982	(133,815) Oz	(9,733)
Total net exposure		**76,122 Oz**	**5,513**	**(14,039) Oz**	**(1,022)**

Parent company/Consolidated

Other	Position	03/31/2020 Reference value	03/31/2020 Exposure	12/31/2019 Reference value	12/31/2019 Exposure
Assets, net	Purchased	867 tonnes	9,786	724 tons	7,939
Designated for hedge accounting					
NDF	Purchased	630 tonnes	4,854	735 tons	5,386
Not designated for hedge accounting					
Firm commitments	Sold	(78) tonnes	(818)	(78) tons	(771)
NDF	Sold	(1,375) tonnes	13,369	(1,600) tons	(14,788)
Total net exposure		**44 tonnes**	**27,191**	**(219) tons**	**(2,234)**

28.5.4 Sensitivity analysis

In order to measure the impact on the Company's net income (loss) and shareholders' equity arising from changes to financial market rates, stress scenarios were created based on the rates effective as at March 31, 2020. As required by CVM Instruction 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	1,326,604	US$	US$	6,896,616	(1,724,154)	(3,448,308)	1,724,154	3,448,308
Inventory	167,946	US$	US$	873,101	(218,275)	(436,551)	218,275	436,551
Hedge instrument								
NDF - Cash flow hedge	(113,636)	US$	US$	(56,751)	147,690	295,380	(147,690)	(295,380)
Suppliers	(541,783)	US$	US$	(424,584)	704,142	1,408,284	(704,142)	(1,408,284)
Loans	(839,131)	US$	US$	(399,105)	1,090,597	2,181,196	(1,090,597)	(2,181,196)
Other non-derivative financial instruments								
Liabilities	(342,222)	US$	US$	(1,779,110)	444,777	889,555	(444,777)	(889,555)
Total	**(342,222)**			**5,110,167**	**444,777**	**889,555**	**(444,777)**	**(889,555)**
Interest rate risk								
Subject to hedge								
Liabilities	(263,797)	US$	LIBOR	(1,918,239)	(4,606)	1,099	(16,016)	(21,722)
Other non-derivative financial instruments								
Liabilities	(1,174)	R$	TJLP	(1,359)	9	13	(6)	(13)
Assets	74,365	R$	PRÉ	74,365	(74)	(181)	138	245
Liabilities	(58,013)	R$	PRÉ	(60,120)	(918)	(617)	(1,506)	(1,793)
Total	**(248,619)**			**(1,905,353)**	**(5,589)**	**314**	**(17,390)**	**(23,283)**
Commodity price risk								
Hedge instrument								
NDF (Copper) - Fair value hedge	(3,900)	tonnes	Copper	(97,259)	24,315	48,630	(24,315)	(48,630)
NDF (Copper) - Fair value hedge Inventory	(3,346)	tonnes	Copper	(83,454)	20,864	41,727	(20,864)	(41,727)
Embedded derivatives (Cooper) - Fair Value Hedge	(35,423)	tonnes	Copper	(883,373)	220,843	441,687	(220,843)	(441,687)
Total	**(42,669)**			**(1,064,086)**	**266,022**	**532,044**	**(266,022)**	**(532,044)**
Not designated for hedge accounting								
NDF	(4,486)	Oz	Gold	(37,469)	9,367	18,735	(9,367)	(18,735)
Hedge instrument								
NDF	(4,212)	Oz	Gold	(35,187)	8,797	17,594	(8,797)	(17,594)
Embedded derivatives	(1,025)	Oz	Gold	(8,561)	2,140	4,281	(2,140)	(4,281)
Total	**(9,723)**			**(81,217)**	**20,304**	**40,610**	**(20,304)**	**(40,610)**
Not designated for hedge accounting								
NDF	13,554	Oz	Silver	982	(246)	(491)	246	491
Hedge instrument								
NDF	(88,381)	Oz	Silver	(6,400)	1,600	3,200	(1,600)	(3,200)
Embedded derivatives	(105,360)	Oz	Silver	(7,630)	1,908	3,815	(1,908)	(3,815)
Total	**(180,187)**			**(13,048)**	**3,262**	**6,524**	**(3,262)**	**(6,524)**
Hedge instrument								
NDF (Zinc, Lead and Tin)	630	tonnes	Other Metals	4,854	(1,214)	(2,427)	1,214	2,427
Not designated for hedge accounting								
NDF	(1,375)	tonnes	Other Metals	(13,369)	3,342	6,685	(3,342)	(6,685)
Total	**(745)**			**(8,515)**	**2,128**	**4,258**	**(2,128)**	**(4,258)**
Premises								
Exchange tax	Ptax - USD/BRL			5.1987	3.8990	2.5994	6.4984	7.7981
Copper Price	Official Price Cash LME			$4,797	$3,598	$2,399	$5,996	$7,196
Gold Price	Official Price Cash LBMA			$1,607	$1,205	$803	$2,009	$2,410
Silver Price	Official Price Cash LBMA			$14	$10	$7	$17	$21
Price Zinc	Official Price Cash LME			$1,868	$1,401	$934	$2,334	$2,801
Tin Price	Official Price Cash LME			$14,401	$10,801	$7,201	$18,001	$21,602
Lead Price	Official Price Cash LME			$1,712	$1,284	$856	$2,140	$2,568

28.6 Hedge accounting

Paranapanema adopted the following hedge accounting programs:

28.6.1 US Dollar Revenue Cash Flow Hedge

The program's purpose is to ensure that a percentage of revenue equivalent to the sales premium pegged to the US$ is not impacted by exchange rate changes. Together, the derivative and revenue 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 the revenue 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. In addition to 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 advances on exchange contracts (ACC), prepayments for exports (PPE) and debt contracts in US Dollars to mitigate the exchange risk arising from its highly probable future sales in foreign currencies. This program was implemented from November 2013 for the ACC and PPE instruments, and from December 2013 for 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 the operating profit or loss only when the hedged item (the revenue percentage equivalent to the sales premium) matures, and the hedge relationship is effective.

Under CPC 48, hedge instruments can be rolled over until the hedged item's expected month of realization. The month of realization is defined upon the date of identification of the hedge relationship.

28.6.2 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 with fixed sales commitments. The hedging instruments used are copper derivatives quoted on the LME.

The metal price marking-to-market adjustments to derivatives contracts designated as hedges are credited to the operating profit or loss, along with the firm sales contracts. 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.

28.6.3 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 (the price of the metal in Reais) up to the effective sale date. The costs of transformation of metals (labor and inputs) are not material compared to the total inventory cost, and are denominated in Reais, and therefore are not subject to metal price hedges or exchange hedges.
Instruments hedging the metals price include 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 against changes in the monthly average spot prices. The same strategy was implemented on May 1, 2014 with derivatives on the stock exchange for 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 through the designation of financial instruments as foreign exchange hedges.

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

The marking-to-market adjustments made to derivatives contracts in the stock exchange and financial instruments are recognized within inventory, as well as the hedged item, which is the metals portion of inventory. 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.

28.6.4 Cost of metal cash flow hedges

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 for revenue 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 the revenue.

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

The marking-to-market adjustments to the derivative contracts designated as hedges are credited to the equity valuation adjustment account, and are debited from the derivatives receivable account when the adjustments are positive. In the case of a negative adjustment, the derivatives payable is credited, and the equity valuation adjustment account is debited. The corresponding balance in the equity valuation adjustment account is recognized within the operating profit or loss only when the hedged item matures, and the hedge relationship is effective.

In compliance with the documentation requirements defined in IFRS 9, the Company made the formal designation of its hedge operations subject to hedge accounting by documenting the following:

i. The hedge relationship;
ii. The risk management objectives and strategy 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.

Instrument	Object	Index	Maturities			Reference		Parent company/Consolidated Market value(*) 03/31/2020
Cash flow hedge								
Derivatives – designated								**Instrument**
NDF – Closed	Income (in US$)	USD	Jan-20	-	mar-20	(15,000)	US$	**(12,718)**
NDF – Provision	Income (in US$)	USD	apr-20	-	dec-21	(113,636)	US$	**(82,036)**
NDF – Closed	Cost	Copper	Jan-20	-	mar-20	5,862	tonnes	-
NDF – Provision	Cost	Copper	apr-20			8,958	tonnes	**321**
Non-derivative - designated								
ACC / PPE – Provision	Income (in US$)	USD	apr-20	-	dec-30	(671,185)	US$	**(436,335)**
Other debt – provision	Income (in US$)	USD	apr-20	-	nov-36	(541,783)	US$	**(424,584)**
Fair value hedge								
Derivatives								
NDF – Closed	Sales commitment	Copper	Jan-20	-	mar-20	2,572	tonnes	**(5,370)**
NDF – Provision	Sales commitment	Copper	apr-20	-	oct-20	4,825	tonnes	**12,735**
Embedded derivatives	Inventory	Copper	Jan-20	-	mar-20	21,003	tonnes	**28,606**
Embedded derivatives	Inventory	Copper	apr-20	-	mar-20	21,273	tonnes	**79,574**
Embedded derivatives	Inventory	Gold	Jan-20	-	mar-20	2,091	Oz	**(397)**
Embedded derivatives	Inventory	Gold	apr-20	-	mar-20	1,948	Oz	**(122)**
Embedded derivatives	Inventory	Silver	Jan-20	-	mar-20	132,354	Oz	**510**
Embedded derivatives	Inventory	Silver	apr-20	-	mar-20	145,246	Oz	**1,933**
NDF – Closed	Inventory	Copper	Jan-20	-	mar-20	15,875	tonnes	**(8,090)**
NDF – Provision	Inventory	Copper	apr-20	-	mar-20	9,834	tonnes	**24,111**
NDF – Closed	Inventory	Zinc	Jan-20	-	mar-20	800	tonnes	**(284)**
NDF – Provision	Inventory	Zinc	apr-20	-	mar-20	700	tonnes	**782**
NDF – Closed	Inventory	Lead	Jan-20	-	mar-20	40	tonnes	**(4)**
NDF – Provision	Inventory	Lead	apr-20	-	mar-20	50	tonnes	**33**
NDF – Closed	Inventory	Tin	Jan-20	-	mar-20	25	tonnes	**2**
NDF – Provision	Inventory	Tin	apr-20	-	mar-20	20	tonnes	**118**
NDF – Closed	Inventory	Gold	Jan-20	-	mar-20	4,474	Oz	**(750)**
NDF – Provision	Inventory	Gold	apr-20	-	mar-20	4,212	Oz	**112**
NDF – Closed	Inventory	Silver	Jan-20	-	mar-20	111,809	Oz	**25**
NDF – Provision	Inventory	Silver	apr-20	-	mar-20	88,381	Oz	**1,378**

	Parent company/Consolidated Equity	
	03/31/2020	12/31/2019
Derivatives designated for hedge accounting		
Commodities risk	**321**	321
Foreign exchange risk	**(82,036)**	(82,036)
	(81,715)	(81,715)
Non-derivatives designated for hedge accounting		
Foreign exchange risk - Outstanding operations	**(860,919)**	(860,919)
	(860,919)	(860,919)

28.7 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 clients leverage their purchasing power to obtain favorable credit terms.

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 future prospects.

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 revenue. Thus, the Company spreads the credit risk among several clients.

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

Credit risks		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Assets					
Cash and cash equivalents	05	**109,153**	102,266	**111,470**	118,036
Interest-earning bank deposits	05	**15,741**	19,943	**20,869**	25,029
Trade accounts receivable	06	**301,492**	215,758	**297,776**	203,616
Other assets	09	**177,934**	143,420	**178,209**	143,721
Derivative financial instruments	28	**226,232**	16,670	**226,232**	16,670
		830,552	498,057	**834,556**	507,072

28.8 Liquidity risk

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

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

The estimate of existing debt contract payments, as at December 31, 2019, is as follows:

The amounts presented include the estimated principal amounts and interest calculated using the US Dollar rate prevailing on March 31, 2020 (R$5.1987/US$ 1.0000) for debts denominated in US Dollars (PPE, ACC and FINIMP) and the prevailing contracts' interest rates:

Liquidity risk					Consolidated
	Notes	Amount	Up to 1 year	1 – 2 years	2 – 4 years
Assets					
Cash and cash equivalents	05	111,470	111,470	-	-
Interest-earning bank deposits	05	20,869	7,462	13,407	-
Trade accounts receivable	06	297,776	297,776	-	-
Other assets	09	178,209	53,098	125,111	
Derivative financial instruments	28	226,232	226,232	-	-
		834,556	696,038	138,518	-
Liabilities					
Loans and financing	16	(2,803,711)	(2,770,729)	(27,982)	(5,000)
Advances from clients	20	(47,111)	(47,111)	-	-
Customer credit	20	(793)	(793)	-	-
Derivative financial instruments	28	(65,817)	(65,817)	-	-
Suppliers	13	(612,470)	(609,511)	(2,959)	-
Forfait and credit card operations	14	(111,538)	(111,538)	-	-
		(3,641,440)	(3,605,499)	(30,941)	(5,000)
Net position		(2,806,884)	(2,909,461)	107,577	(5,000)

28.9 Book value/fair value

Management considers that the fair value is a tax incentive reserve equivalent to the book value of short-term transactions, once the book value of 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 table in Note 28.4, which sets out the classification of financial instruments.

28.10 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 in its net debt structure: loans, financing, derivative financial instruments payable, net of cash, cash equivalents, interest-earning bank deposits and derivative financial instruments receivable.

		Parent company		Consolidated	
	Notes	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Loans and financing	16	2,803,711	2,210,885	2,803,711	2,210,885
Forfaiting and letter of credit operations	14	111,538	85,641	111,538	85,641
Derivatives financial instruments payable	28	65,695	25,988	65,695	25,988
(-) Cash and cash equivalents	05	(109,153)	(102,266)	(111,470)	(118,036)
(-) Interest-earning bank deposits	05	(15,741)	(19,943)	(20,869)	(25,029)
(-) Derivatives financial instruments receivable	28	(103,969)	(16,664)	(103,969)	(16,664)
(=) Net debt		**2,752,081**	**2,183,641**	**2,744,636**	**2,162,785**
Derivatives financial instruments payable	28	122	23,393	122	23,393
(-) Derivatives financial instruments receivable	28	(122,263)	(6)	(122,263)	(6)
(=) Net debt on embedded derivative		**2,629,940**	**2,207,028**	**2,622,495**	**2,186,172**
Equity	21	63,575	621,396	63,575	621,396
Equity valuation adjustments	21.h	(715,811)	(725,690)	(715,811)	(725,690)
Total equity		**779,386**	**1,347,086**	**779,386**	**1,347,086**
Leverage ratio		77.93%	61.85%	77.88%	61.62%
Leverage ratio with embedded derivative		77.14%	62.10%	77.09%	61.87%

29. Assumed commitments

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

The renewal and adjustment clauses are described in the contract, and are in line with market practices.

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

	Parent company/Consolidated	
	03/31/2020	12/31/2019
Up to one year	8,013	8,013
From two to four years	16,026	16,026
Over four years	-	2,003
	24,039	26,042

30. Insurance

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

As at December 31, 2019, the amounts insured and the coverage limits contracted within the respective insurance segments were as follow:

Type	Declared value at risk	Maximum Limit Indemnified
Operational Risks	R$ 2,902,789	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 341,000	USD 16,000
Transports (international territory)	USD 2,200,000	USD 2,200,000
Judicial and Financial Actions		Amount set for advocate causes
Vehicles		100% of the vehicle's value (Based on FIPE table)
Group Life insurance		30 x base salary

31. 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, both administered by BrasilPrev based on joint contributions made by the Company, its subsidiaries and the employees.

PGBL/VGBL: After meeting the cumulative requirement to make contributions for 120 months, and after 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. 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$ 511 (R$ 564 in 2019).

32. Variable remuneration plan

32.1 - General terms and conditions

a) 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-term (ICP) and long-term (ILP) incentives. The ICP and ILP incentives are linked to specified team and individual goals, the percentage achievement of which is evaluated at the end of each year.

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 across certain vesting periods. Payment obligations from URVs distributed until 2016 will follow the concept described in this paragraph.

Starting in 2017, the 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.

b) Exercising conditions:

The private contract determines eligibility rights for and payments based on variable remuneration made to all employees who meet the annual goals under the terms of the contract.

An eligible employee has the right to receive the ILP only if their labor contract is active, otherwise:

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

II. In the case of decease of an employee, their heirs and/or legal beneficiaries will receive 50% of the amount due as at the date of decease.

c) 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 the salary multiple per year, being the first payment due for the year following the acquisition of the ILP. The amount to be granted will be based on the salary multiple as at December 31 for the year prior to payment.

d) Settlement form:

Settlement will be through a payroll process when all of the established conditions have been met.

32.2 - Phantom shares up to 2016:

a) Criteria for fixing the acquisition or exercise price:

For every phantom share payment year, the vesting number of shares (¼ per year) will be multiplied by the average stock price (PMAM3) from January to December of the year prior to payment.

b) 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 be offered as guarantees for obligations.

c) Phantom share remuneration based on the stocks recognized in the results in the last social year and forecast to the current social year:

In the first quarter of 2017, the Company completed the second evaluation cycle referring to the year 2016, granting phantom shares, which will be deferred for four years, to eligible individuals who fulfilled the criteria established in the individual contracts. The approval of targets having been met, the phantom share distribution occurred on April 29, 2017 in the Extraordinary Shareholders' Meeting (ESM), upon approval of the 2016 financial statements.

33. Additional information regarding cash flow

a) Transactions related to investment and financing activities not involving cash were as follow:

	1 st Quarter 2020	1 st Quarter 2019
Investing activities		
Residual value of written-off fixed assets	-	5
Depreciation and amortization	38,346	108,850
Financial charges	(212)	(196)
Transfer to stock of spare parts	-	56,253
Fixed assets and intangible additions	38,134	164,912
Financing activities		
Amortization of right-to-use assets	3,378	-
Financial charges	636,258	458,157
	639,636	458,157

b) Net debt reconciliation

	03/31/2020	12/31/2019
Loans and financing	**2,803,711**	2,210,885
Forfaiting and letter of credit operations	**111,538**	85,641
Derivative financial instruments	**(160,415)**	32,711
Indebtedness	**2,754,834**	2,329,237
Cash and cash equivalents	**111,470**	118,036
Financial investments	**20,869**	25,029
Total cash	**132,339**	143,065
Net debt	**2,622,495**	2,186,172

	Loans and financing	Forfait and letter of credit operations	Derivative Financial Instruments	Indebtedness	Total cash	Net debt
Net debt at December 31, 2019	2,210,885	85,641	32,711	2,329,237	143,065	2,186,172
Transactions with cash impact	(43,432)	25,897	(179,492)	(197,027)	(10,726)	(186,301)
Transactions without cash impact	636,258	-	(13,634)	622,624	-	622,624
Financial charges and exchange rate variations	636,258	-	(13,634)	622,624	-	622,624
Net debt as at march 31,2020	**2,803,711**	**111,538**	**(160,415)**	**2,754,834**	**132,339**	**2,622,495**

34. Subsequent events

COVID-19

According to a material fact disclosed by the Company as of April 9, 2020, considering the notable drop in economic activity resulting from COVID-19, the operations of industrial plants in Santo André/SP and Serra/ES, responsible for the production of finished copper products (Eluma brand products), and historically accounting for 15 % of the Company's revenue, remain temporarily reduced. In this context, the Company, after reaching an agreement with the respective unions, suspended, as of April 13, 2020 and for a period of 30 days (renewable for another 30 days), the employment contract of a significant number of employees allocated in such units, in line with Provisional Measure No. 936/20 of the Federal Government. Aiming to guarantee the delivery of core products, mainly to the healthcare industry, a contingent team was maintained to meet these requests. Such suspension may be interrupted at any time at the Company's discretion, especially in the event of a demand resumption.

Nevertheless, the Dias D'ávila/BA plant, which is responsible for the production of primary copper (Caraíba brand products) and accounts for the remaining 85% of the Company's revenue, continues to operate regularly, in line with the current Company's focus to manufacture and export its copper cathode (commodity) production, considering that this specific product has an ongoing and expressive demand in the foreign market, especially from Asian markets. This measure also greatly helps in reducing the cash conversion cycle when compared to the cycle of other Company's products. This strategy considerably mitigates the fall in revenues due to the lower temporary activity at the Santo André/SP and Serra/ES plants.

The measures taken by the Company are fundamentally aimed at maintaining the jobs of its various employees. Other measures to reduce costs and expenses have also been taken, such as the provisional reduction in the remuneration of the members of the Board of Directors and of the Executive Board.

Agreement with creditors – Standstill

The Company, in accordance with a material fact disclosed on May 6, 2020, entered into a standstill agreement with its main financial creditors (essentially the same ones that participated in the renegotiation process in 2017) ("the Creditors"). Among other measures, the standstill agreement provides for that, subject to the compliance with the terms and conditions established therein, the Creditors, as of the present date and for a period of 30 days, will refrain from accelerating the maturity of principal or interest, execute guarantees, or make voluntary notes in the records of credit reporting agencies, as a result of financial instruments and/or bank debts listed in the standstill agreement. This is an important step in the negotiation process with the Creditors to readjust the Company's capital structure, liquidity and debt profile.

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 March 31, 2020, comprising the balance sheet at that date and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 (R1) and IAS 34, applicable to the preparation of the Quarterly Information Form - ITR, and presented in accordance with the standards issued by the CVM.

Emphases of matter

Lawsuits with possible risk of loss

We draw attention to Note 19.2 to the interim accounting information, which discloses that the Company has various judicial claims arising from its operations amounting to R$ 1,305,357 thousand and R$ 1,308,763 thousand in the parent company and consolidated, respectively (December 31, 2019 - R$ 1,297,658 thousand and R$ 1,301,046 thousand, respectively), for which risks of loss are 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 19.2, following arbitration decisions on the contract executed with BTG Pactual S.A. and Banco Santander S.A., the Company's 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. An unfavorable outcome on those claims may significantly affect the Company's financial position. Our conclusion is not qualified in respect of these matters.

Going concern

We draw attention to Notes 1.16 and 34 to the Quarterly Information (ITR), which describe that the Company is discussing with its key financial creditors (basically those parties that participated in the renegotiation carried out in 2017) in order to align its debt and cash generation. Those notes also state that, in connection with this debt renegotiation, the Company did not pay the principal and interest with maturity in March 2020, which, pursuant to the 2017 renegotiation terms, resulted in the breaching of a contractual payment covenant. Consequently, in accordance with CPC 26 - "Presentation of Financial Statements", the debts whose renegotiation is in process, amounting to R$ 1,853,116, were reclassified from non-current liabilities to current liabilities. Together with the creditors of that overdue debt, the Company formalized a Standstill Agreement for 30 days, with possibility of monthly renewal, establishing that the creditors will not take any credit collection measures, including the triggering of principal and interest early maturity clauses. The uncertainty involved in the debt renegotiation, mainly regarding the alignment of the Company cash generation and principal and interest payments, raises significant doubt about the Company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the quarter ended March 31, 2020. These statements are the responsibility of the Company's management and are presented as supplementary information for the purposes of IAS 34. These statements have been submitted to the same review procedures carried out together with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been prepared,in all material respects, in accordance with the criteria established in CPC 09 and in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, May 7, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

José Vital Pessoa Monteiro Filho
Contador CRC 1PE016700/O-0

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 480/2009, the Executive Board declares that it has reviewed, discussed and agreed to the Company's financial statements "parent company and consolidated", for the fiscal year ended march 31, 2020.

Dias d'Ávila, May 7, 2020.

CEO
Luiz Carlos Siqueira Aguiar

CFO
Igor Gravina Taparelli

Chief Legal Officer and Investor Relations Officer
Paulo Rodrigo Chung

Operations Director
Sergio Arosti Maturana

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

PUBLICLY-HELD COMPANY

Statement of the Executive Officers on the Independent auditors' report

In compliance with article 25, paragraph 1, items VI, of CVM Instruction No. 480/2009, the Executive Board states that reviewed, discussed and agreed with the report issued as at may 07, 2020 by PriceWaterhouseCoopers Auditores Independentes, the independent auditors of the Company and its subsidiaries with respect to the Company's financial statements, Parent Company and Consolidated, for the fiscal year ended March 31, 2020.

Dias d'Ávila, May 07, 2020.

CEO
Luiz Carlos Siqueira Aguiar

CFO
Igor Gravina Taparelli

Chief Legal Officer and Investor Relations Officer
Paulo Rodrigo Chung

Operations Director
Sergio Arosti Maturana