2019 Annual Report

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TABLE OF CONTENTS

Achievements and new challenges

Since Alubar operations started in the nineties we have never held formal inaugurations at our plants and administrative offices, consistently with our premise that limits are never set when you intend to continue growing and developing. Formal inaugurations mean that a step had been completed and Alubar has never ceased to expand.

This is what we did in the early days and the same happened in 2019. Exponential growth was achieved based on values like integrity and entrepreneurship. We saw such as to increase our presence in the continent, to serve our clients beyond the Brazilian borders.

Targets that were set and reached based on careful planning whose hallmark was the word "new". We had new developments in production, a new Brazil and new markets to reach out for and also a new international economic situation.

This scenario was dealt with, always counting on full support and commitment from our people at our units. The unwavering willingness of our personnel to deliver continuous improvements, drove us the position of market leader in production of aluminum cables and one of largest producers of aluminum rods in the continent, is the key factor that enables us to look always ahead beyond our limits.

This type of commitment and approach to businesses allowed 2019 to become a year full of new developments for the Alubar Group. The challenge to be faced in 2020 will be to continue growing, but always carefully analyzing each scenario in order to achieve effective results.

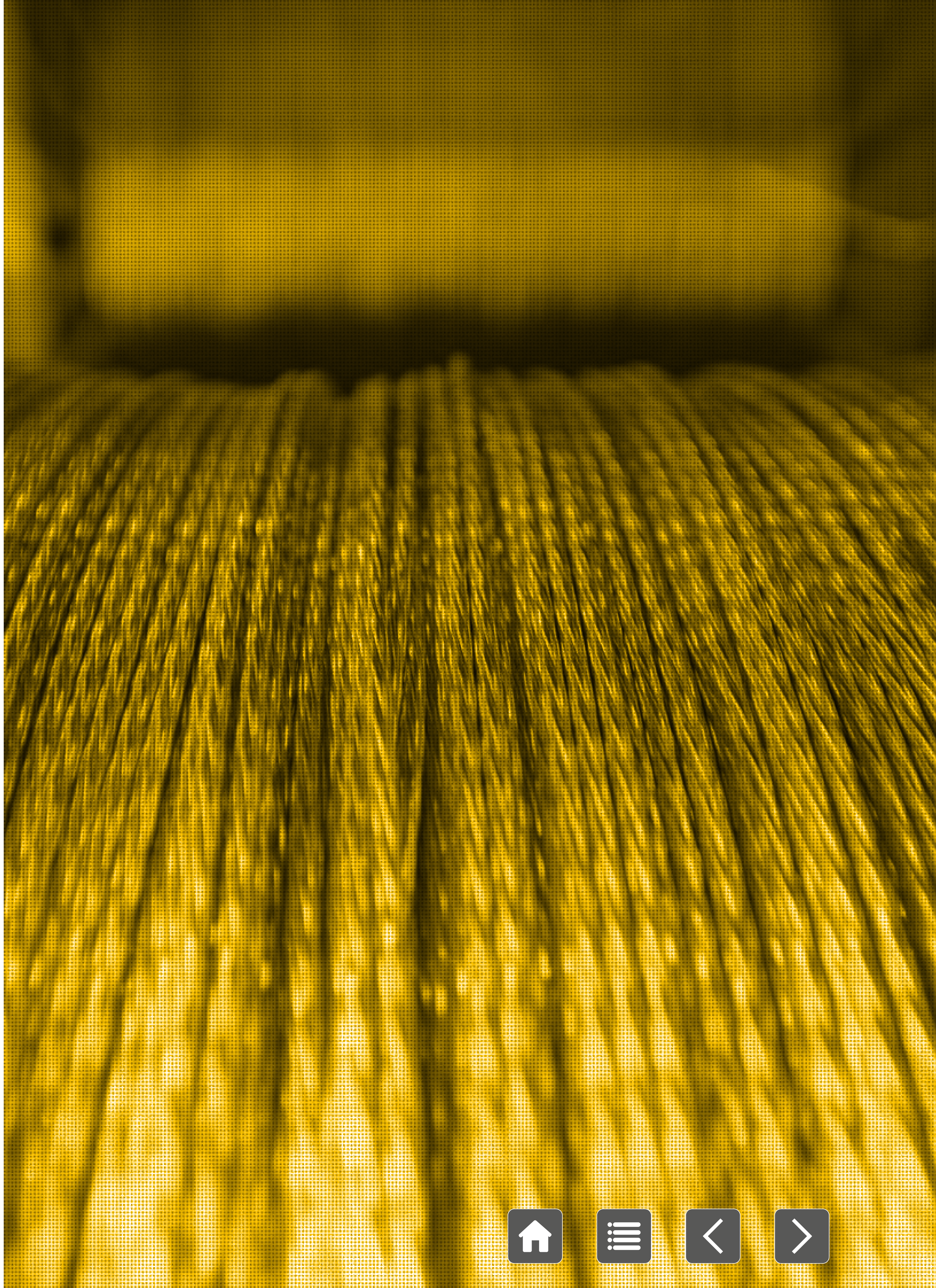
The growth targets are still in place. Our mission of meeting customer needs with excellence and quality, with production available to deliver our products within the set terms has not changed. But now, with bigger challenges for market and personnel requirements. Essentially, Alubar's growth has always been based on the development of all those who work at our units and neighboring areas.

And, this is why, we do not celebrate inaugurations. We celebrate achievements. Production records, new hires, a growing presence in the market. Everything we have been doing for more than 20 years and that you will be able to read in this report, has always been accomplished with respect, ethics and transparency.

José Maria Barale
Chairman of the Board

Ricardo Figueiredo
Director

Fernando Nakazato
Director



Great accomplishments and potential to do even more

By the end of the year 2018 we were sure that there would be no limits to Alubar's growth, and we were already foreseeing the possibility of becoming global suppliers. Once more, our potential as a company was confirmed in 2019, and we changed for the best. Changes ranged from building structure, installation of new equipment, to organizational restructuring by establishing new management units and investments in staff development.

We have set a record production of over 100 thousand tons of copper and aluminum cables. Each ton of rods and electric cables result from innovation, creativity, machinery, state-of-the-art structure and motivated employees willing to accept challenges and embrace the Alubar values.

We also witnessed the consolidation of the 1120 alloy aluminum cables widely accepted in the Brazilian electricity sector for their higher efficiency in the construction of transmission lines. In 2019, over 90% of the production of aluminum alloy rods was destined to meet this demand. But that was not all. We continue to provide solutions to the electricity sector by offering the new Alubar ACFR conductor cable for which we have already purchase orders from clients. Built using state of-the-art technology, this cable is especially suited to up-rate the lines supplying power to large urban centers and large crossings.

After over 20 years of expertise and ethics in supplying rods and electric cables for power ventures in Brazil, we rolled out our plans to reach new markets. A new aluminum rod plant was purchased in Canada and one aluminum electric cables factory in the south of Brazil that were added to the Barcarena plant to expand our supply to America. Rod supply to the United States is close to its starting point, but we are also considering other possibilities of expansion.

The consolidation of our growth in 2019 is also evidenced by the growing number of opportunities for hiring and promotions of Alubar personnel, always valuing local skills and labor. Our presence in the media was also increased from marketing actions, sponsorships and digital communication that helped us to add strength to our brand in the different segments of our business.

As one of the leading global manufacturers of aluminum rods and electric cables, we cannot forget our responsibility towards sustainable development and the commitments undertaken as signatories of the United Nations Global Compact. Besides compliance with the best quality, environmental, labor health and safety practices enforced by the market, two social projects - Japiim and Catavento - were implementing by the Company in Barcarena more than ten years ago, and are changing lives through professional development and education.

It is important to say that all this growth further encourages us not to become complacent. We have plans for additional development in coming years, always aware of the current and future needs of our markets.

We now face international challenges. Our team and our structure are prepared to carry on what we do best: transform metal into finished products, but also transform the lives of our employees and the society we live in.

Maurício Gouvea
CEO, Alubar Metais e Cabos

Growth without borders

From sound planning and investments, 2019 was a year of excellent results for Alubar Metais e Cabos. This issue of the Management Report presents company highlights to its stakeholders, including the financial results and the actions taken in terms of people management, environment, production, customer relations, risk management, compliance, communications, technology and social project areas.

At the industrial pole of Barcarena, a municipality in the northeast of the State of Pará, Alubar's oldest unit provides a significant contribution to the economic and social-environmental of that State and has spearheaded the transformation of aluminum into finished products in the region. In Pará, Alubar generates about 1,300 direct and indirect jobs.

Two main events market the year 2019: consolidation after the large manufacturing expansion in 2018 and the first steps toward conquering new markets – even outside its home country. In addition to launching new products and setting production records at the Barcarena plant, Alubar acquired new units in Bécancour, Canada, and in Montenegro, in the South Region of Brazil.

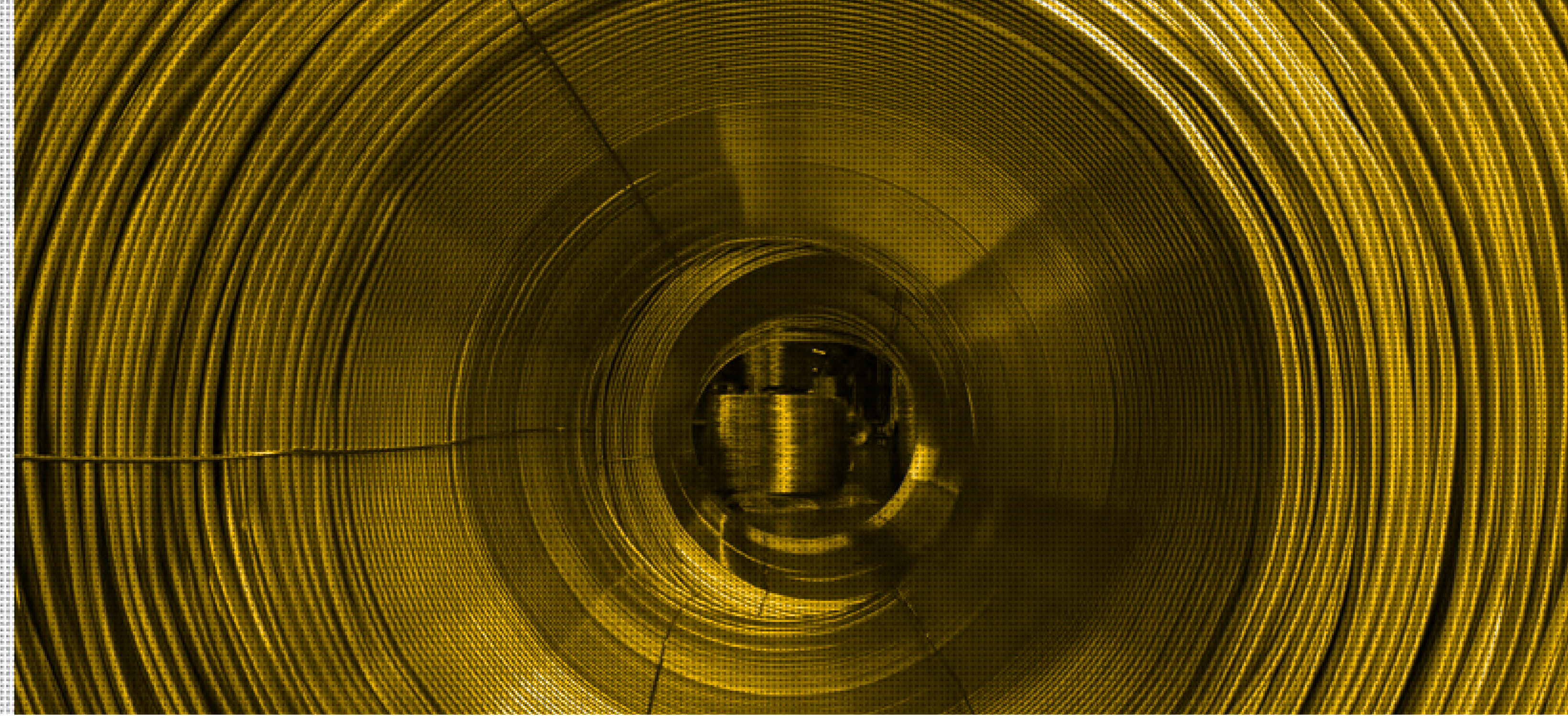
Alubar's net revenue was 65% higher compared to 2018. The result achieved in 2019 evidences company commitment to the excellence of its operations increasingly focused on the client and fully compliant with the safety, quality, legal, ethics and social-environmental responsibility rules. Alubar produced over 100 thousand tons of electric cables. We will now address the challenge of keeping the pace of our growth in the aluminum and copper market in Brazil and attract new clients in other countries in the American Continent.

Alubar also kept updated the NBR ISO 9001:2015 and NBR ISO 14001:2015 certifications, improved the Integrated Quality, Environment and Workers Health and Safety Policy and has successfully consolidated the product mix by adding new electrical aluminum cable solutions.

Check here the outcomes of these efforts in 2019 and find out more about our performance in the electricity market.

We hope you will enjoy it!

PROFILE



Who is Alubar?

Present in the market for over 20 years, Alubar is the largest producer of electrical aluminum cables in Latin America, a leading manufacturer of aluminum rods in the Continent, with large portfolio of products and solutions to meet the requirements of all power ventures in Brazil. The aluminum and aluminum alloy rods and bare and insulated cables supplied by Alubar are installed by the main players and concessionaires throughout Brazil in the transmission lines and power distribution grids. On the other hand, the low and medium voltage copper conductors are supplied to the construction, industrial and renewable energy markets.

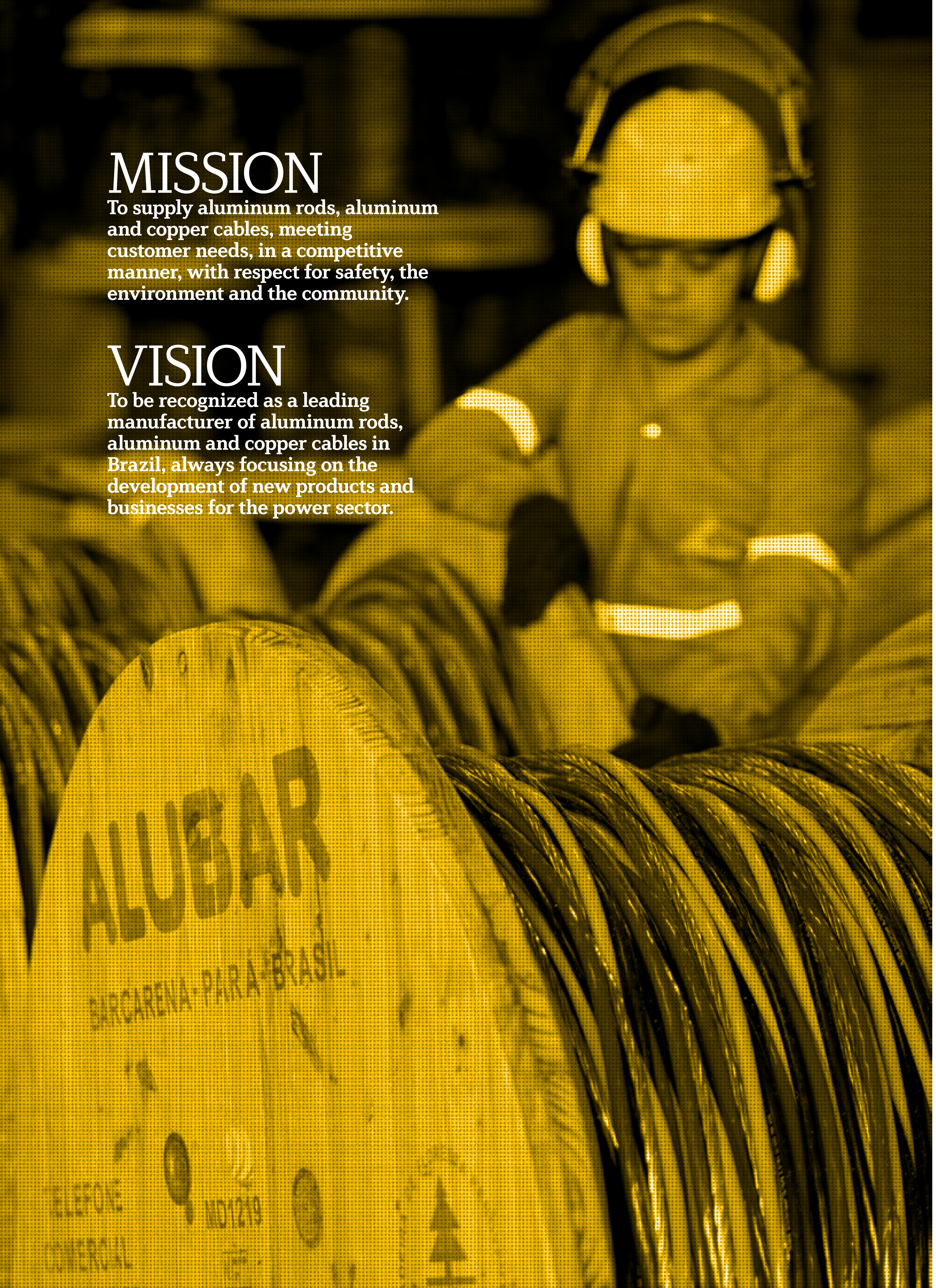
In the State of Pará, in the North Region of Brazil, where its largest manufacturing unit is established, Alubar is one of the companies that provide the most significant contribution to the economic and social development of the State, generating about 1300 direct and indirect job opportunities. As a signatory of the United Nations Global Pact, Alubar is committed to the Sustainable Development Goals (SDGs) – a set of targets for global economic, social, and environmental development by 2030.

Recognized two consecutive times with the Pro-Ethics Seal, granted by the Brazilian Office of the Comptroller General (Controladoria-Geral da União) - CGU and Instituto Ethos, Alubar is also a benchmark in terms of compliance practices, with its fully consolidated integrity program generating additional trust among company stakeholders

Alubar favors the market through institutional partnerships, representing a true sales power throughout the national territory. Acknowledged for its capability to innovate, Alubar is a pioneer of the verticalization of the primary aluminum produced in Pará, and is the only plant in the region that transforms this raw material into finished products. With a full aluminum chain, Pará gives the Company a significant competitive advantage for product manufacturing.

To better serve the market, Alubar invests in the expansion of company presence in the Americas. Nowadays, Alubar has units and offices in Pará, São Paulo, Rio Grande do Sul, United States and Canada.

SINCE 1998, ALUBAR HAS BEEN EVIDENCING ITS COMMITMENT TO THE QUALITY OF ITS PRODUCTS, CLIENT SATISFACTION, APPRECIATION OF ITS PERSONNEL AND SUSTAINABLE DEVELOPMENT FOR THE REGIONS WHERE IT WORKS.



MISSION

To supply aluminum rods, aluminum and copper cables, meeting customer needs, in a competitive manner, with respect for safety, the environment and the community.

VISION

To be recognized as a leading manufacturer of aluminum rods, aluminum and copper cables in Brazil, always focusing on the development of new products and businesses for the power sector.

OUR VALUES

Clients

We build long term relationships with clients, listening to and understanding them and going beyond their needs in a timely manner and free from dissension.

People

People make a difference in Alubar's performance. We recruit, train, and promote top performers, and we are committed to quality, innovation, fair compensation, diversity, respect for others and merit.

Integrity

It means an impartial and honest behavior. It is also related to the laws and standards that govern our sector and our organization.

Continuous improvement

We are aware that sustained success depends on our capacity to continuously improve the quality, the cost and the timeliness of our products.

Proud to be Alubar

We are proud to be part of a company that makes a difference in its business segment and of its ability to face and overcome challenges. We act as true owners of the business, always seeking to achieve the established goals.

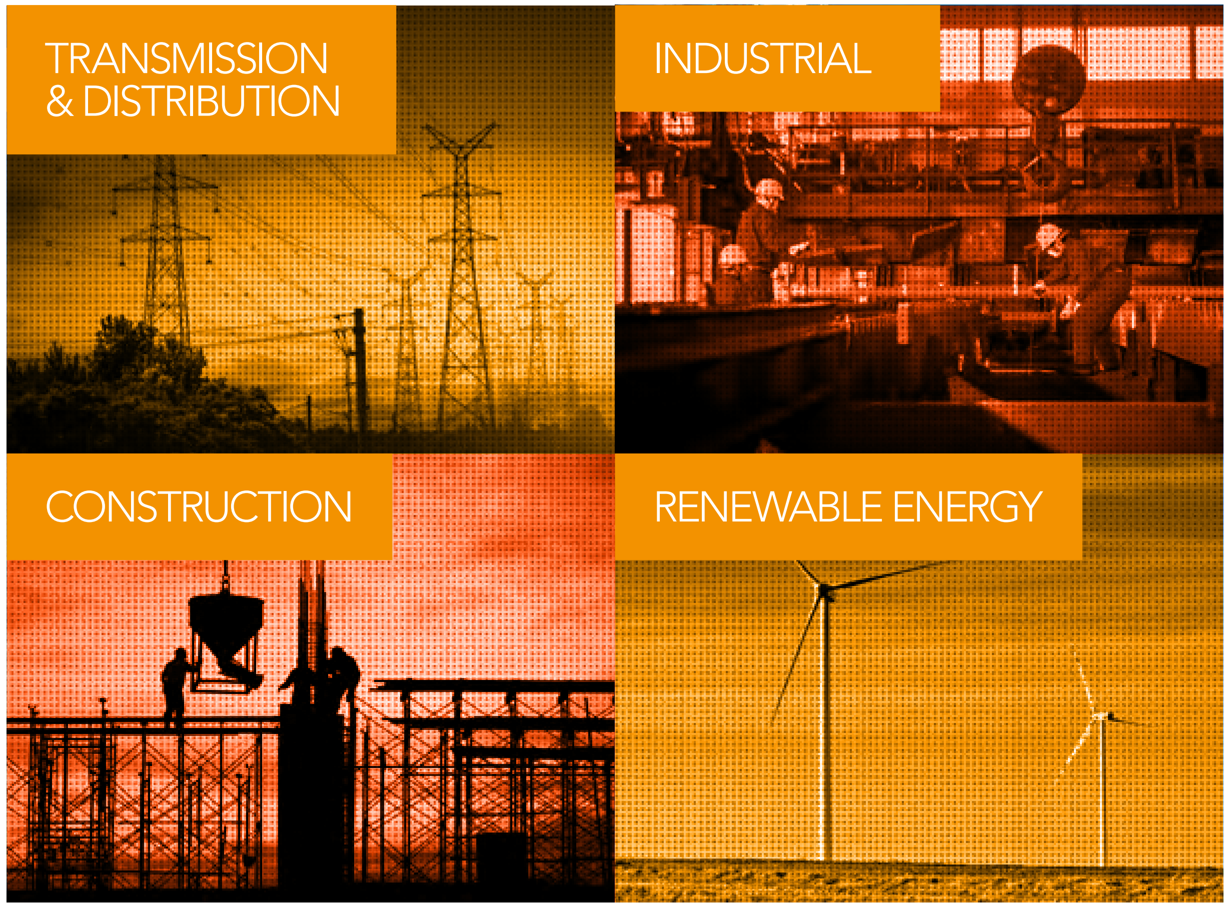
Entrepreneurship

Entrepreneurship is the constant search for new opportunities and innovative solutions in face of new problems and needs.

Integrated Quality, Environment and Workers Health and Safety Policy

As a supplier of rods and conductor power cables, Alubar Metais e Cabos is committed to ensure client satisfaction, environmental protection, pollution and incident prevention, compliance with legal and any other requirements and to the continuous improvement of its quality, environmental and workers health and safety performance, disseminating these values among company employees and society.

BUSINESS MARKET



PORTFOLIO

ELECTRICAL ALUMINUM CONDUCTORS - ALUBAR ALTEC®
For low, medium, and high voltage lines
Aluminum Conductors (CA)
Steel Core Aluminum Conductors(CAA)
Aluminum Alloy Conductors (CAL)
1120 Aluminum Alloy Conductors (CAL 1120)
Aluminum Reinforced Aluminum Conductors (ACAR)
Steel Core Aluminum Alloy Conductors (CALA)
Heat-Resistant Aluminum Conductors (T-CA)
Steel Core Heat-Resistant Aluminum Conductors (T-CAA)
Reinforced Carbon Fiber Core Aluminum Alloy Conductors (ACFR)
Trapezoidal Wire Aluminum Conductors
Coated Cables
Multiplexed Cables
MEDIUM VOLTAGE CABLES ALUBAR ALTE C® AND ALUBAR COPPERTE C®
3.6/35Kv Medim Voltage AlTec® Cable – Aluminum Conductor Class 2 NBR 6251 insulation in XLPE or TR XLPE
3.6/35kV Medium Voltage CopperTec® Cable – Copper Conductor Class 2 NBR 6251 insulation in XLPE or TR XLPE

SOLARTEC® PHOTOVOLTAIC CABLES
Flexible Tin Plated SolarTec® Copper Cable
SolarTec® 8176 Aluminum Alloy Cable

LOW VOLTAGE ALUBAR COPPERTEC® CABLES
450/750 V Tecnofire® 450/750 V Flame Retardant Cable
450/750 V Tecnofire® Flexible Flame Retardant Cable
450/750 V 105° C Tecnofire® Flexible Flame Retardant Cable
0.6/kV Single and Multiple Tecnax® Flame Retardant Rigid Cable
0.6/1kv Single and Multiple Tecnax® Flame Retardant Rigid Cable
0.6/1kV Single and Multiple Tecnax® Flexible HE PR Cable
450/750 V Tecnotox® Flexible Non Halogenated Cable 70o C
0.6/1kV Single and Multiple Flexible Non Cable 90° C
450/750 V Soldertec® Flexible Cable
Cable CopperTec® WPP
Control Cable Without Metallic Shield
Copper Strip-Shield Control Cable
Class 5 Flexible Twisted Cords
Class 5 Flexible Parallel Cords
Bare Copper Wire
Bare Copper Cable

History

1994

The Alubar Group arrives in Brazil.

1998

Start-up of the first Alubar Group company, Alubar Metais S.A., to produce aluminum alloy rods for electrical and steelwork applications, in Barcarena, State of Pará.

1999

Alubar Metais S.A. is issued the ISO 9001 (Quality Management System) certificate to produce aluminum alloy rods.

2000

The Alubar Group starts the operations of it manufacturing plant to produce electrical aluminum conductors, the Alubar Cabos S.A, also in Barcarena.

2006

Installation of new wire drawing and stranding lines at Alubar Cabos S.A. increasing production capacity. The Catavento Project was also launched at that time.

2008/09

Initial operation of new equipment to increase Insulated Cable capacity and new wire drawing and stranding machines at Alubar Cabos S.A. Japiim Project was launched by the Company in 2009.

2010

A Alubar Metais S.A. and Alubar Cabos S.A. are issued the ABS Quality Evaluations ISO 14001 certification (Environmental Management System).

2011

Merger between Alubar Metais S.A. and Alubar Cabos S.A. and Alubar Metais and Cabos S.A. is then established to adapt the Alubar Group to the dynamics and the evolution of the energy market; production of insulated cables is then increased.

2014

Cobre e Catenária Projec rolled out to produce low and medium voltage cables.

2015

Having completed 85% of the implementation of the Copper Plant, Alubar sends out the first shipment of cables to the Fortaleza (CE) market, totaling 4.7 tons of the product.

2016

Implementation of the fist Copper plant phase, with capacity to produce 1,200 tons of bare and insulated low and medium voltage cables.

2017

Alubar records sales of over 300 tons of copper cables; opens the subsidiary Alubar CopperTec in São Paulo and approves the plant for expansion. It is also named one of the best companies to work for in the Amazon, according to GPTW, and is issued the Pro-Ethics Seal. The upgrade of Laminator 1 is completed in December. Release of the second book of the Catavento Project.

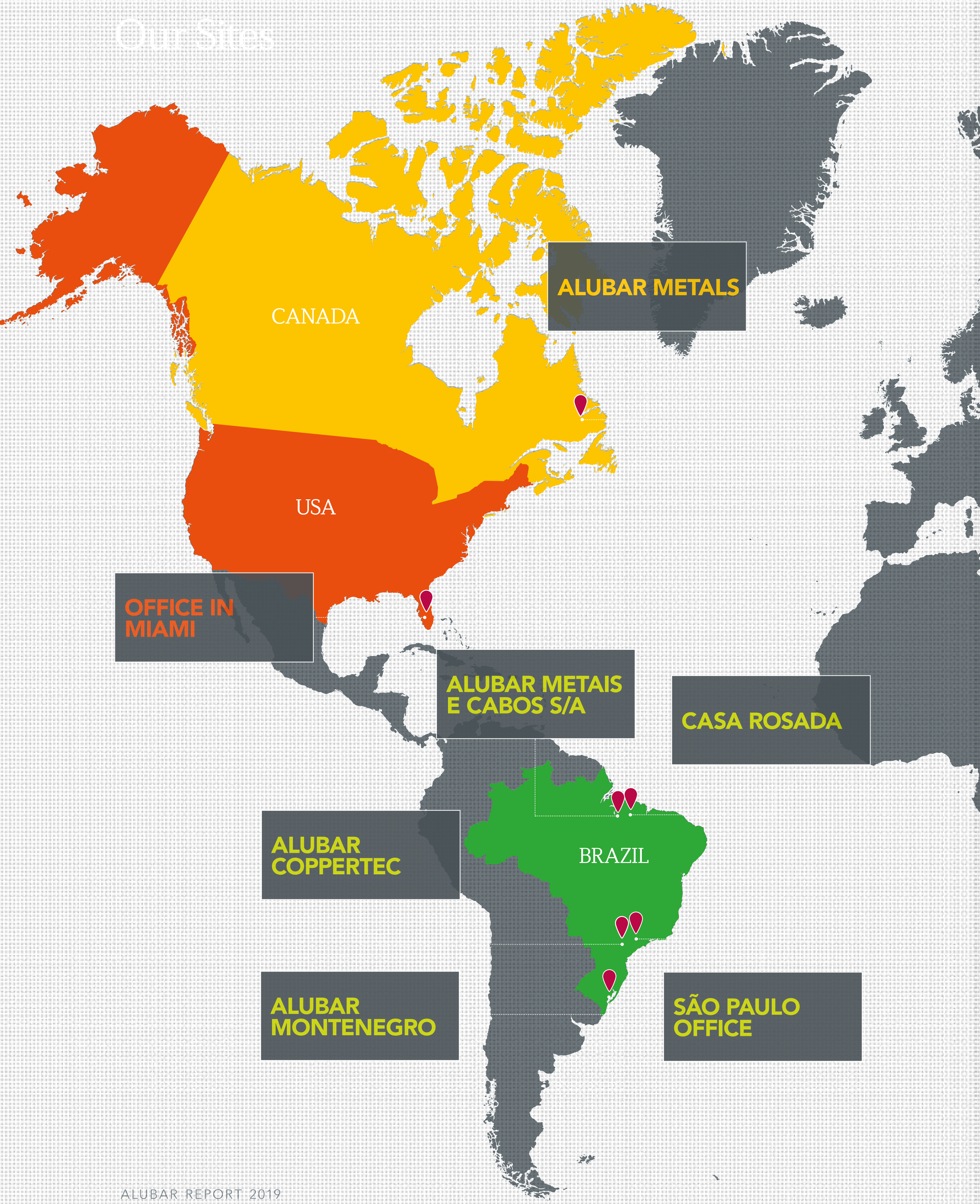
2018

Alubar celebrated is 20th anniversary completing the largest expansion works in company history. Production capacity spiked up to 100 thousand tons of cables per year – accounting for 60% increase. A record was set by invoicing of 60 thousand tons of aluminum cables. A new lamination line and two furnaces were then built. Alubar also purchased a fusion tower, thus broadening the range of options of raw material suppliers.

2019

Taking the first steps towards company internationalization, the Alubar Group acquired an aluminum rod plant in Canada. An aluminum electrical cable plant was also acquired by Alubar in the south of Brazil. For the second time in a row, Alubar was issued the Pro-Ethics Seal. A new production record was set then by reaching over 100 thousand tons of aluminum and copper cables in just one year.

Our Sites

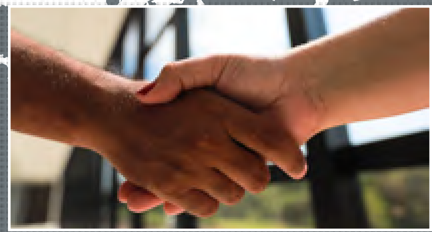


CASA ROSADA

[illegible]

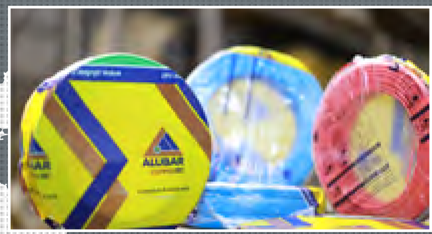
ALUBAR METAIS E CABOS

It is lo[illegible]nt straight from B[illegible] the capital of the State of Pará. This unit manufactures aluminum rods and electrical aluminum and copper cables for all power ventures. Rodovia PA-481, Km 2,3, s/n - Complexo Portuário de Vila do Conde, Barcarena - PA, Brasil. Tel.: +55 (91) 3322-7100 / 3754-7100



LATIN AMERICA COMMERCIAL OFFICE

Established in the City of São Paulo, just a few [illegible] Avenida Paulista, this Office brings Alubar closer to the [illegible] of the Brazilian power sector. Alameda Campinas, 8[illegible] Jardim Paulista, São Paulo – SP, Brasil. Tel.: +55 (11) 3284-7602

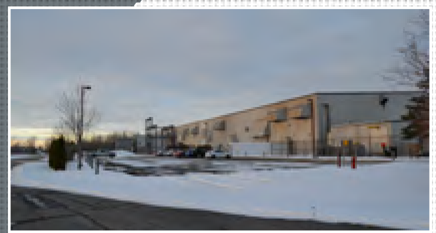


ALUBAR COPPERTEC

Copper Cable Distribution Center that [illegible] the [illegible] operations of the Alubar products shipped [illegible] Regions of Brazil. Rua Santa Mônica, 6[illegible] Cotia – SP – Brasil.

ALUBAR MONTENEGRO

With [illegible] capac[illegible] electr[illegible] it was acq[illegible]



ALUBAR METALS

[illegible] the Brazil[illegible] – Quebec, Canada.

NORTH AMERICA COMMERCIAL OFFICE

[illegible] USA, facilitating [illegible] that country [illegible]

Certifications

Our company is ISO 9001:2015 certified attesting the quality and the excellence of our products and services to the market, and recognized by ISO 14001:2015, by doing business with environmental awareness and respect for legal requirements.

In 2019, external audits were conducted at Alubar led by certified consulting firms. Not a single non-conformity was found at the plant and, it was, therefore, issued maintenance and update recommendations for the 2015 version of both certifications.

This result evidences company alignment to the best marketplace quality, processes, and environmental practices – factors that contribute to increase client trust.

Associations

Intending to establish closer and respectful relations with its strategic stakeholders, one of the strategies adopted by Alubar is to strengthen the Company's relations with suppliers and clients through the class entities that represent sector companies.

Alubar is a member of ABAL - Associação Brasileira de Alumínio (Brazilian Aluminun Association). ABAL gathers primary aluminum producing companies and processing businesses, with the purpose strengthening sector representativeness nationwide. In recent years due to the introduction of the Alubar CopperTec line, the Plant has also established closer relations with Associação Brasileira do Cobre (Brazilian Copper Association) - ABCOBRE.

Alubar is also a partner of Associação Brasileira de Recursos Humanos (Brazilian Association of Human Resources) - ABRH-PA and a member of Associação Brasileira pela Qualidade dos Fios e Cabos Elétricos (Association for the Quality of Electrical Wires and Cables) - Qualifio, that oversees the quality and the conformity with copper conductors manufacturing standards in Brazil.

Alubar is also a sponsor of the initiative REDES – Desenvolvimento e Sustentabilidade Econômica (REDES, Development and Economic Sustainability) of the Federation of Industries of the State of Pará (FIEPA). As a sponsor of this initiative, it is able to increase the volume of sales locally, in the State, and contributes to the economic development of Pará.

Alubar is also one of the signatories of the UN Global Pact and is developing actions that will contribute to the achievement of the goals of the UN Agenda 2030. Alubar intends to foster local social, environmental, and economic development by acting consistently with the Sustainable Development Goals (SDGs).

Hard Work and Recognition

Along more than 20 years Alubar has been collecting awards that prove market trust and the quality of company procedures, programs, projects, and actions. The Plant keeps searching for innovation and the best market practices to meet the expectations of its strategic stakeholders.

2007

Alubar receives the Top Social prize from ADBV – Pará - Associação dos Dirigentes de Vendas e Marketing do Brasil (Association of Sales and Marketing Leaders in Brazil), granted with the case of Japiim Social Project that provides training and generates income for women as professional seamstresses.

2009

With the Japiim Project, Alubar won first place of the "Oswaldo Checchia" Human Being Award, in the Social Responsibility Category. The honor was granted by the Brazilian Association of Human Resources (ABRH), in São Paulo.

2010

Alubar received a commendation from the CEMIG Supplier Awards.

2011 e 2012

Alubar ranked 7th and 6th, respectively of the Award Pleasure to Work For – the 15 Best Companies to Work For in Pará.

In 2011 Alubar won 1st place in "Benedito Nunes" Human Being Award, in the category Company, Social Responsibility mode, with the Catavento Project designed for pupils of the riverine schools in the Municipality of Barcarena. The award was delivered by Associação Brasileira de Recursos Humanos Sectional Pará (ABRH-PA) (Brazilian Association of Human Resources – Pará Section). In 2012, the Company was issued the Material Supply Certificate as part of the CEMIG Supplier Award.

2013

Once again Alubar won the CEMIG Supplier Award and also received the ORM/ACP Prize, in the Sociocultural category in recognition of the Catavento Project actions.

2014

Once again, the Company was included in the Pleasure to Work For – The 15 Best Companies to Work For in Pará, finishing third in the ranking. The Company was also granted the Ânima Prize, an additional reward of the Pleasure to Work For, offered to the Company, assigning more points in the "employee satisfaction" item.

For the third consecutive time Alubar was issued the Certificate of Material Supply, as part of the CEMIG Supplier Award. Recognizing its Social Responsibility performance, the Catavento Project was also awarded by CEMIG. In December of the same year, Catavento won first place of the COPEL Susie Pontarolli Trophy.

2015

For the fourth consecutive time, Alubar was recognized by the CEMIG Supplier Award and issued the Material Supply Certificate. In the same year Alubar was granted the Elektro Award, in the Innovation Category.

2016

Alubar came first in the ranking of 2016 Award Pleasure to Work - The Best Companies to Work For in Pará and, the Ânima Award for the second year in a row. In 2016, year Alubar finished second in CEMAR Award Supplier Management Excellence Program.

2017

Alubar ranked second in the Percentum Category of the V award REDES de Desenvolvimento. The award recognizes the sponsors of the REDES/Fiepa Program with the highest amount of procurement in Pará, in terms of percentage.

Alubar was selected one of the best companies to work for in the Amazon, according to the Great Place To Work (GPTW), being issued the Excellent Place to Work Seal. The certification is obtained after an internal survey where the Company is evaluated by its own employees.

Alubar enters the list of companies with the Pro-Ethics Integrity Seal, an honor granted by the Ministry of Transparency and the Brazilian Office of the Comptroller General (CGU).

2018

Alubar comes out 1st in the Percentum Category of the VI Award REDES de Desenvolvimento. With 80% of Company procurement in Pará, in 2017, among the sponsors of the REDES/Fiepa initiative, Alubar recorded the highest percentage of purchases from local suppliers.

The Alubar Supply Chain Sustainability Program ranked 2nd with best performance in the "Environmental" and Economic-Financial and Compliance items, and 3rd in Sustainability". The award was granted by MRV Engenharia, the Largest Construction Company in Latin America, with 39 years of market experience.

2019

Alubar received the trophy "Supplier of the Year", the most important category of the Neoenergy Supplier Award offered by an Iberdrola Group Company. This award recognizes Alubar as a leading supplier to large players in the global power sector.

For the second year in a row, Alubar was issued the Pro-Ethics Integrity Seal. Company compliance program was also a highlight of the Exame Compliance Guide, in the category "Steel and Metalworks".

ECONOMIC-FINANCIAL DIMENSION

Planning results in economic growth and credibility in the market

"In this continued growth, Alubar has a great differential: its people. Our personnel were critical to this process. None of these outcomes would have been achievable without the qualification and the change in the mind set of all company employees. If we had good planning in 2017, implemented perfectly in 2018 and did even best in 2019 it was because our employees were provided training and absorbed market changes. Alubar is not simply a company that transforms raw materials into finished products, it also transforms people."

Otávio Ribeiro, Chief Financial Officer, Alubar, 2019

8 DECENT WORK AND ECONOMIC GROWTH

A year riddled with challenges and that required even more unity and synergy from the teams and focus on the excellence of deliveries. This was how 2019 was for Alubar, which literally motivated all teams to produce a good financial performance. It resulted in a 60% increase in its gross revenue, reaching BRL 1.6 billion, and almost BRL 140 million net profit, accounting for a trifold increase against 2018. To all these achievements we added the firm belief that our Company has fulfilled all the commitments with our clients, shareholders, suppliers, and partners.

In this scenario of achievements and challenges overcame, the efforts of the teams of the Financial and Administrative Executive Boards was critical in observing market trends and fine tuning staff to work with top management towards the international consolidation of Alubar. The processes that previously focused on relations with national financial institutions were broadened to reach international financial players, reinforcing the soundness and effective capacity to deliver Company's products.

Our processes were also improved aiming to meet the needs of the Brazilian and Canadian Units and prepare the Company for future demands. Our teams were restructured by hiring new managers with experience in the area of international financial statements and accounting.

Massive investments were also made in technology, mainly focusing on process automation, ensuring the sustainability of our businesses. Software was installed to add to the effectiveness of the analyses performed by our staff, as for example the Gestor Serasa (Serasa Manager) software, that improves credit checks and contributes to minimize the rate of clients' default; the Portal de Boletos (Portal Of Bank-issued Payment Forms), enabling file return and payment of bank payment forms and collection; the Bank Manager project enables swift approval of payments via workflow, ensuring the traceability of approvals; and the Portal de Seguros (Insurance Portal), where all policies, premiums and amounts are digitally recorded ensuring increased control over Alubar assets. All these initiative will provide a dynamic contribution to the transmission contracts that will be executed along the year 2020.

All these achievements did not happen by chance or luck. Since 2017, had a strategically designed and robust plan, with critical actions to be implemented in 2018 and prepare the ground for harvesting in 2019.

Fine-Tuning

Another of Alubar's strategies to engage in new projects was to get the teams of the Finance and Administrative Departments closer to the Commercial and Customer areas that now attend the kick-off meetings. Hence, before starting any contract with new players we can provide clarification, balance needs and anticipate solutions.

The Finance Department also focuses on obtaining tax incentives which are critical to add to company result. In order to achieve this goal, they have been incrementing productivity, improving processes, and adding further quality to their products and effectiveness to their deliverables. And incentives are sought for all Units - Barcarena, Rio Grande do Sul, São Paulo and Canada – that are today interconnected in a global operation. The Legal Department is also involved in this project, updating Company's documents and information after the expansion and that will be submitted to the tax incentive granting authorities.

The position of leadership in the Latin American market which is essentially linked to a governance policy that enhances Alubar's commitment and transparency.

"As managers we are convinced that we must not become bottlenecks for production, sales or for any other areas. We are problem solvers, and this is why we wish deal with our projects with our eyes set on what lays ahead. It is the focus on result achieved with efficiency that prevents us from stopping."

Rubens Ferreira, Administrative Director, Alubar, 2019

OPERATIONAL DIMENSION

Records, expansions, and innovations keeping the pace of growth

From the industrial perspective, in 2019 Alubar proceeded with the expansions that were in progress since the early days of company operation, and were given new drive in recent years. In 2019, production at the Barcarena Plant went up from 65 thousand tons of cables in 2018 to over 100 thousand in 2019. This result was achievable thanks to investments in new machinery a new lamination site that had already been announced in our Annual Report 2018.

Proceeding with these actions, in the first semester of 2019, Alubar installed 2 new two-wire drawing machines, two tandem stranding units and one tubular wire drawing equipment to boost the production of aluminum and copper cables. The simultaneous installation of the machinery posed a challenge that we were able to overcome with planning and team work. When the equipment arrived in Barcarena, the physical area, construction works, and the necessary electrical installations were ready to accommodate the equipment thus resulting in fast industrial assemblies.

The productivity record came with new hires and training involving, from new operators to several leadership levels. The cable production headcount was increased by 31% and training by 33%, against the previous year. The internal organization was improved both on the point of view of the teams being assigned best defined tasks and provided improved information about the production program, and of the physical areas that were adjusted for the arrival of the new machinery.

Historical milestones were also achieved by the production of aluminum alloy rods. Over 86 thousand tons of these products were manufactured for Company's own consumption. Out of this total, 94% went to production of 1120 aluminum alloy cables. A highlight was the operation of the new lamination line with capacity to produce 4.5 tons of rods per hour. To operate these machines, new hires were provided training for a period of three months before the start-up of the new line in Barcarena.

Additionally, the new fusion furnaces were fully tested and implemented. If necessary, the Company now is capable of smelting primary aluminum to manufacture aluminum rods and their alloys. Additionally, the safety of the stand-by furnaces was improved thanks to the automatic reduction of flames when doors are opened. Besides the redundant safety procedures, the minimum flame system reduced LPG gas consumption.

New solutions for the electricity sector

In 2019, despite the high productivity of cables already known and with quality recognized by the main companies and customers operating in the electricity transmission and distribution sectors, Alubar also developed new products with its eyes set on the demand that is expected to grow in coming years. The highlight is the ACFR Alubar Cable, with trapezoidal profile heat-resistant aluminum alloy wires and carbon fiber-reinforced core. In order to yield increased energy conduction capacity, with the same diameter of the conventional CAA cables, the ACFR is indicated to up-rate the transmission lines already existing and supplying power to large urban centers. Besides, for being lighter with lower sag, these are higher efficiency cables for large crossings.

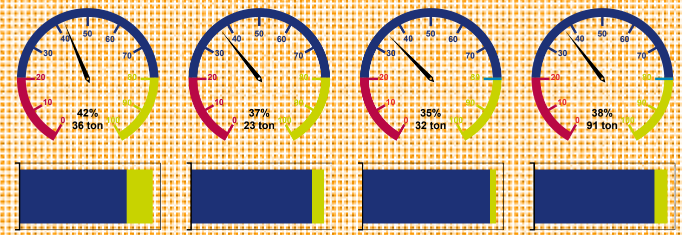
The team of engineers at Alubar developed industrial and process improvements that enabled production of the Alubar ACFR, in the Dove and Linnet variants, with the same equipment already used to produce conventional cables and quite similar linear speed. As this was a new product in the market, the engineers accompanied the Marketing Department teams to electricity sector events and fairs to advertise the technical qualities of this cable, and demonstrate the excellence of Alubar in mastering this technology in Brazil. In 2019, the product was sold for the first time and Alubar was there to witness the installation in a pilot project in Minas Gerais.

In the same year Alubar also developed a 35kV single layer covered cable, comprising a compacted aluminum cord, a thermofixed semiconductor layer and reticulated polyethylene coating (XLPE). manufactured in conformity with NBR standard 11.873, used in the compact distribution networks od the power concessionaires. Cable features protect it from UV radiation, extreme weather conditions and tracking. It is the ideal conductor cable as it is resistant to electrical discharges from contact with tree branches.

Continuous Improvement: a Value in Practice

Aligned to SDG 9: Summing industry, innovation and infrastructure, Alubar moves towards process automatization and using of technologies that bring more safety, quality and productivity to the work

2019: SUMMARY OF MAIN OPERATIONAL IMPROVEMENTS



PRODUCTION VELOCIMETER

SPARK TEST

QR CODE SYSTEM FOR MAINTENANCE

POWER BI

CONSUMPTION CONTROL

ARRANGEMENT OF TOOLS

BUILDING MAINTENANCE

CLIMATIZATION

Company's team of engineers also received investments to improve teamwork, cross-training, process integration and solution of complex problems in Company's Universe. In order to achieve this goal, they were provided with training and attended workshops and coaching sessions. Additionally, Alubar started to identify and record the behavioral profile of this staff to find out more about our talents and recognize them in a timely manner. The product engineers were provided with training to operate the software Inventor, for design of product in flat image and 3D.

Lean Alubar

The Lean Alubar Program whose purpose is to promote the lean manufacturing culture in the Company produced significant results in its first full year of implementation. The employees in the Industrial Area were provided with training according to this approach, focusing on organization, and minimizing waste of time and materials. The teams of Managers, Engineers, Coordinators and Supervisors assisted in disseminating this culture among their teams, encouraging people at all levels to start proposing improvements in their respective areas.

Some of the results of the implementation of the lean manufacturing culture at Alubar were the shorter time to setup of the wire drawing and stranding machinery and fewer twisting events in the aluminum rod coils.

Employees seriously engaged in considering and implementing improvements were recognized by the Company with promotions as opportunities arose.

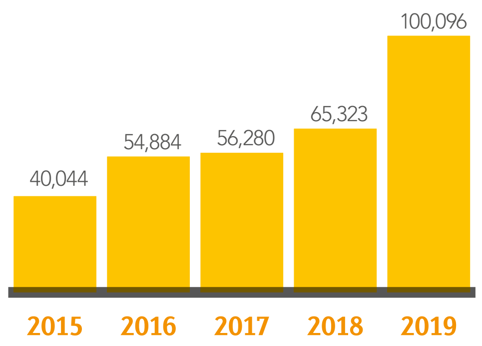
The path that led to new units

Directly involved in the acquisition of new units, the Industrial Department of Alubar has contributed from the mapping of opportunities in Brazil and in the world to the preparation for the initial operation of Alubar Métaux and Alubar Montenegro.

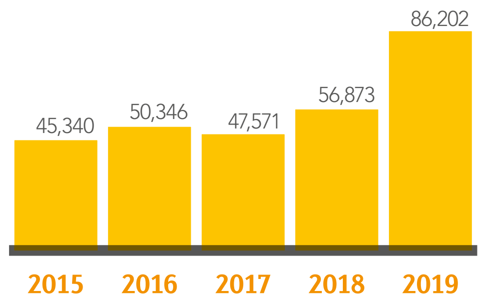
After a careful evaluation of the possibilities of acquiring rod plants in China, Vietnam and the United States, the perfect opportunity was found by Alubar in Canada: a unit out of operation but with qualified local labor available, good equipment, access to suppliers, strategic location and favorable logistics. Once the equipment and the general building conditions were inspected, it was decided that the plant, owned by a Venezuelan company, was a perfect fit for the Alubar strategy of increasing the production of aluminum alloy rods and enter the North American market.

From then on, counting on direct support from our Legal Department and Canadian attorneys, Company's assets acquisition was complete. In parallel to the negotiations of the assets, Alubar also entered into negotiations with the Justice Department and labor unions, undertaking to re-hire the employees who had lost their jobs when the unit was shut down. Three of our employees from the Barcarena Unit were selected and promoted and assigned to this opportunity in Bécancour to manage the new unit with the same values and standards consolidated in Brazil. Members of the administrative and operational teams also travelled to North America to support the start-up of operations. The Legal and People Management Areas assisted the Brazilian staff

ELECTRICAL CABLES (TON/YEAR)



ALUMINUM RODS (TON/YEAR)



to obtain work visas for Canada, in a meticulous process of relations with the Canadian Government Agencies and in checking the required documents and information.

Once the acquisition was completed, the Industrial Department teams worked together with employees in Canada to have the new unit in operation in the first semester of 2020. Working towards this goal, rod production techniques were shared, a piece of equipment used to produce the 1120 aluminum alloy was designed by the team of engineers at AMC in Brazil and manufactured by a company in Canada, the design of the new front of the building and the renovation of the administrative facilities were started, and a commercial building in Miami was planned to provide support to the new unit.

In Montenegro, the opportunity detected was a electrical aluminum cable plant owned by a Japanese corporation. Thus, just like in Canada, the Infrastructure and Industrial Assembly Management were involved in the analysis of the conditions of machinery and supplier development to run the machines at its unit. The assets were purchased with the approval of the Administrative Council for Economic Defense (CADE), a federal government agency whose mission is to ensure free competition in the market.

With support from the Legal Department, Alubar collected all the information and documents needed, enabling fast and positive analysis by CADE within less than 10 days.

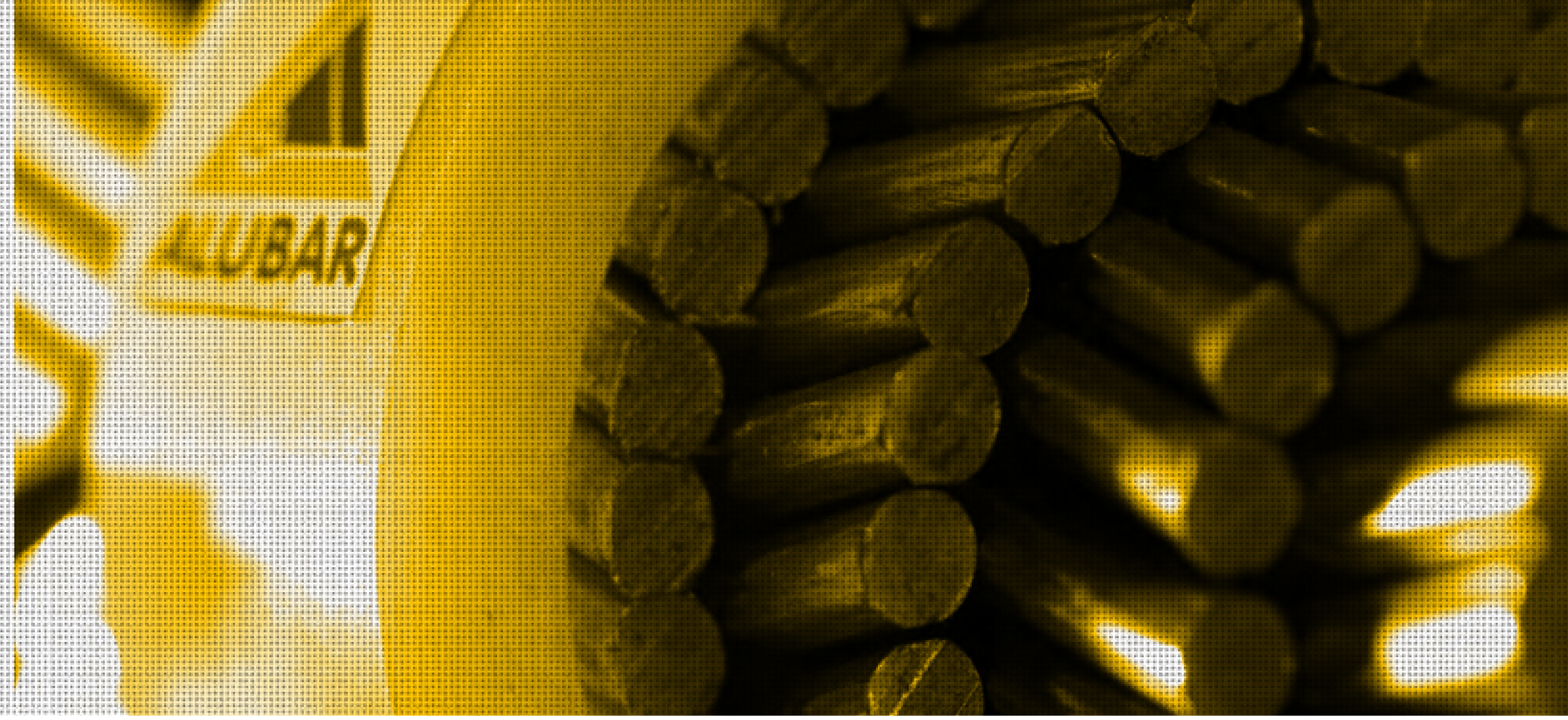
The aluminum alloy rods produced in Barcarena will be supplied to this plant. The former manager of the Alubar CopperTec Unit was appointed to take over the General Management of Alubar Montenegro. Just like for the Canadian Unit, employees from Pará were assigned to the Rio Grande do Sul Plant to provide technical and administrative support to the initial operations in 2020.

“

We have a consolidated rod and cable production culture that has much to gain from the introduction of the new units. This was only feasible because the organizational structure of managers, engineers, technicians and operators is fully committed and make us feel sure that whatever the Board has planned will actually be done.”

André Kishi, Industrial Director, Alubar

CLIENT DIMENSION



Sinergy of teams and specialized service make a difference in the market

Thanks to specialized and collaborative work, in 2019, Alubar was able to keep its sound presence in the Brazilian market. The Company already stands among the large global producers of aluminum alloy cables by recording the impressive total production of 96 thousand tons in 2019. The leading manufacturer of bare aluminum cables in Latin America, Alubar also stood out by the manufacture of insulated cable reaching a 25% share of the market of distribution cables with over 100 thousand tons, accounting for production of copper cables, Alubar produced over 100 thousand tons, accounting for 67% sales revenue increase.

In 2019, after hard and thorough work, the 1120 aluminum alloy cable became the benchmark in the power transmission market in Brazil. These cables account over 80% of the 96 thousand tons of cables produced and sold by Alubar. Company's growth in recent years and, especially in 2019, was directly influenced by Alubar culture.

The way the Market and Commercial areas work is primarily focused on specialized service to clients, besides continuously keeping track of the market, detecting, analyzing its short, medium and long term needs.

Thus, Alubar was able to prepare in advance for the growing demand from the electricity sector that was mostly felt after the initial operation of the Belo Monte Hydroelectric Power Plant (PA). With the need to carry this power to the South and Northeast Regions of Brazil, in the booming transmission market, Alubar stood as the main supplier of bare aluminum cable.

The reinforcement in meeting these demands in the transmission market was one of the chief reasons that led to the acquisition of a new electrical aluminum cables in Montenegro, in the South Region of Brazil. This Unit has the double mission of incrementing production volume and the relationship and logistics closer to clients in this part of the Country.

> ***We closed year 2019 having sold over 100 thousand tons, which include all products Alubar takes to the market. We are proud to work for a company where different solutions are proposed. We went from the Amazon to Canada. We rose to a higher level: Alubar is today the aluminum conductor market leader in Latin America, and one of the largest rod producers in America."***
>
> **Fábio Camargo, Business Manager, Alubar, in 2019**

Innovation

Another demand identified by the Alubar teams was the future need to up-rate the transmission and distribution lines that are now operating close to the limit due to the growth of the Brazilian cities, which, on their turn, do not have free areas to implement new structures for these lines. To tackle this challenge, it was suggested that the Company should deliver a product that would allow line capacity increase using the same transmission and distribution infrastructures.

Thus, in the ACFR Alubar conductor was launched in 2019 provided with carbon fiber core produced by TokyoRope. This was the first electrical conductor of this type produced in Brazil and with features that also enable cutting down global transmission infrastructure implementation cost.

A successful pilot trial with the ACFR Alubar cable was conducted by Companhia Energética de Minas Gerais (Cemig), in the second semester of 2019.

To make the ACFR Alubar conductor and other Company's products best known in the energy market, jointly with the Communication and Engineering teams, the Market and Sales Departments delivered technical presentations and took part on business events and fairs, e.g., the SNPTE (Seminário Nacional de Produção e Transmissão de Energia Elétrica) [Brazilian Seminar on Electric Power Production and Transmission] and the International Electricity Sector Trade Fair (FISE - Feira Internacional do Setor Elétrico). Both these events were particularly important in our search for new national and international markets.

Historical International Award

The successful working model of the Sales Department in 2019 was granted historical recognition from the global energy market. Alubar was appointed Supplier of the Year because of the supply of bare aluminum cables to Neoenergia, a company especially active in the construction of transmission lines in Brazil and which is the distribution arm of the Iberdrola Group, one of the largest global energy market players.

Distribution Market

Present as supplier of large power concessionaires like Neoenergia/Iberdrola, CPFL, Equatorial Energia, Energisa, EDP and Cemig, Alubar does business in all regions of Brazil. Among the challenges to be faced in 2020 is to increase our market share in the sector and the investments in new machinery to enable Alubar to ensure at least 30 thousand tons in this segment.

International markets

In 2019, the Sales Department, working hand in hand with other Company's Areas played a leading role in prospection and evaluation of market opportunities in Brazil and abroad. They also worked on the collection of information on all the opportunities that had been detected, contributing to the analysis and decision making by the Executive Board.

NEOENERGIA SUPPLIER AWARD 2019
Representing Alubar, CEO Maurício Gouvea received the trophy "Supplier of the Year", awarded by Neoenergia recognizing the Company as a global quality supplier.

Our teams took an active part in all the phases of the international expansion, collaborating in presenting the Company during international prospecting actions, technical visits to the United States and Canada, legal, financial and acquisition negotiations towards the purchase of the Canadian Plant, overcoming all the challenges posed by lack of familiarity with different cultures, languages, approvals and negotiation models.

> ***It was a year of growth in Brazil and of sailing unexplored seas around the world, added to a strong team work in all the projects, which was critical to take Alubar so far. We must now keep the focus and continue growing."***
>
> **Maurício Corona, Marketing Manager, Alubar, 2019**

Synergy between the Sales and Marketing Departments

The Marketing and Sales Departments acted hand in hand and in full synergy along 2019, sharing their roles between business prospecting, follow-up and update of strategic information, contract management and specialized service to clients.

Among the main internal challenges faced by the teams in 2019 we have the redesign of the dynamics of the work of managing client contracts, once, from 2018 to 2019, the number of contracts was multiplied by a factor of 8.

This resulted from the larger volume of cables sold that, consequently, also increased the need for an effective management of these contracts. In order to restructure the areas, the teams were provided with training and management support tools.

Supported by the Lean Office methodology, the managers also encouraged their staff to adopt new approaches to the current work methods and, as specialists, to propose improvements to the Business Area to optimize time and generate financial return for the Company.

Once the restructuring was completed, the Marketing Area was assigned part of the sales, the Sales Teams were handed out all the contracts focusing on specialized post-sale work, including coordination and specific teams for the Transmission, Distribution and Copper Areas, ensuring top quality service to clients and effective management of the 39 contracts managed in 2019.

Relations in the Copper Market

Alubar made efforts to keep regular copper cable production in face of market hindrances such as the limited growth of the construction industry and lower consumption by the power concessionaires.

Among the challenges faced to grow in the Copper Market Alubar is developing a model aligned to the dynamics of this business environment, with effective actions taken by the Sales Teams in relations and sales targeting the private sector market, including support to far reaching sport marketing actions.

An example of the increased interaction with resellers and dealers in the Copper Market, with support from sport marketing, was seen in the North and Northeast Regions selected as priority markets in 2019, because of nearby logistics and the sales force established in these regions.

Several commercial relations actions were implemented with these partners, via sponsorship of the soccer teams Paysandu, Remo, Ceará and Fortaleza, that involved, among other actions, visits to soccer stadiums on match dates aiming at generating visibility and adding value to the Alubar brand.

Added to the commercial relations actions, Company's association to the soccer teams contributed to increase its presence in the resale market and the best outcome was the larger amounts of procurement in Pará and Ceará.

"We grew along the years without losing our essence, that is, the focus on the clients and their needs. We always sought to customize our approach to each project. One of the purposes is to go on continuously strengthening our commercial ties with our partners and, thereby, we will always be the Company the sector remembers most."

Giuseppe Bellezza, Sales Director, Alubar, 2019

RISK & COMPLIANCE DIMENSION

Minimizing risks adds safety to the business

In view of the growth of Alubar, especially in the last two years, added effectiveness and swiftness is required from our processes. The same applies to the Internal Audit Area, responsible for assessing risks and designing action plans to minimize them. In 2019, the Internal Audit Area completed 100% of the work program that had been approved by the Audit Committee and audited the logistics, financial, environmental quality and issues reported through the ethics channel.

As a result, 132 action plans were designed, aimed to minimize risks in 15 areas of Alubar. Additionally, 67 plans were fully implemented in 2019, generating improvements for the Company as a whole. Among the most important is the risk assessment work at the Alubar CopperTec Unit, in Cotia (SP).

The Area also started investing in the process of robotization of company internal audit routines. Area employees then began their specialization in handling the tools and to speed up the processes, managing millions of records and pieces of information to generate in just a few minutes answers that, otherwise, would take days to obtain.

132 ACTION PLANS CREATED

67 IMPLEMENTED PLANS

15 AREAS IMPROVED

"Ten years ago, there were audit tests whose analysis took 10 days. Nowadays we can do the same tests in 10 minutes. The future of auditing is to be able to test the whole company in a few months and sped the rest of the year analyzing and validating information. The team has been specializing in mass data processing, following the best market practices that require swiftness without loss of accuracy."

André Cruz, Internal Audit and Compliance Manager

Integrity as culture

In the fourth year of the Alubar Compliance Program, the new accomplishments proved the excellence of program development. The Company won the Pro-Ethics Award 2018-2019, granted by the Brazilian Office of the Comptroller General (CGU – "Controladoria-Geral da União") and Instituto Ethos for evidencing full commitment to a trustworthy and transparent corporate environment. The companies carrying the seal are not entitled to any privileges in the relations with the government sector, but are entitled to the benefits that derive from recognition, positive notoriety, and a detailed evaluation of their integrity programs. In this edition, 373 companies voiced interest in taking part in the Pro-Ethics but, by the end of the process, just 26 were approved and recognized. This is the second consecutive time that Alubar was granted the title, and it is the only company in the North and Northeast Region to be recognized by this award.

Alubar also stood out in the Guia Exame de Compliance (Exame Compliance Guide), in the "Metallurgy and Metalworks" category. The Guia, published by the magazine Revista Exame jointly with FSB and Fundação Dom Cabral, named Alubar as one of the companies that actually has a sound Integrity Program in place. A total of 543 enterprises enrolled in the process, and 298 were able to complete the questionnaire. After all phases of analyses and validations, 39 were recognized as benchmarks in their respective business sectors.

"The Pro-Ethics ("Pró-Ética") is the highest recognition a compliance program can be awarded in Brazil. Being awarded twice means that we are continuously improving our Compliance Program and, most important, consolidating the ethics culture at Alubar and in society. All workers newly hired by Alubar are provided with training in our Code of Conduct and integrated into our Compliance Program."

André Cruz, Internal Audit and Compliance Manager.

The recognition results from the consolidation of a culture of ethics at Alubar, with strict adherence by employees of all areas of the Company. To further disseminate this culture, the Compliance Area also invested in training of employees and contractors along the year to improve their familiarity with Company's Compliance Policies. In 2019, Alubar reached the mark of 99% of its own employees trained in good compliance practices, in addition to 58 outsourced companies.

By attending events, Alubar also acts as multiplier of the ethics culture in other organizations. In 2019, the Compliance Team attended the 7th International Compliance Congress, hosted by Legal Ethics Compliance (LEC) in São Paulo. On the occasion, Alubar's Team reported on the experience of designing and consolidating the compliance culture at the largest manufacturer of electrical cables in Latin America, thus building further trust from clients, suppliers, and government agencies. Alubar also started the work of mentoring other organizations that wish to start their compliance programs, as for example, a major attorney's office headquartered in Belo Horizonte.

Just like in the previous year, Alubar partnered with the initiative Redes - Inovação e Sustentabilidade Econômica (REDES, Development and Economic Sustainability) of the Federation of Industries of the State of Pará (FIEPA – "Federação das Indústrias do Estado do Pará"), delivering presentations at Compliance Workshops directed to entrepreneurs in Pará. Alubar also took part in lectures sponsored by the Compliance, Fight Against Corruption and Administrative Improbity of the Brazilian Bar - (CCIA ("Combate à Corrupção e à Improbidade Administrativa")- OAB ("Ordem dos Advogados do Brasil")/PA).

In the process of procurement of assets for the new Alubar Units in Montenegro and Bécancour, the Compliance Area provided consulting services, counting on support from an external expert company for the Due Diligence work of the transactions.

99%

OWN EMPLOYEES PROVIDED WITH A TOTAL OF 2,382 HOURS OF TRAINING.

376

EMPLOYEES FROM CONTRACTORS PROVIDED WITH 188 HOURS OF TRAINING

36,5

HOURS OF EXTERNAL TRAINING

ENVIRONMENT AND QUALITY DIMENSION

Continuous quality increase

As a result of the higher productivity achieved by Alubar in 2019, the efforts to ensure the quality of our products were incremented. The team increased and was trained to keep the excellence standards already well known in the Brazilian power sector.

One of the high points of Quality Control in 2019 was the preparation of a new laboratory of manufacturing inspections of bare and insulated cables in Barcarena, which, in 2020, will be in operation at Company's storage yard. The new facilities were fitted with the required furnishings, and are intended to speed up the manufacturing inspections carried out in this area, without interfering with the routine work of the quality control laboratory at the Manufacturing Unit. Another laboratory for testing medium voltage cables was also moved from the Manufacturing Unit to the storage yard as this is an environment best suited the operations and tests carried out by this laboratory.

Aiming to optimize conformity with NBR standards ISO 9001:2015 and NBR ISO 14001:2015, the Quality and Environment Departments, already working under the same management at Alubar, have set the new goal of moving forward with the integration of the management systems. Employees of both areas are now being trained to jointly master the processes with the purpose of integrating the work instructions, manuals and, consequently, improve management control and streamline processes.

Treading the path towards increased efficiency, Alubar also expanded the use of the Electronic Document Management System (GED – "Gerenciamento Eletrônico de Documentos"). At the Environment and Quality Departments, digitizing enables faster access and facilitates their organization and control of documents, instructions and the information needed for the certification audits. In 2020, new documents, FOR EXAMPLE THE AUDIT REPORTS, RAC ("RELATÓRIO de Ação Corretiva" - Corrective Action Report), among other, will be integrated to the GED System.

At the Alubar CopperTec Line, the copper products were tested and approved by the Brazilian Association for Quality of Electric Wires and Cables (Qualifio), a nonprofit organization that monitors manufacturers of copper wires and cables, with the purpose of evaluating the quality of the conductors offered to consumers at sales outlets throughout the Country. The last survey conducted by Qualifio, in the first semester of 2019, analyzed 206 samples of cables from 90 manufacturers. Out of that total, just 91 samples (44%) presented full conformity with the safety and quality rules enforced in the Country and, the Alubar conductors were among them.

New units

The Effluent Treatment Center of Alubar has automated systems that improve the safety and further reduce the risk of process oil leaks.

"We are working hard on the integration of the quality and environmental management systems and our target is to have these systems integrated very soon, conducting one single internal and external audit of NBR ISO 9001 and NBR ISO 14001 standards. This will help to cut down cost and prevent redundant information, once there are many converging points in these standards."

Hélido Sena, Quality and Environment Manager.

To guarantee the same quality of the rods and electrical cables produced in Barcarena at the new Alubar Units, the Quality Control and Environment Department was involved in and will continue contributing to the process of transition of the plants to the Alubar model, counting on technical support from the Company itself and external consultants. In Bécancour, the Company that previously controlled the unit was already ISO 9001 and 14001 certified. In order to adapt these certifications to the 2015 version of the standards, now, under Alubar management, the quality and environmental system was appropriately adjusted. This work involved the organization of documents and revision of plant procedures overcoming the language barriers. On its turn, at the Montenegro Plant, it was decided to extend the Barcarena procedures to that plant to speed up the beginning of the certification audits.

Environmental responsibility with our eyes set on the future

Along the year 2019, Alubar invested in environmental monitoring and optimization of the internal controls. A good example was the approval of the investment in the improvement of the Effluent Treatment Station (ETS), starting with the implementation of the services of automation to supply real time information on the pH, conductivity, biochemical oxygen demand (BOD), among other data of the water utilized by the plant both for the product manufacturing processes and use by our employees. In 2020, data will be displayed in real time on dashboards installed at strategic sites to be seen by environmental area personnel.

The ETS was also provided with an additional protection against oil leaks from the process. An automated system can detect and redirect the lubrication oil to another tank interconnected to the industrial process, preventing it to reach the environment. Besides liquid, gaseous effluents are also compliant with legal requirements, without any damage to the environment in the vicinities of the plant.

The Effluent Treatment Center of Alubar has automated systems that improve the safety and further reduce the risk of process oil leaks.

During the NBR ISO 14001 certification audit in 2019, Alubar proceeded with the update of procedures targeting conformity with the 2015 version of the standard, which includes risks and opportunities in the environmental management area.

Improvements were also made in the reuse of company waste, for example, by improvements to the destination of the wood pallets used to store electrical aluminum cables. By the end of their service life, the parts are sent to a local supplier that changes them into wood wedges that are reused in plant routine work. Besides reducing the volume of waste, this action reduced the cost of wedge purchase by 35%.

Complying with the environmental regulations of the Municipality of Barcarena, in Pará, packaging (coils) of the electrical cables were updated with reuse information and there are now procedures for their reuse. This action adds to the transparency of the use of these materials to society.

Raising the awareness of our employees about the importance of caring for the environment is also part of our culture. Held in June, the Environment Week approached the theme of the SDG 12: Sustainable Consumption and Production, aiming at encouraging our employees to think about how their daily actions impact the preservation of our planet, by avoiding wastage, improving production and the responsibility of each and every one in their individual and collective functions.

At the new units, the Environment Department offered assistance to environmental assessments and contributed to the issue of the Certificate of Authorization, in Canada, to Alubar Métaux, and the Operating License, in Rio Grande do Sul, to Alubar Montenegro.

SUPPLIER DIMENSION

Organization and fast pace to supply the power sector

If we are to establish good relations with clients and suppliers, it is critical to have our logistics and supply departments fully aligned to Company's vision and operation. In 2019, changes and improvements were introduced in the Supply Department to enable it to keep up with the expansion and internationalization of Alubar. One of these changes was to separate the logistics area that then became a separate department with special focus on procurement, storeroom and imports, while the Logistics Department focused on the distribution and delivery of products to clients and the management of the Alubar storage yard.

Company's expansion along the last year increased the demand for storage space in storeroom that exceeded 76 thousand items in 2019. In order to meet this demand, the storeroom was rearranged, with support from a coordinator specialized in shipment and storeroom management. The purpose of this action was to improve the organization and increase the number of items available in stock for internal consumption. One of the outcomes was that inputs that had been stored for long periods of time and unused were removed from the inventories. Additionally, it was started a study on the feasibility of a vertical stock, receiving and replenishing in a round-the-clock system, matching Plant's pace.

As to imports over 10 thousand items were procured abroad in 2019, which were mostly inputs like aluminum rods to supply the cable production in Barcarena. Alubar also imported aluminum ingots for testing the new fusion furnace, broadening the capacity to supply primary metal to the Plant. In order to streamline supply to this growing demand, the Imports Module was established to tine to delivery and build further interaction between employees. Another achievement in terms savings in the process was the 10% discount in the table of operations enforced by the Port Barcarena.

The team was also strengthened. A professional of the Invoicing Area was reassigned to deal exclusively with imports. A bilingual assistant was also hired to assist in Alubar's internationalization process and to look for new saving opportunities, such as, for example, the tax exemption in the procurement of imported equipment that generates savings of up to 12% on the cost of these transactions.

In 2019, through the Procurement Area, Alubar purchased over 15 thousand items. To meet the increased demand from expansion and internationalization, the Procurement Area relied on bilingual staff to look for local, national and international suppliers, in order to negotiate, purchase and execute contracts for the Montenegro and Canada Plants.

Improvements

The system Freight Forwarder Management System was implemented by the Procurement Area jointly with the IT Team. This system expedites tasks like cargo control, freight negotiation, cargo monitoring and carrier evaluation, integrating the Accounting, Tax and Finance Areas of Alubar into these tasks. Another technological improvement was the development of the Contract Management Tool to integrate the Procurement Areas and contract managers, the implementation of the electronic justification letter, resulting in fewer printed documents and more time to negotiate contract renewal prices.

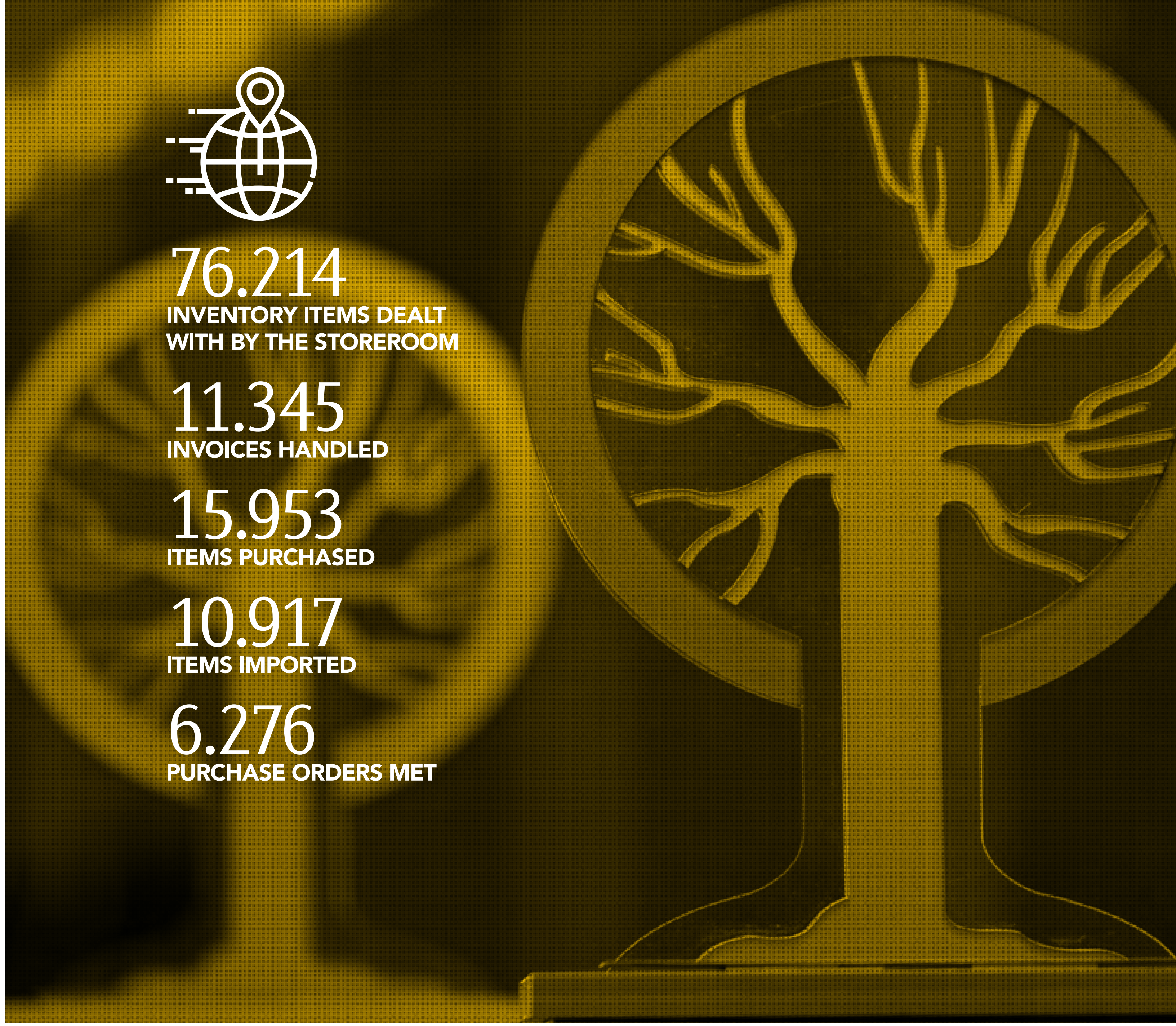
The Service Level Agreement (SLA) was also created. This is a system used to define categories for the purchase orders by type and criticality. With SLA, it is possible to better evaluate the Team's productivity and control the time spent in the Procurement Area. Also, in this tool buyer's code was automatically linked in the Purchase Order, with time saving and efficiency gains to the whole Team.

"In 2019, we continued to foster the market where our Company does business. At Alubar, we are always focusing on developing and investing in suppliers and local labor as a way of valuing and fostering our market."

Fábio Rezende, Supply Manager, Alubar

The Procurement Area has also implemented a remote indicator monitoring system via web, where the performance of each procurement analyst is displayed in real time on a screen. This tool enabled recording 97% productivity in responding to purchase orders within the set term and an increase from 30 to 45% of index of negotiations for payment in 35 days.

In 2019, the Supply Area carried out its first trial of a pilot project, whose purpose is to periodically bring together the best performing employees and higher procurement savings to congratulate and encourage them to go forward with the improvements.



Local Suppliers

Aligned to the Sustainable Development Goal (SDG) 17, about revitalization of the global partnership for sustainable development, Alubar kept close ties with the local supplier chain in the State of Pará. Alubar is one of the sponsors of the initiative REDES – Inovação e Sustentabilidade Econômica, sponsored by the Federation of Industries of the State of Pará (FIEPA), thus broadening the range of suppliers and the procurement opportunities in the State.

As a result of these efforts, once again Alubar was recognized with the Award REDES de Desenvolvimento (photo above), sponsored by REDES/FIEPA. Alubar was ranked 3rd in the Percentum Category, indicating the companies with higher spending in Pará, in terms of percentage. In 2018, at Alubar, 55% of total procurement occurred locally, amounting to BRL 544,809,025.10. Since 2016, Alubar has always been among the 3 companies with highest rates of procurement in the State.

Perfect timing for clients

The new Logistics Distribution Department took charge of deliveries to clients of the products sold by Alubar all over Brazil and abroad, as well as of Storage Management at the Storage Yard at the Alubar's subsidiary in Barcarena-PA, where the aluminum cables produced by the Plant are kept. The Logistics operations are broken down according to the market segment of current clients: Most of the logistics operations handle cables for the transmission lines and the smaller part of the operations involve shipment to the power distribution companies.

Faced with the high demand for deliveries, especially in the last 4 months of 2019, the Logistics Team at Alubar managed to improve delivery rates made on time and also promoted a reorganization of storage, inventory control and shipping of products at the Storage Yard in Barcarena. The integration of Logistics with the Sales, Maintenance and Supply Areas deserves a special mention, in order to streamline deliveries according to client requirements and Alubar structure.

The team of over 60 people of the Alubar Logistics Department also started to convene for daily meetings to review each day's actions and targets, thus increasing focus on solutions and problem solving.

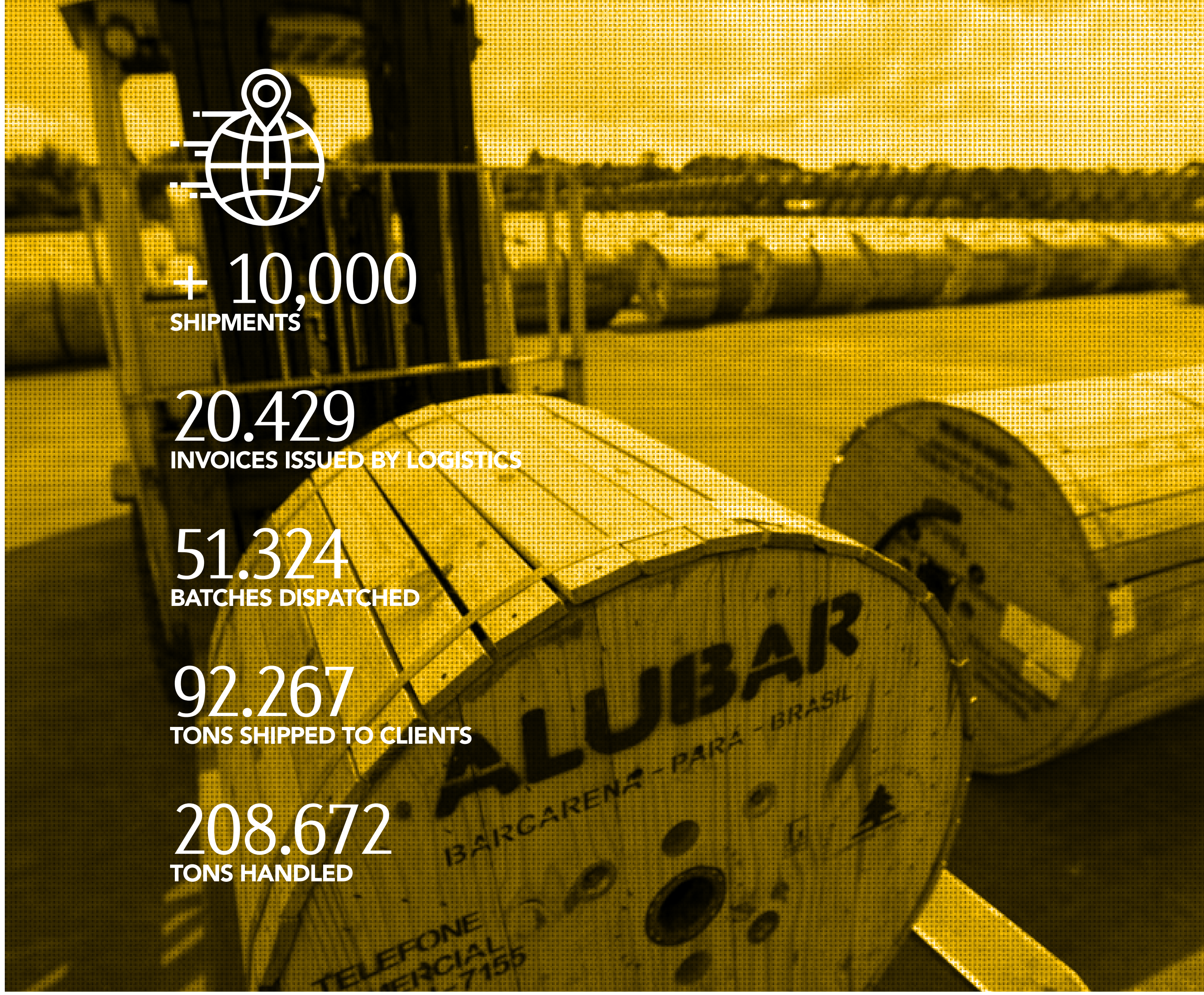
"Alubar's Logistics mission is to optimize Company's storage capacity, promoting deliveries according to client requirements and ensure the effectiveness of operations. By managing the distribution chain, we look for links to optimize transportation and information, leverage supply to clients and integrate all manufacturing units."

Gleydson Costa, Logistics Manager, Alubar

In 2019, we recorded more than 10 thousand shipments, evidencing also the evolution of carriage and invoicing, with 45% increase in the issue of invoices when compared to 2018.

Aiming to improve the internal controls, the Logistics Teams attended training sessions on how to handle electronic spreadsheets and the Freight Forwarder Management System (GFE-TOTVS), implemented by the Procurement Area. These tools contribute to increase productivity and improve the generation of information for procurement and freight contracting.

Another successful initiative of the Logistics Department was the establishment of closer ties with shipping companies to add transparency to information sharing about the progress of shipments, follow-up deliveries, On Time deliveries and better routes.



Besides the already mentioned integration, the Logistics Department also developed a close partnership with the Invoicing, PCP, Dispatch, Sales, Infrastructure, Maintenance, Manufacturing and Procurement Areas that contributes to improved management of the shipping companies. This interaction was important to provide staff involved in logistics with a broader view of the Alubar business, enabling easier access to information and information sharing, which are of utmost important to these chain links.

Integrated Logistics

Consistently with Company's expansion in the national market in 2019, the contracts of shipping companies providing services to Alubar in Barcarena were extended to meet the needs of the Montenegro Unit (RS). The purpose here is to start considering integrated logistics for all the Alubar units in the Americas, facilitating deliveries to clients and the supply and exchange of inputs between the Manufacturing and Distribution Units.

PERSONNEL DIMENSION

Growth based on people

When a company expands, all those involved evolve at the same rate. In the People aspect, 2019 stood out as the year of opportunities and qualification of Alubar employees. For consistency with plant expansion and client demand, the number of direct employees was increased by 16% against 2018. We had 272 new hires in Barcarena and 21 in Montenegro to prepare for the initial operation of the new unit.

The number of career movements was also a year highlight: 343 employees were promoted, 20 of them to management jobs. These figures reinforce the long standing policy of Alubar of valuing people who are already in the Company, based on competency and timeliness. External recruiting happens to fill lower level job openings when the required profile is not found in Alubar itself.

On the subject of selection processes, the interest people have in working for Alubar has also reached a new level in 2019. Compared to the previous year, 208% increase was recorded in the number of candidates in the recruitment and selection platform.

Training and development

As People is one of its core values, Alubar directs ongoing investments to the development of its employees. In the last year, 1,850 training actions were implemented and 99% of Alubar employees were provided with both technical and conduct training. In the last 5 years, the number of training courses increased 177% and, thereby, our employees are now prepared to face the growing professional challenges faced in the Company.

One of the main accomplishments of the Training and Development Areas was the increased emphasis on positive psychology techniques, that aim to recognize employees' strengths, which indirectly ultimately leads to an improvement of the weak points. This method was applied to the design of the Potential Talent Program whose goal is to prepare top performers in their areas to assume more strategic functions. As part of the program, the technical and behavioral characteristics of these employees were evaluated to customize the development actions.

The People Management Department also entered into relevant partnerships to assist our staff in their professional growth. A Business Management specialization course was prepared with Fundação Dom Cabral, one of the best business schools in the world, specifically tailored to the need of the participants of the potential talent program and to enhance the skills of Alubar leaders, supervisors, and managers.

Proceeding with the actions and to prepare for Company's internationalization, Alubar decided to broaden its language course program. The English class group, with a teacher accredited by the language school Cultura Inglesa, was increased. In addition, the staff responsible for contact between the Barcarena and Bécancour Plants is taking 2-year French courses in partnership with Aliança Francesa. The language lessons are ministered at the Alubar premises, thus avoiding the need for employee displacement.

As the Company grew and new units were acquired, the People Management Department needed restructuring. We worked to disseminate the organizational culture of Alubar and selected people to provide internal consulting services to severeal areas. Accordingly, the Human Resources Department worked closely with Top Management by offering suggestions on how to meet the needs of our internal clients."

Ana Carolina Santos, People Manager

Another highlight was the implementation of the Lean Office Program, an initiative aimed to pinpoint and reduce wastage of time and resources in the administrative processes, initially at the Alubar's Sales Area. The High Performers Leadership Development Program (HPLDP) and Executive Coaching Program were kept running.

Health and safety

The Specialized Safety Engineering and Occupational Medicine (Serviço Especializado em Engenharia de Segurança e em Medicina do Trabalho – SESMT) also needed changes to meet the new requirements of Alubar. In 2019, due to production increase and the arrival of new hires, the attention to the safety rules has been doubled. Besides routine training on technical and conduct issues, employees who had been working at the Plant for longer periods were assigned the responsibility of providing guidance to the new hires on the daily routine.

At specific work environments of the Company, Alubar started to display the employees' Work Permit on the badge itself, making it easier to check the document that was already mandatory for higher risk tasks, such as work at height or in confined spaces. The SESMT also received several suggestions for improvements from the employees that directly handle equipment and processes. Among other, some of the suggestions that were implemented were signage improvement, installation of protection grids and guardrails close to equipment, fast wireless stop buttons on machinery enabling operators to remotely shut down the equipment at distance of up to 50 meters.

Another important change made to the SESMT was the improved distinction between operating and strategic routine. The Safety Analyst function was created at Alubar and was assigned to a Company employee tasked with collecting information and statistics to support managers to plan the necessary actions.

Internal events and campaigns also reinforced the good safety practices. Some examples are the Internal Work Accident Prevention Week (SIPAT – "Semana Interna de Prevenção de Acidentes de Trabalho") that, in 2019, approached the subject "Genuine Active Care", besides the traditional Carnival and Vacation campaigns and other commemorative dates that require additional precautions inside and outside the work environment.

WHO WE ARE?
(DEZ/2019)

HEADCOUNT	
882	DIRECT EMPLOYEES
420	INDIRECT EMPLOYEES
866	EFFECTIVE EMPLOYEES
16	APPRENTICES
06	TRAINEES
GENDER	
84%	MEN
16%	WOMEN
TIME WITH THE COMPANY	
71%	UP TO 5 YEARS
17%	FROM 6 TO 10 YEARS
12%	OVER 10 YEARS
GENERATIONS	
1%	BABY BOOMERS (61 TO 80 YEARS)
13%	X (41 TO 60 YEARS)
66%	MILLENNIALS (26 TO 40 YEARS)
20%	Z (10 TO 25 YEARS)
TURNOVER IN 2019 (AVERAGE MONTHLY TURNOVER)	
2%	ALUBAR
4%	NATIONAL AVERAGE

Quality of life

The Live Well Program of Alubar has now reached its fourth year with several campaigns launched along the year to share knowledge about wellbeing, health, and nutrition. The campaigns are launched on specific calendar days to talk about disease prevention, healthy eating habits, benefits of physical activity, mental health, and several other subjects.

As to Occupational Medicine, the innovation was the health care available at the Plant itself. Alubar now has an occupational medicine physician on call three times a week, seeing patients and issuing referrals for exams. Hence, basic health care provided at the Company itself is swifter and eliminates the need for time consuming displacements for initial doctor's appointments. The same physician also supports the periodical admission medical exams, issues expert reports and assists in the design of the Occupational Health Medical Control Program (PCMSO – "Programa de Controle Médico de Saúde Ocupacional").

COMMUNICATION DIMENSION

The search for excellence at new levels

Consistently with Alubar strategic goals and always fully integrated with the other Company's Areas, the Communication Department has set new records in 2019, furthering Company's presence in the media, social media and getting closer and closer to Company's stakeholders.

Through its constant search for excellence, Communication has become a reference when it comes to matters related to alignment of the discourse, commercial promotion, strengthening of Alubar's brand and development of strategies to interact with the most diverse internal and external audiences.

Internal Communication

In 2019, the internal newsletter Via Alubar continued to report on internal improvements, awards, events, new products, commercial highlights, and messages from all Company's Areas. Besides the monthly issues, two special editions were published to disclose to employees the news about Company's expansion: the first one about the acquisition of Alubar Métaux, in Canada, and the second about the New Plant in Montenegro, in Rio Grande do Sul. Both editions brought messages from José Maria Barale, Chairman of the Board of Directors of the Alubar Group, encouraging the teams to deal with new challenges and markets. In view of the international expansion, Via Alubar is now translated into French.

The two editions of the In Sync with the Executive Board was one of major internal events. These are meetings between Company's employees and Alubar CEO, Maurício Gouvêa, where Company's strategies and guidelines are shared. These meetings enable closer contact between the Board and employees aiming to create closer ties and impart increased reliability to Company's announcements. In addition, Communication went on supporting Company's departments to organize events as, for example, the Environment Week, the Ethics Week, health and accident prevention campaigns, among other events that went beyond Company's to reach also the social networks and press departments.

The RexPa Day was another successful initiative aimed at engaging Company's employees in 2019. The event was a strategy of activation targeting the internal activation of Alubar's sponsorship for Remo and Paysandu soccer clubs in the State of Pará. The mascots visited the Barcarena Plants, official team shirts and tickets for matches of both teams were given away, and news about Company's employees were posted on social media.

New units

Company's internationalization process in 2019 also involved the Communication Area that was assigned the task of creating brands for the two new units and starting the process of posting internal signage at the Units and giving the Alubar look on the facade of the Plants. A social evaluation was also started in Bécancour, in order to organize information on the social, cultural and communicational context where the Plant is located. Another challenge we are still dealing with is the prospecting, knowledge and development of local suppliers in the New Units, counting on assistance from the Alubar Supply Area.

Record in Media Presence

While in 2017 and 2018 were marked by the initial presence of Alubar in the National media, in 2019 these efforts were consolidated, and news started to appear in the Canadian media. Altogether, 499 independent stories were published in the local, national, and international media, a new record for Company's Communication Department.

Among the actions focusing media relations in the State of Pará, in the 1st semester of 2019 the Communication Department invited journalists to visit the Barcarena Plant to show them the result of the expansion works of the previous year. Another strategic move was to promote closer ties with the specialized media through notes, reports and announcements that led to new opportunities for Alubar to get closer to the leading players in the power sector, engineers, storeowners, project designers and electricians.

Alubar also further developed relations with the Brazilian Aluminum Association (ABAL – "Associação Brasileira do Alumínio") that started to publish news in the magazine Revista Alumínio and on their website about Alubar's performance in the aluminum market and Company's actions at our plant sites.

499

NEWS SPONTANEOUSLY PUBLISHED BY THE MEDIA

Also, with respect to media and external communication, in 2019, advertorials, audiovisual and printed materials were published to introduce Alubar as a company that transforms not just the aluminum but also the lives of people who live in Pará. The video materials were run during the station breaks of TV Record Belém. The printed advertorials were published on the pages and webpage of O Liberal – a large-circulation newspaper in the Capital of the State of Pará. The first contacts with media vehicles in Bécancour and Montenegro that were sent news about the acquisition of the New Units also deserves a special mention.

Digital presence

Working on continuous improvement as the years went by, Alubar continued to use its social media to streamline the dialogue with its audience. In the whole, by adding the platforms, in 2019, 211 messages were posted - 40 of such posts were about selection processes available to the 40,162 followers of all Company's profiles.

Through the active routine of interaction with followers, Alubar has gained relevance, authority and receptiveness on Facebook, Twitter, LinkedIn and Instagram – the latter created in 2019, to boost the interaction with the fans of the soccer teams sponsored by the Company.

One of key digital communication actions was the launching of a campaign towards full transparency of the process of selection and recruitment for the job openings at Alubar. Working with People Management, the Communication Department prepared a set of FAQs on the "Work with Us" tab in Company's website. On social media the campaign continued with question and answer cards and a series of 5 videos showing Company's employees talking about their admission experiences and telling how the selection process happens in practice.

Company strategies are consistent with the consolidation of Alubar as an employer branding. Besides the positive interactions of the candidates for job openings at Alubar, the campaign ultimately minimized the number of requests for clarification directed to Company's recruiting and selection system.

SOCIAL MEDIA

1.755.281
ESTIMATED REACH OF SOCIAL MEDIA (2ND SEMESTER/2019)

40.162
FOLLOWERS IN ALL SOCIAL MEDIA

211
POSTS

WEBSITE

645.354
VIEWS

261.052
VISITORS AROUND THE WORLD

New Sponsorships

Beside sponsoring the soccer teams referred to in the Client Dimension, in 2019, Alubar became the official sponsor of the Círio de Nazaré (Procession of the Virgin of Nazareth) and Projeto Circular (Circular Project). The Círio, which is one of the largest religious and cultural processions in the world, happens in Belém, Pará, enabled contact of millions of people with Alubar, besides several brand activation actions. For the two main processions of the celebrations (Carriage of the Image of Our Lady) and the Círio (Candlelight Procession), set up special viewing boxes for guests and employees who registered for an intranet raffle.

Working jointly with People Management and Assets Security, and counting on contributions from other local industrial establishments, the Communication Area organized a visit of the Peregrine Image of Our Lady of Nazareth to the Industrial Pole and communities in Barcarena. This action enabled moments of closer contact with the communities of that Municipality, besides boosting the pride of our employees as the Image also visited the Plant and they were able to evidence Alubar's contribution to one to the largest religious celebrations in the world.

The sponsorship of the Circular Project, a movement that draws attention to the architectural tradition and the historic old town of Belém, was yet another way of connecting Alubar to the culture of the State of Pará. By joining the actions of the Circular Project, Alubar contributes to education, preservation of the historical memory and to foster the creative economy of entrepreneurs in the districts of Cidade Velha, Reduto and Campina, and associates the brand to a qualified audience and opinion makers.

Fairs and Events

Setting up exhibition areas in events related to the Alubar's market is also part of the strategy of company Communication Department. One of the most important actions in 2019 was the participation in the XIV Industry Fair of the State of Pará (FIPA – "Feira da Indústria do Pará"), whose theme was "Industry 4.0". Alubar had its 100m² stand built right at the entrance of the event hall. Among the attractions that drew all the eyes were the binaural audio videos about social projects, the 360° virtual tour around the Plant in Barcarena and an interactive scale model that allowed visitors to see the applications of Company's electrical cables in different areas of the City. The FIPA brought Alubar closer to visitors, besides generating spontaneous mentions on newspapers, TV, and portals.

Another highlight of 2019 was Alubar's joining at the National Seminar on Power Production and Transmission (SNPTEE – "Seminário Nacional de Produção e Transmissão de Energia Elétrica") both as exhibitor and sponsor. The event brought together the leading players of the Brazilian electricity sector, including clients and partners. Stand structure featured a 170x100 coil, 1120 aluminum alloy and bare cables that drew all visitors' eyes. Communication Department also joined the Marketing Department at the International Electric Sector Trade Show (FISE – "Feira Internacional do Setor Elétrico") in Colombia, considered the largest electric sector event in Latin America.

The Alubar stand at the XIV FIPA drew inspiration from the theme "Industry 4.0". Interactive media were the main attraction for visitors.

Crisis Prevention

Consistent with the planning and risk minimization culture prevailing at Alubar, in 2019, the Communication Department developed a tool that quickly made available a hot site on the internet, providing swift and transparent information to stakeholders in case of an image crisis. The initiative is the continuation of the preventive work of communication crisis management, carried out continuously by the Company.

> ***"We strive to make the public understand that we are a company that transforms: we transform lives through social projects, benefits to employee and quality products. It was with the eyes set on this vision that we have guided all actions of the Communication Department along the year. We are constantly searching for solutions to interact with our stakeholders."***
>
> **Mônica Alvarez, Alubar's Communication Manager**

TECHNOLOGY DIMENSION

Investments led to reinforced information security

To implement and set up new infrastructure and technological solutions fast, and firmly establish a new culture among users at all Alubar Group's Units were the main challenges faced by the Information Technology (IT) Area in 2029. Providing round-the-clock support IT answered 8,400 calls, including 131 emergency, 581 high priority, 2,643 medium priority and 5,045 low priority calls. In parallel, IT developed 13 relevant projects that contributed to enhance the effectiveness in processes in several areas of the Company.

In 2019, the IT Team started the timely transition of procedures at the Bécancour Unit (Canada) for the Barcarena Plant's working model at an adequate time for the need of the New Plant, which was not yet working. New infrastructure and technology providers were installed to enable the Support Team in Brazil to integrate the solutions and allow the Plant to start operations.

At Alubar Montenegro Unit (RS), within 40 days of work, the IT Team completed a swift transition of the pre-existing system at the plant to, thereafter, complete one phase of the plan to implement the working mode of the Barcarena Plant. Network infrastructure equipment as Server connection, Firewall, Switches and WiFi were installed at the Montenegro Plant. The servers of the Barcarena Plant, that was enlarged and needed equipment with increased processing capacity, were transferred to Montenegro that was just starting production. The system and the technological processes used at the Alubar Metais e Cabos were also migrated to the New Unit in Rio Grande do Sul with support from the IT Team.

"Each region has a different work culture. These were not operations starting from scratch. There were already structures in place. So, our IT Team had to adapt quickly to understand how they operated and how to change these operations to an Alubar Operating Model"

Paulo Resque, IT Manager, Alubar, 2019

New IT service culture

One of the main challenges faced by IT in 2019 was to improve its own structure to answer the calls from the internal clients. To do that, counting on support from the Communication Area, a campaign was launched to encourage employees to formally direct their IT support requests to the Help Desk. With templates in the workspace of their computers, posters and free gifts, users were told about the categories of calls and time to service.

As a result of these efforts, IT was able to improve the estimated terms and service quality, which enabled them to upgrade the management of the requests for support and service delivery. After the campaign, IT received positive feedbacks from other areas of the Company.

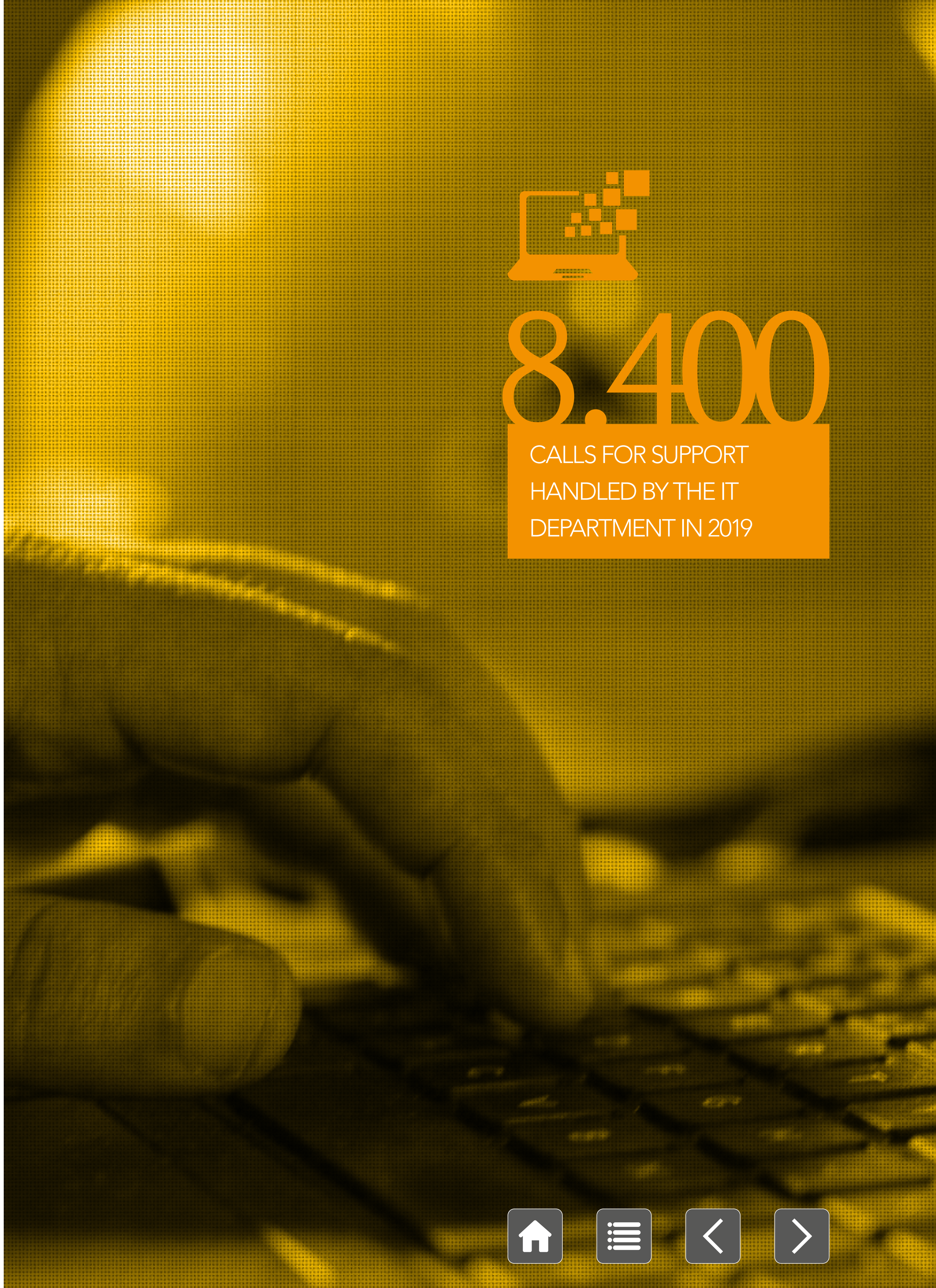
To further increase the satisfaction of the internal clients with the IT service, two co-workers were assigned specifically to interact with users, answering calls and sending notices to internal clients about the progress of the answers to their requests. This change enabled other members of the IT Team to engage in specialized analyses, allowing them to deal in a timely manner with the projects of integration with the New Units.

Technological Support to business intelligence

Among the most successful IT projects in 2019 is the Power BI Solution. Developed at zero cost based on technologies and data that were already available in the Company, the new tool supports Alubar by providing strategic information to be used as decision making inputs. Before this project, the IT Team was frequently asked to design customized reports to store data produced beforehand, which took a relatively long time to process. With the implementation of the Power BI, a tool that can be adapted and shared with several areas, as for example, Commercial, Engineering and PCP, IT was able to shorten this time to a few minutes, enabling continuous data feed.

To effectively implement the tool, in May of 2019, the Team joined efforts to provide guidance to Company's Personnel about the differences in the reports for the Power BI, which is a tool especially designed to support the decision making process. Workshops for employees and online training were offered to assist users in handling the tool and show them how to store data as metrics, associations and statistics.

Because of the automated reports, the information the Company needs for decision are streamlined to meet market requirements.



Because of the automated reports, the information the Company needs for decision are streamlined to meet market requirements.

Processes are improved by adjustments made to the system

Based on the needs of each Area, IT worked on adjustments to the Alubar's System to improve processes, e.g. the implementation of manager portals. This new model helped all Teams to work according to the standard of the System, which started to meet process needs in each Area.

At the Supply Area, for example, the Freight Forwarder was implemented contributing to streamline freight contracting decisions. Other Areas like Controllership, Procurement and Finance were also provided with similar technological solutions. These improvements helped the Areas to perform their functions, adding efficiency to their processes.

Service Desk

One of the relevant projects of the IT Area, whose planning and structuring had started in 2019 is the Service Desk that should be in operation in 2020. The concept of Help Desk is broadened by this Project as it applies to several areas. The intent is to consolidate in a single corporate platform the portfolios of services of several areas of Alubar, including the responsible functions and time to delivery of the services requested. Based on this system, each Area will be able to determine their own times to answer requests and monitor its own performance indicators. To effectively have the service in operation, IT is surveying the market looking for a tool that will enable, among other functionalities, the robotization of service delivery actions to shorten the response time to routine requests from operations.

Drive online

To ensure the security of the strategic information generated at Alubar, the IT Team asked staff to use only the Company's server that also features space available for backup. Managers also benefit from increased capacity to work on Plant's online drive, being able to use 1 TB (Terabyte) space. This led to savings in the purchase of flash drives and external HDs, whose use was phased out by Alubar.

In 2019, the IT Team also replaced the servers at the Barcarena Plant, thereby increasing plant processing capacity. The structures of access to information were also redesigned with a different hierarchy for the folders for managers and analysts to make sure there would be not data lost and data were safely stored in the correct repository.

The IT Team also dealt with the challenge of updating the TOTVS Microsiga to version 23 at all Alubar Group's Units. This tool is an Enterprise Resource Planning (ERP) System used by the Plant to manage administrative activities such as budget control, purchase orders, finance management, among other. The 5-month work was carried out in stages at Alubar CopperTec, Alubar Energia and Alubar Metais e Cabos. So that employees understand and adhere to Microsiga's Update, IT and Communication worked jointly in the organization of an internal campaign to engage leaders and their Team to take part in the homologation tests of the Tool.

SOCIAL DIMENSION

A well-planned future

"Durability" is the word that sets the pace of the social responsibility initiatives developed by Alubar in Barcarena, State of Pará, in the North Region of Brazil. For more than 10 years, the social projects Japiim and Catavento have been contributing to continuously change the existing reality by professional qualification and education, respectively.

The Japiim Project, that offers new income generating perspectives by teaching sewing, paved the way for women to develop their own personal projects working as seamstresses.

Launched in 2006, the Japiim acts in two fronts: one at the Atelier at the Association of Parents and Friends of People with Special Needs – Apae, in Barcarena, where the Project is headquartered, with 13 mothers enrolled. The second one is established in the nucleus of Ilha Arapiranga, the riverine region of the Municipality, involving 18 women.

The Project is also an opportunity to learn and for entrepreneurship by producing garments for sale. In 2019, 5,987 pieces were produced, including uniforms for Alubar, handcrafts, accessories and other clothing items and home furnishings.

By the way, it was in 2019 that the construction of the facilities that will house the Japiim Project at Ilha Arapiranga was completed, thanks to a successful partnership between Alubar and this community: the Company invested in all construction materials needed to build the Atelier and offered consulting services to install the power generator. On its turn, the residents pulled together on weekends to work as volunteers in the construction of the Atelier.

Atelier Building has 96m² and was designed with spaces for production, bathroom, kitchen, pantry and a storeroom. Besides, the mothers enrolled in the Japiim Project on the island who were already producing handicrafts were given sewing patterns to make lingerie, bags, backpacks and men's shirt and dress shirts, using the machines they already had at home. Soon the Atelier will receive new machines purchased by Alubar for Project's participants.

Last year, in parallel to professional training, the Japiim Project invested in a mental and postural program intended to further the physical and psychosocial development of participants through regular Pilates and meditation activities that contribute to ergonomic improvement, stimulate the creativity of their work and concentration to solve unexpected events that are inherent to the entrepreneurship environment. This action was implemented at Project's headquarters in APAE Barcarena.

Besides the sewing pattern and dress making courses to produce shirts, pants and lingerie, the participants were given the challenge of introducing a new sustainable product in the portfolio: carpets made from reusable fabrics from uniform production. The purpose of this successful action was to increase income and support a social campaign for the purchase of a new wheelchair for the daughter of one of the seamstresses.

Another challenge posed to the participants of the Japiim Project in 2019 was to design a new uniform for the Management Area of Alubar and it was quite successful. Thus, all the requisitions for new uniforms were delivered fast and with quality in both products and processes, evidencing the professional development of project seamstresses.

Aligned to the UN Sustainable Development Goal (SDG)1: Eradication of Poverty, the Japiim Project also provides guidance on financial education to allow participants to better manage their income at home.

> ***"Because of the Japiim, more than becoming professional seamstresses and entrepreneurs, these women are carrying out their own life project. All of them have already purchased and built homes due to the opportunities offered by the Project. They have decision making power on several aspects of their lives from stable financial income, which was just feasible because they learned the significance of joint work."***
>
> **Márcia Campos, Coordinator of Alubar Social Projects**

Education for the present and the future

The Catavento Project is yet another Alubar's social responsibility initiative, developed jointly with the Barcarena Municipal Department of Education (Semed). Contributing to the quality of the education of thousands of pupils of riverine schools in Barcarena, the Project is aligned to the SDG 4: Quality Education. In 2019, were benefited 1,484 preschool pupils, 68 teachers and 7 Semed education coordinators. Overall, the Project involved 31 municipal schools, all with multi-grade classes from the 1st to the 5th grades of Elementary School.

The initial purpose of the Project, that is to foster reading habit and literacy at the appropriate age, was broadened by the publications of a series of books "Histórias Que Nos Contaram" (Stories We Were Told) made from texts written by the students themselves, with the support of teachers and technicians from the Project. The series already has two books, one with short stories and the other with fables. The texts for the third "Stories We Were Told" were written in 2019, dedicated to poetry – like folk poems and songs (Cordéis), stanzas with four lines of verses (Quadras), riddles and poems – on regional themes valuing the Amazon culture and the daily lives of the students. Accordingly, apart from stimulate reading, the Catavento Project also encourages the young pupils to write.

The collection of literary works used in the activities of the Catavento Project was also renewed in 2019, when over 600 titles were purchased and distributed to the schools in a rotation system. The Project provides teachers with courses and continuous pedagogical workshops to prepare them to work in the riverine context. In order to measure the positive

Projeto Japiim

31 WOMEN participated in 2019

13 AT APAE VILA DOS CABANOS
18 AT ILHA ARAPIRANGA

5.987
PIECES PRODUCED IN 2019

Projeto Catavento

4.961
STUDENTS ASSISTED ALONG THE 10 YEARS OF THE PROJECT

+ 2.000
BOOKS DONATED TO THE PARTICIPATING RIVERINE SCHOOLS FROM 2009 TO 2018

results of the first 10 years of the work developed by the Catavento Project, in 2019, a survey was carried out by Alubar and recorded the assistance provided to 4,961 students along five years of their school life from 2009 to 2018. Over 2,000 titles of children's and children-youths' literature had been offered to the schools along the first 10 years of the Project.

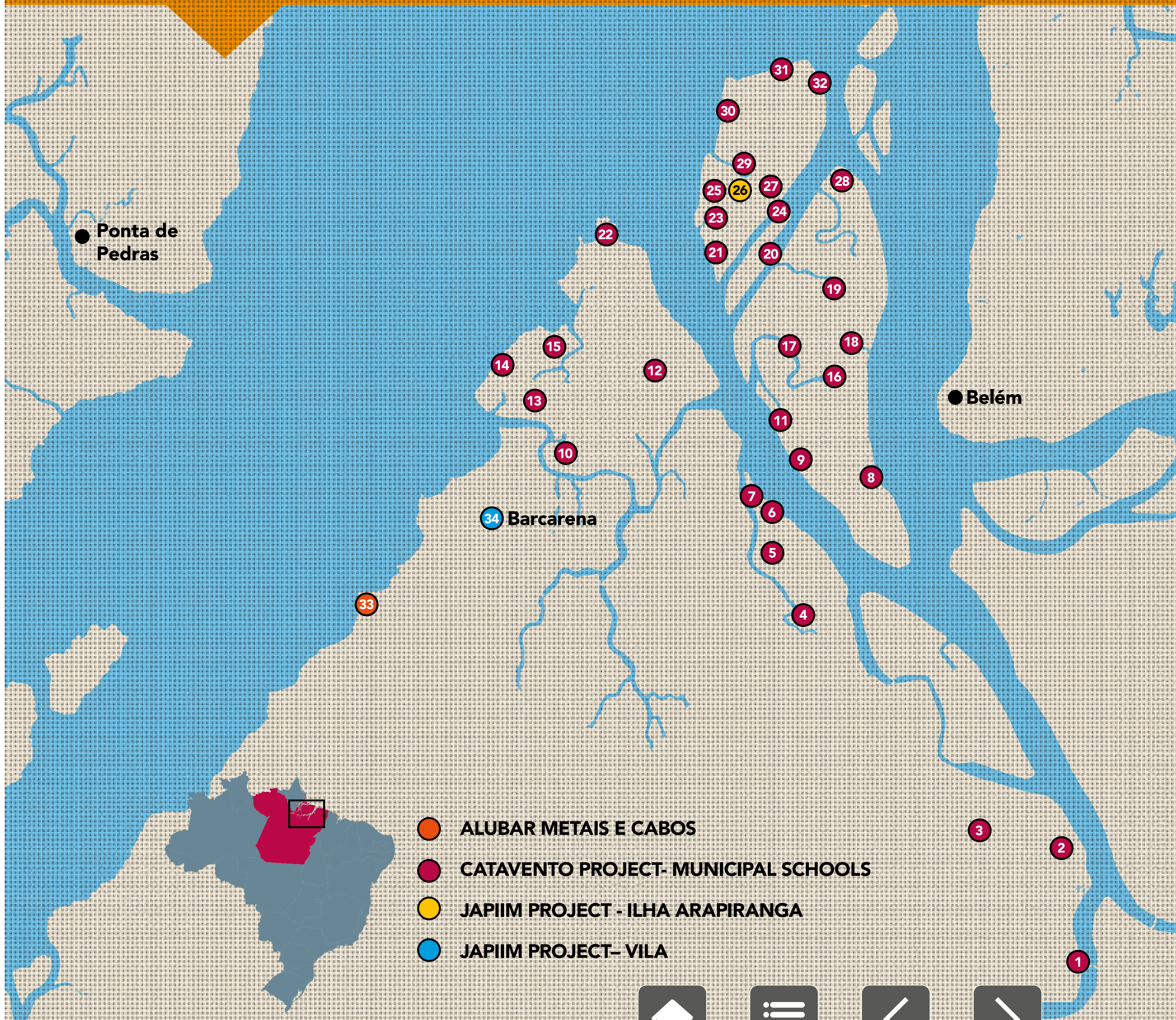
The survey also revealed that about 70 former students of the Catavento Project are currently attending higher education courses like History, Geography, Pedagogy, Law, Physical Education, Languages, Math and Nursing, evidencing the educational development of these students.

"Acknowledged as a key driver of educational development in the Municipality, the Catavento is a project that has 60% participation rate in the daily school life of elementary school pupils in the riverine schools of Barcarena."

Márcia Campos, Coordinator of Alubar Social Projects.

The Social Projects of Alubar

1. E.M. Santa Joana do Cabresto
2. E.M. Piedade
3. E.M. Bom Jardim
4. E.M. São Gregório
5. E.M. Cafezal
6. E.M. Sacaia
7. E.M. Araquisal
8. E.M. Furo Laranjeira
9. E.M. Bom Jesus
10. E.M. Cônego Eugênio
11. E.M. Nossa Senhora da Conceição
12. E.M. Marilda Nunes
13. E.M. São José do Arrozal
14. E.M. Santa Bernadethe
15. E.M. João Pantoja de Castro
16. E.M. São José do Alto Piramanha
17. E.M. Piramanha
18. E.M. Laurival Magno Cunha
19. E.M. Madre de Deus
20. E.M. Landy
21. E.M. Ilha Macaco
22. E. M. Eduardo Francisco Ambé
23. E.M. Jupariquara
24. E. M. Ilha Mucura
25. E.M. São Francisco
26. Projeto Japiim – Ilha Arapiranga
27. E.M. São Raimundo Nonato
28. E.M. Furo Conceição
29. E.M. São Marcos
30. E. M. Jandiaquara
31. E.M. Prainha
32. E.M. Flecheira
33. Alubar Metais e Cabos
34. Projeto Japiim – Vila



EXPLANATORY NOTES

Major achievements and the potential to do so much more

Adverse opinion
We have audited the individual and consolidated financial statements of Alubar Metais e Cabos S.A. ("Company"), identified as parent company and consolidated respectively, which comprise the statement of financial position as at December 31, 2019 and the related statements of profit or loss, the statement of comprehensive income, the statement of changes in equity and statements of cash flows for the year then ended, including significant accounting policies and other explanatory information.

Due to the materiality of the matter described in the paragraph "Basis for adverse opinion", in our opinion the aforesaid financial statements do not present fairly, in all material respects, the individual and consolidated financial and equity position of Alubar Metais e Cabos S.A. as of December 31, 2019, and the individual and consolidated performance of its operations and individual and consolidated cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil.

Basis for adverse opinion
As reported in note 19 to the individual and consolidated financial statements, Company's Management did not recognize the net income for the year from the effects of measuring derivative financial instruments at fair value through profit and loss, as contracted to hedge against the risk of exchange variance in foreign-currency purchase agreements, in accordance with CPC 48 – Financial Instruments. Because of this matter, as of December 31, 2019 current and noncurrent assets have been overstated by BRL 33,918 thousand and BRL 6,932 thousand, current and noncurrent liabilities have been understated by BRL 149,850 thousand and BRL 46,869 thousand (current and noncurrent liabilities were understated by BRL 14,859 thousand and BRL 49,038 thousand respectively in 2018), net income for the year has been overstated by BRL 173,672 thousand (BRL 108,119 thousand in 2018) and shareholders' equity has been overstated by BRL 237,569 thousand (BRL 63,897 thousand in 2018), before tax.

We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the section 'Auditors' responsibilities for auditing the individual and consolidated financial statements. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Responsibilities of the Management for the individual and consolidated financial statements
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the individual and consolidated financial statements
We aim to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian auditing standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual and consolidated financial statements.

As part of an audit in accordance with Brazilian auditing standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- We identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

We got an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We concluded on the appropriateness of Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We got sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We dealt with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Belém, May 29, 2020

KPMG Auditores Independentes
CRC PA-000742/F

Original report in Portuguese signed by
Marcelo Pereira Gonçalves

Accountant CRC 1SP220026/O-3

Thiago de Almeida Souza
Accountant CRC 1SP251413/O-2

Statements of profit or loss Years ended December 31, 2019 and 2018
(In thousands of Reais)

		Consolidated		Parent Company	
	Note	**2019**	**2018**	**2019**	**2018**
Net sales revenue		1.252.743	758.148	1.251.768	757.880
Cost of goods sold		(1.094.215)	(658.948)	(1.092.954)	(660.289)
Gross profit		**158.528**	**99.200**	**158.814**	**97.591**
Operating expenses					
Selling expenses	25	(56.288)	(49.673)	(55.885)	(48.775)
Administrative and general expenses	26	(60.078)	(45.320)	(59.121)	(44.689)
Allowance for doubtful accounts		(679)	(276)	(679)	(276)
Other operating income	27a	176.054	114.822	176.054	114.822
Other operating expenses	27b	(4.519)	(7.884)	(4.504)	(7.743)
Total operating expenses		**54.490**	**11.669**	**55.865**	**13.339**
Income before net financial items, income tax and social contributions		**213.018**	**110.869**	**214.679**	**110.930**
Financial revenue	28	10.478	6.680	10.182	6.663
Finance costs	28	(63.435)	(50.767)	(62.112)	(50.709)
Financial income, net		**(52.957)**	**(44.087)**	**(51.930)**	**(44.046)**
Profit (loss) before taxes		**160.061**	**66.782**	**162.749**	**66.884**
Income tax and social contribution	29	(20.407)	(8.527)	(20.407)	(8.432)
Net income for the year		**139.654**	**58.255**	**142.342**	**58.452**
Income attributable to:					
Owners of the Company		142.342	58.452	142.342	58.452
Non-controlling interests		(2.688)	(197)	-	-
		139.654	**58.255**	**142.342**	**58.452**

See the accompanying notes to the financial statements.

Statements of comprehensive income Years ended December 31, 2019 and 2018
(In thousands of Reais)

	Consolidated		Parent Company	
	2019	**2018**	**2019**	**2018**
Net income for the year	139.654	58.255	142.342	58.452
Other comprehensive income in the year, net of tax				
Exchange effect on translation of financial statements	1.338	-	-	-
Total comprehensive income	140.992	58.255	142.342	58.452
Income attributable to:				
Owners of the Company	143.680	58.452	142.342	58.452
Non-controlling interests	(2.688)	(197)	-	-
	140.992	58.255	142.342	58.452

See the accompanying notes to the financial statements.

Statements of financial position as of December 31, 2019 and 2018
(In thousands of Reais)

		Consolidated		Parent Company	
	Note	2019	2018	2019	2018
Assets					
Cash and cash equivalents	5	101.891	10.878	64.468	10.854
Short-term investments	6	24.854	9.293	24.854	9.293
Derivative financial instruments	19	33.918	661	33.918	661
Trade accounts receivable	7	198.432	182.964	201.199	185.134
Inventories	8	131.158	101.042	128.505	97.840
Advance to suppliers		19.184	19.030	19.181	13.432
Recoverable taxes	9	85.923	63.920	80.212	59.255
Other accounts receivable		11.636	6.149	9.803	6.119
Total current assets		**606.996**	**393.937**	**562.140**	**382.588**
Long-term					
Judicial deposits		112	112	112	112
Recoverable taxes		50	-	-	-
Benefits for reinvestment	10	5.603	5.302	5.603	5.302
Derivative financial instruments	19	6.932	5.012	6.932	5.012
Related-party loans	20	3.638	15.961	12.078	22.381
Total non-current assets		**16.335**	**26.387**	**24.725**	**32.807**
Non-current assets					
Investments in subsidiaries	11	-	-	116.696	399
Property, plant and equipment	12	593.529	448.175	509.033	446.900
Right-of-use assets	13	13.258	-	13.258	-
Intangible assets		4.333	788	4.333	788
Total non-current assets		**611.120**	**448.963**	**643.320**	**448.087**
Total assets		**1.234.451**	**869.287**	**1.230.185**	**863.482**

See the accompanying notes to the financial statements.

		Consolidated		Parent Company	
	Note	2019	2018	2019	2018
Liabilities					
Trade and other payables	14	129.906	139.851	124.682	134.304
Derivative financial instruments	19	176	10.245	176	10.245
Loans and borrowings	15	313.357	169.913	313.357	169.913
Lease liability	13	2.602	-	2.602	-
Labor and social security obligations		16.734	10.240	16.444	10.100
Tax obligations	16	35.967	16.836	35.849	16.704
Income tax and social contribution	28	13.130	7.066	13.130	7.066
Dividends payable	18	45.983	16.883	45.983	16.883
Advances from customers	21	96.792	88.934	96.792	88.932
Total current liabilities		**654.647**	**459.968**	**649.015**	**454.147**
Loans and borrowings	15	201.859	146.707	201.859	146.707
Lease liability	13	10.656	-	10.656	-
Provision for contingencies	17	943	186	943	186
Tax obligations	16	36.200	29.866	36.200	29.866
Total non-current liabilities		**249.658**	**176.759**	**249.658**	**176.759**
Equity					
Capital	22	87.114	87.114	87.114	87.114
Asset and liability valuation adjustments		1.338	-	-	-
Revenue reserves		244.398	145.462	244.398	145.462
Equity attributable to owners of the Company		**332.850**	**232.576**	**331.512**	**232.576**
Non-controlling interests		(2.704)	(16)	-	-
Total equity		**330.146**	**232.560**	**331.512**	**232.576**
Total liabilities and equity		**1.234.451**	**869.287**	**1.230.185**	**863.482**

See the accompanying notes to the financial statements.

Statements of changes in equity Years ended December 31, 2019 and 2018
(In thousands of Reais)

		Revenue reserves									
	Capital	Tax incentive reserve	Legal reserve	Dividends payable	Profit Reserves	Other reserves	Retained earnings	Shareholders' equity of parent company	Asset and liability valuation adjustments	Non-controlling interests	Consolidated equity
Balances as of December 31, 2017	87.114	38.775	10.105	56.614	-	-	-	192.608	-	181	192.789
Net income for the year	-	-	-	-	-	-	58.452	58.452	-	(197)	58.255
Distribution of 2017 dividends (note 18)	-	-	-	(4.602)	-	-	-	(4.602)	-	-	(4.602)
Profit allocation:											
Formation of legal reserve (note 22.c)	-	-	2.923	-	-	-	(2.923)	-	-	-	-
Minimum mandatory dividends (note 18)	-	-	-	-	-	-	(13.882)	(13.882)	-	-	(13.882)
Profit reserve (note 22.d)	-	-	-	-	29.513	-	(29.513)	-	-	-	-
Tax incentive reserve (note 29)	-	12.134	-	-	-	-	(12.134)	-	-	-	-
Balances as of December 31, 2018	87.114	50.909	13.028	52.012	29.513	-	-	232.576	-	(16)	232.560
Net income for the year	-	-	-	-	-	-	142.342	142.342	-	(2.688)	139.654
Distribution of 2018 dividends (note 18)	-	-	-	(9.600)	-	-	-	(9.600)	-	-	(9.600)
Profit allocation:										-	-
Formation of legal reserve (note 22.c)	-	-	7.117	-	-	-	(7.117)	-	-		
Minimum mandatory dividends (note 18)	-	-	-	-	-	-	(33.806)	(33.806)	-	-	(33.806)
Profit reserve (note 22.d)	-	-	-	-	71.914	-	(71.914)	-	-	-	-
Tax incentive reserve (note 29)	-	29.505	-	-	-		(29.505)	-	-	-	-
Other comprehensive income											
Exchange effect on translation of financial statements	-	-	-	-	-	-	-	-	1.338	-	1.338
Balances as of December 31, 2019	87.114	80.414	20.145	42.412	101.427	-	-	331.512	1.338	(2.704)	330.146

See the accompanying notes to the financial statements.

Statements of cash flows Years ended December 31, 2019 and 2018
(In thousands of Reais)

	Consolidated		Parent Company	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities				
Net income for the year	**139.654**	**58.255**	**142.342**	**58.452**
Adjustments for:				
Depreciation of property, plant and equipment	17.693	16.713	17.558	16.713
Depreciation of right-of-use assets	4.314		4.314	-
Amortization	427	-	427	-
Gain on sale of property, plant and equipment	1.365	1.718	1.364	1.718
Allowance for doubtful accounts	679	276	679	276
Provision for contingencies	727	138	727	138
Exchange variance on loans	(1.259)	-	(1.259)	-
Costs incurred on loans and financing secured	2.661	-	2.661	-
Current income and social contribution taxes	20.407	8.527	20.407	8.432
Interest incurred on lease liability	199	-	199	-
Bonus on loans and financing	(258)	-	(258)	-
Interest incurred on loans and financing	16.578	22.263	16.578	22.263
Net income for the year after adjustments	203.187	107.890	205.739	107.992
(Increase)/decrease in assets:				
Inventories	(30.116)	(6.835)	(30.665)	(5.047)
Derivative financial instruments	(35.177)	4.058	(35.177)	4.058
Trade accounts receivable	(16.147)	(81.660)	(16.744)	(89.559)
Judicial deposits	-	26	-	26
Advance to suppliers	(154)	(11.673)	(5.749)	(8.547)
Recoverable taxes	(22.003)	(17.883)	(20.957)	(14.198)
Other accounts receivable	(5.535)	(681)	(3.682)	(650)
Increase/(decrease) in liabilities:				
Trade and other payables	3.711	52.642	4.034	54.593
Tax obligations	11.122	737	11.136	792
Labor and social security obligations	6.494	3.171	6.344	3.043
Advances from customers	7.858	(20.059)	7.860	(20.061)
Derivative financial instruments	(10.069)	13.137	(10.069)	13.137
Contingencies	30	-	30	-
Other accounts receivable				
Interest paid	(30.864)	(25.295)	(30.864)	(25.295)
Income and social contribution taxes paid	-	2.214	-	2.214
Net cash flows from operating activities	**82.337**	**19.789**	**81.236**	**22.498**

	Consolidated		Parent Company	
	2019	**2018**	**2019**	**2018**
Cash flows from investing activities				
Short-term investments	(15.862)	13.862	(15.862)	13.862
Acquisition of PPE and intangible assets	(167.631)	(110.619)	(84.190)	(109.346)
Acquisition of other investments		696	(116.297)	696
Cash flow used in investing activities	**(183.493)**	**(96.061)**	**(216.349)**	**(94.788)**
Cash flows from financing activities				
Loans and borrowing obtained	407.895	396.675	407.895	396.675
Amortization of loans and borrowings	(211.922)	(309.703)	(211.922)	(309.703)
Transaction costs related to loans and borrowings	(1.862)	-	(1.862)	-
Amortization of lease	(4.513)	-	(4.513)	-
Related-party loans	15.538	(1.282)	13.434	(5.111)
Dividends paid	(14.305)	(12.298)	(14.305)	(12.298)
Cash provided by financing activities	**190.831**	**73.392**	**188.727**	**69.563**
Effects of exchange variance on cash and cash equivalents	1.338	-	-	-
Increase (decrease) in cash and cash equivalents	**91.013**	**(2.880)**	**53.614**	**(2.727)**
Cash and cash equivalents at 1 January	10.878	13.758	10.854	13.581
Cash and cash equivalents at 31 December	101.891	10.878	64.468	10.854
Increase (decrease) in cash and cash equivalents	91.013	(2.880)	53.614	(2.727)
Transactions not involving cash				
Operating activities				
Asset transfer	4.494	477	4.410	477
Investment activities				
Offsetting of property, plant and equipment advances	13.656	-	13.656	-
Financing activities				
Capitalization of interest and finance costs	15.659	7.061	15.659	7.061
Reclassification of borrowing cost	-	1.137	-	1.137
Lease financing	17.572	-	17.572	-
Transfer of loans to Related-party loans	1.968	-	1.968	-
	35.199	8.198	35.199	8.198

See the accompanying notes to the financial statements.

Notes to the individual and consolidated financial statements

(In thousands of reais, unless stated otherwise)

1. Operations

Alubar Metais e Cabos S.A. ("Company" or "Parent Company"), or in conjunction with its subsidiaries referred to as "Alubar Group" or "Group" is a privately held company, under foreign control, incorporated on August 31, 2006, with its head office at Rodovia PA 481, without number, Km 2,3 - Downtown - Barcarena - State of Pará. The Company's individual and consolidated financial statements embrace the Company and its subsidiaries (jointly referred to as the "Group"). Alubar Group is primarily engaged in manufacturing wires, cables and electrical conductors of bare and insulated aluminum and copper cables, producing aluminum and its alloys in primary forms, casting non-ferrous materials and alloys, and producing rolled aluminum and copper.

1.1. Aluminum supply agreement

The Company has a contract for the supply of aluminum, its core feedstock, with Albras Alumínio Brasileiro S.A. ("Albras"), which is an strategic supplier to the Company. 84,678 tonnes of aluminum were supplied in FY 2019 (60,597 tonnes in FY 2018), the production volume rose in relation to 2018, due to the higher sales volume. The Company has an aluminum purchase and sale agreement. The intervening party Albras, Companhia Atlas Alumínio S.A., currently holds the rights that enable it to guarantee the volumes of primary aluminum required by the Company.

1.2. Aluminum production line expansion

In 2019 the Company continued expanding its operations, building a melting furnace to cast aluminum ingots, with the capacity to produce 60 tonnes/year and affording it independence from its main liquid aluminum supplier. This was an investment of BRL 11,000, and was completed in June 2019, becoming fully operational in November 2019.

With production capacity growing beyond the volumes currently purchased from our largest supplier, as described in note 1.1, and in order to mitigate operational dependence on a single supplier for raw materials, the Company carried out new operations with suppliers to purchase aluminum rod and ingots.

While the Company has maintained a good relationship with Albras, in the event that Albras is compelled by force majeure to discontinue the supply of raw materials, it is required by contract to provide the Company with 6 months' notice.

1.3. Explanation for the adverse opinion in the auditor's report

The Company has a supply contract for the aluminum, its core raw material, used in its manufacturing of wires, cables and electrical conductors, which enables it to secure the amounts of primary aluminum it needs.

The tonnage acquired is priced according to average aluminum prices published by the London metal exchange in the month prior to production/invoicing and is converted to Brazilian reais on the date of invoicing. In the sales process the Company negotiates contracts to ensure that prices change in line with the change in prices of raw materials acquired.

The Company takes out swaps to hedge operations and reduce exposure to changing aluminum prices and exchange rates. As it understands that the mark-to-market of these derivative instruments distorts the economic position of the Company's operations and can lead to gains, as reported in 2018, or losses as reported in 2019, the Company opts to maintain this type of accounting record since these derivatives are contracted, where income/losses on financial instruments are calculated and recorded at the end of each contract.

In 2019, the Company's consolidated net revenue rose by 65% to BRL 1,253 million. Consolidated net income in the year totaled BRL 139,654 million, 139% more than in 2018. In line with higher earnings, generated from increased production, and consequently higher futures contracts agree that guarantee the Company can sell its entire output for the next two years, there was an increase in SWAPS, for the sole purpose of hedging the Company against changes in aluminum prices and guaranteeing the desired margins on its product sales.

The independent auditors' adverse opinion is due to the result of the Company's exponential growth, increase in SWAPs, maintaining its accounting practices, in order not to misrepresent the economic position of operations, and the Company's decision to always have conservative long-term contracts that consistently guarantee its operations even in times of economic crisis, given the above average growth of the sector even in years following the worst economic crisis in Brazil's history.

1.4. Net working capital - negative

The Company closed the year of 2019 with negative net working capital in BRL 86,875, primarily due to the initial adoption of technical standard CPC 06(R2) – Leases, as detailed in note 13 and reclassifications of non-current debts to current in accordance with CPC 26 - Presentation of Financial Statements, as detailed in note 15.

2. List of subsidiaries
See below a list of Alubar Group's subsidiaries:

		Ownership interest %	
	Country	2019	2018
Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda. (a)	Brazil	99%	99%
Alubar Cabos Elétricos Montenegro Importação, Ind e Com Ltda. (b)	Brazil	100%	-
Alubar Canadá Holding Inc. (c)	Canada	100%	-
Alubar Metals LLC. (d)	United States	100%	-

(a) Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda.
On May 19, 2017, the Company founded Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda., "Alubar Coppertec", in the City of Cotia, São Paulo State, to supply rods, wires, cables, bare and insulated electric conductors obtained by transforming aluminum and copper. The Company is the main supplier of products for resale by Alubar Coppertec.

(b) Alubar Cabos Elétricos Montenegro Importação, Ind e Com Ltda.
On November 08, 2019, the Company founded Alubar Cabos Elétricos Montenegro Importação, Industria e Comércio Ltda., in the City of Montenegro, Rio Grande do Sul State, with the core activity of developing and leverage the production and sale of products made from aluminum and copper, including the import and export of goods, mainly due to the favorable manufacturing, logistics and transportation conditions for products from neighboring countries, in addition to leveraging potential clients currently not served by the Plant in Barcarena, Pará State. The Plant came into operation in January 2020.

(c) Alubar Canadá Holding Inc.
On August 27, 2019, the Company founded Alubar Canada Holding Inc., in the Province of Québec, Canada, in order to produce aluminum rod to supply the Plant in Barcarena an international market, specially countries in North America, considered to be the Plant's strategic geographical position. The Plant came into operation in March 2020.

(d) Alubar Metals LLC.
On October 30, 2019, the Company founded Alubar Metals, LLC, in Miami - Florida, which is the sole shareholder and controller of the companies Alubar Canadá Holding Inc. and Alubar Metais e Cabos S.A., founded to represent sales of aluminum items internationally. The office started operating in March 2020.

3. Basis of preparation and presentation of the individual and consolidated financial statements

3.1. Statement of compliance
These individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil (BR GAAP), except for not recognizing the effects of measuring derivative financial statements at fair value through profit and loss in compliance with CPC 48 – Financial Instruments, which consist of the pronouncements issued by the Accounting Pronouncements Committee ("CPC – Conselho de Pronunciamentos Contábeis") and approved by the Federal Accounting Council ("CFC – Conselho Federal de Contabilidade").

Management approved the issuance of the individual and consolidated financial statements on May 29, 2020.

This is Alubar Group's first set of annual individual and consolidated financial statements in which CPC 06(R2) – Leases has been applied. Changes in significant accounting policies can be seen in Note 4.

All relevant information characteristic of financial statements, and only that information, is being presented and is that used by Management to run the Company.

3.2. Functional currency and reporting currency

a. Functional currency
The Company's functional currency is the currency in the main economic environment where it does business and should be the currency that best reflects its business and operations. The Company and its subsidiaries' functional currency is the Real, except for its subsidiaries: (i) Alubar Canadá Holding Inc., whose functional currency is the Canadian dollar ("CAD"), and (ii) Alubar Metals LLC., whose functional currency is the US dollar ("USD"), and its financial statements were therefore converted to the presentation currency Real.

b. Currency in which the financial statements are presented
These financial statements are being presented in Brazilian reais, which is the Company's presentation currency, converting the financial statements prepared by its subsidiaries: Alubar Canadá Holding Inc., Alubar Metals LLC., in Canadian dollars and US dollars to Reais respectively, using the following criteria:

- Assets and liabilities at the exchange rate on the reporting date;
- Accounts of profit or loss, comprehensive income, statements of cash flow at the average monthly exchange rate, and
- Shareholders' equity at historical formation value.

The translation adjustments are recognized in a specific account of the shareholders' equity titled " Asset and liability valuation adjustments ".

All financial information presented in Reais has been rounded to the nearest thousand, except when otherwise indicated.

3.3. Use of estimates and judgments

Preparing the individual and consolidated financial statements, requires Management to make judgments and estimates that affect the application of the Company's accounting policies and the reported values of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(a) Judgments

Information about judgments in applying accounting policies that have the most significant effect on the amounts recognized in the individual and consolidated financial statements is included in the following notes:

- **Note 11 -** Equity equivalence: determines whether the Company has significant influence over an investee;
- **Note 11 –** Consolidation: determines whether the Company actually holds the control of an investee.
- **Note 12 –** Property, plant and equipment: Residual value and estimated useful life of property, plant and equipment; and
- **Note 13 -** Lease liability: if the Company is reasonably certain it will exercise extension options.

(b) Uncertainties about assumptions and estimates

Information about assumptions and estimation uncertainties as of December 31, 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the coming financial year are included in the following notes:

- **Note 7 -** Trade accounts receivable: Credit risk analysis criteria for determining the allowance for doubtful account (impairment);
- **Note 17 -** Provision for contingencies: Recognition of provisions for tax, civil and labor risks by rating the chance of defeat according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions; and internal to the Company.

Company's Management did not identify the existence of information about critical judgments regarding the accounting policies adopted that have material effects on the amounts stated in the financial statements.

(i) Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management has an established control framework with respect to the measurement of fair values. This includes a Valuation Team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CEO, when applicable.

The Valuation Team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Valuation Team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of CPC, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in note 16.2 - financial instruments.

3.4. Changes in significant accounting policies

3.4.1. CPC 06 (R2) - Leases

The Company initially adopted CPC 06(R2) – Leases on January 01, 2019, the lease contract's renewal date.

CPC 06 (R2) introduced a single, on-balance sheet lease accounting model for lessees' financial statements. As a result, the Company as lessee, recognized the right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

(a) Definition of a lease
The Company leases several assets, including land, vehicles to carry employees and equipment to be used in the manufacturing facilities. The Company used to classify leases as operating or financial based on an assessment as to whether the lease substantially transferred all the risks and rewards of ownership. In accordance with CPC 06(R2), the Company recognizes right-of-use assets and lease liabilities for most of these leases – i.e., these leases are in the statement of financial position.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost and subsequently by cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation is calculated using the straight-line basis over the remaining useful lives of the assets.

The Company used as a component of cost the fixed lease payments or in-substance fixed lease payments, which are the minimum payments agreed in variable payment contracts according to revenue levels. The specifically variable payments are outside the scope of CPC 06 (R2) and are recognized monthly as operating expenses.

The lease liability is initially measured at the present value of the lease payments that are not made on the commencement date, discounted for the incremental interest rate embedded in the lease, i.e. the equivalent rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds required to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Company is party to certain contracts with indefinite terms. As both the lessor and the lessee have the right to cancel the contract at any time, with an insignificant fine if applicable, the Company understands these contracts are not embraced by pronouncement CPC 06 (R2), meaning the payments are recognized as operating expenses, when they arise.

(b) Transition effects
The Company applied CPC 06 (R2) using the retrospective modified approach, which does not require the restatement of the corresponding amount, does not impact equity or change the dividend calculation, and enables the adoption of practical expedients. The comparative information presented for 2018 is not therefore being re-presented - i.e. it is being presented, as reported previously, in accordance with CPC 06(R1) and related interpretations. Details about changes in accounting policies can be seen below.

In the transition to leases classified as operating under CPC 06(R1), for these leases, the lease liabilities were measured at the present value of the remaining payments, discounted using the Company's incremental borrowing rate at January 01, 2019. The right-of-use assets were measured at an amount equal to the lease liability on the initial adoption date. For these leases classified as financial under CPC (R1), the carrying amount of the right-of-use asset and lease liability at January 01, 2019 were determined at the carrying amount of the lease asset and lease liability in accordance with CPC 06(R1) immediately after this date.

The Company opted to use the practical transition expedient and to not recognize right-of-use assets and lease liabilities for certain low-value lease assets (such as rental of printers) and short-term leases. The Company recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term. The Company also excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Upon measuring lease liabilities for leases formerly classified as operating, the Company deducted the lease payments using the incremental rate on loans at January 01, 2019. The weighted average rate applied was 9.29% p.a.

The accounting impacts related to changes under the accounting policy related to CPC 06(R2) – Leases are described in note 13.

3.4.2. ICPC 22 - Uncertainty over Income Tax Treatments
This Interpretation clarifies how to apply the recognition and measurement requisites of CPC 32 when there is uncertainty over income tax treatments. In this case, the entity should recognize and measure its current or deferred tax asset liability by applying the requisites of CPC 32/IAS 12 based on taxable earnings (tax loss), tax bases, tax losses not used, tax credits not used and tax rates determined, applying this Interpretation.

Company's Management analyses the tax treatment that could generate uncertainty around the calculation of income taxes, consulting its in-house and independent legal advisers to identify this treatment and measurement and reassess those that could potentially expose the Company to material risks of probable defeats. Upon concluding the studies, Company's Management determined that none of the material positions adopted by the Company had changed in terms of the probability of defeats triggered by any contestations by the tax authorities, in light of Technical interpretation ICPC 22.

3.5. Basis of measurement
The individual and consolidated financial statements have been prepared on the historical cost basis, except for the following material items that are measured at each reporting date and recognized in the statements of financial position:

- Derivative financial instruments measured at fair value and their impacts are only recorded upon settlement of the operation, and
- Nonderivative financial instruments stated at fair value through profit and loss.

4. Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these individual and consolidated financial statements, unless specified otherwise when adopting the standards as of January 01, 2019, as presented in note 3.4.

4.1. Basis of consolidation
(i) Subsidiaries
The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The individual and consolidated financial statements of subsidiaries are included in the individual and consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiaries' individual and consolidated financial information is recognized in the Company's individual financial statements on the equity method of accounting.

(ii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Description of main consolidation procedures
The process of consolidating the equity accounts and profit or loss accounts corresponds to totaling the balances of the assets, liabilities, revenue and expenses, according to their nature, complemented by the following eliminations:

a. Elimination of share of profit (loss) of equity-accounted investees;
b. Elimination of inter-company asset and liability account balances;
c. Elimination of investment in the capital, reserves and retained earnings of the subsidiaries,
d. Elimination of intercompany income and expense balances between consolidated companies;

(iii) Foreign currency transactions
Transactions in foreign currency are translated to the respective functional currency of the Company at the exchange rates on the dates of each transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Foreign currency differences arising on re-translation are generally recognized in profit or loss.

4.2. Revenue
The Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is measured at the fair value of the consideration received or receivable, net of any variable payments, such as discounts, rebates, refunds, credits, incentives, performance bonuses or other similar items.

Performance obligations satisfied over time:
The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Performance obligations satisfied at a point in time:

If the performance obligation is not satisfied over time, the Company satisfies the performance obligation at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the Company satisfies a performance obligation, the Company shall consider the requirements for control. In addition, the Company shall consider indicators of the transfer of control, which include, but are not limited to, the following:

(a) The entity has a present right to payment for the asset if a customer is presently obliged to pay for an asset, then that may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset in exchange;

(b) the customer has the legal title to the asset - legal title may indicate which party to a contract has the ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset or to restrict the access of other companies to those benefits. Therefore, the transfer of legal title of an asset may indicate that the customer has obtained control of the asset. If the Company retains legal title solely as protection against the customer's failure to pay, those rights of the Company would not preclude the customer from obtaining control of an asset.

(c) the Company transferred the physical possession of the asset - the physical possession of the asset by the customer may indicate that the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset or to restrict the access of other companies to those benefits;

(d) the customer has the significant risks and rewards of ownership of the asset - the transfer of the significant risks and rewards of ownership of the asset to the customer may indicate that the customer has obtained the ability to direct the use of the asset and to obtain substantially all of the remaining rewards of that asset. However, when evaluating the risks and rewards of ownership of a promised asset, the Company shall exclude any risks that give rise to a separate performance obligation in addition to the performance obligation to transfer the asset.

(e) the customer has accepted the asset - customer's acceptance of the asset may indicate that it has obtained the ability to direct the use of the asset and to obtain substantially all of the remaining rewards of that asset.

4.3. Employee benefits

Short-term employee benefits are expensed as personnel expenses as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The medical and dental care plans, education grants and profit sharing, are measured at a non-discounted basis and are expensed as the related service is provided. The Company does not have share-based payment agreements, defined-contribution plans, defined-benefit plans or any other long-term benefits for employees.

4.4. Government grants

Government incentives are recognized if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized as revenue at fair value on a systematic basis in the periods in which the expenses are recognized.

Brazil's Federal Government grants the Company a 75% reduction in income tax as an incentive, with preliminary qualification in the Amazonian Development Agency ("Superintendência de Desenvolvimento da Amazônia – SUDAM"). The calculation on operating profit follows the rules established by local law. The aluminum incentive is valid through 2026 and the copper incentive through 2027.

The Company also use tax benefits from the government of the State of Pará granted for ICMS taxes charged by that State. This benefit establishes a fixed percentage of 95% calculated as a presumed credit to be deducted from the balance payable on internal and interstate sales/dispatches of products manufactured in Pará State by the Company, in accordance with Resolution n 20 issued by the Pará State Commission for Social and Economic Development Incentive Policies on 9/15/2010. The benefit is valid for 15 years, from September 2010. BRL 175,551 was used in FY 2019 (BRL 113,278 in FY 2018), as per note 27.

4.5. Finance income and finance costs

Finance income comprises interest income on funds invested, monetary and exchange variance, net gains/losses on financial assets at fair value through profit or loss (FVTPL), and foreign-currency financing. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest and exchange variance expenses on loans and financed taxes. Loan costs not directly attributable to the acquisition, construction or production of a quantifiable asset are recognized in profit and loss by the effective interest rate method until the date of their conclusion.

4.6. Income tax and social contribution

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of BRL 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforwards and negative basis of social contribution limited to 30% of the taxable income. Income and social contribution expenses consist of current tax only and are recorded in profit or loss for the year.

Current income tax and social contribution expense

Current tax comprises the expected tax payable or receivable on taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

The Company should offset current tax assets and current tax liabilities if the Company:

- Is legally entitled to offset the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.
- The income tax of Alubar Canadá Holding Inc. (overseas subsidiary - Canada), and Alubar Metals LLC. (overseas subsidiary – USA) is calculated based on local legislation and the tax rates in current for each country.

4.7. Inventories
Inventories are measured by the average cost method. Each inventory unit is altered by purchases made by other units for a different price, the MPM method (weighted moving average or weighted moving price), the inventory is controlled permanently, and the costs are recalculated at each acquisition of goods. The costs of the first batch are added to the cost of the second, and the sum is divided by the total number of products. This control means the average price of inventory equity offers a secure average yield, i.e. The weighted average cost method denotes the weighting between the values of inventories, meaning its unit valuation denotes the average calculation of incoming items. The products made by the Company comply with the absorption costing method in inventory valuation.

Inventory is recorded at average acquisition cost net of the provision for losses, when applicable, and do not exceed the replacement cost or net realization value.

4.8. Property, plant and equipment
(i) Recognition and measurement
Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets built by the entity includes the cost of direct labor and materials, any other costs to bring the asset to its required location and condition so it can be operated as intended by management.

If parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure
Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation
Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Average annual rates
Buildings	2% a 8%
Facilities	5% a 10%
Plant and equipment	2% a 10%
Fixtures and fittings	10%
Vehicles	7% a 20%
Computers and peripherals	20%
Improvements	2% a 8%
Improvements to rented property	2% a 8%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Constructions in progress
Constructions in progress denote disbursements made for investment in the Company's plant. The cost includes all expenses directly related to specific ventures that could positively influence its operating performance.

4.9. Intangible assets
(i) Recognition and measurement
Intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization
Amortization is calculated to using the straight-line method over their estimated useful lives. It is generally recognized in profit or loss.

The estimated useful lives of intangible assets for current and comparative periods are as follows:

	Average annual rates
Data processing system	20%

4.10. Financial instruments
(i) Recognition and initial measurement
Trade accounts receivable and issued debt securities are initially recognized on the date they originate. All other financial assets and

financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (except for trade accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs directly attributable to its acquisition or issuance. A trade accounts receivable without a significant financing component is initially measured at the operation price.

(ii) Classification and subsequent measurement
Financial assets
Upon initial recognition a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVOCI) - debt instruments; at fair value through other comprehensive income (FVOCI) - equity instrument; or at FVTPL. The Company does not have financial assets at FVOCI.

Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management. In this case, all the affected financial assets are reclassified on the first day of the first period following the business model change.

A financial asset is measured at amortized cost if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model with the purpose of maintaining financial assets in order to receive contractual cash flows; and
- its contractual terms generate the cash flows on specified dates that constitute solely payments of principal and interest on the outstanding principal.

A debt instrument is measured at FVOCI if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model whose purpose is affected by both the receipt of contractual cash flows and the sale of financial assets; and - its contractual terms generate the cash flows on specified dates that constitute payments of principal and interest on the outstanding principal.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Company can elect to make irrevocable subsequent changes to the fair value of the investment in OCI. This choice is made for each investment.

All financial assets not classified as measured at amortized cost or FVOCI, as described above, are classified as FVTPL. This includes all derivative financial assets. Upon initial recognition, the Company irrevocably assigns a financial asset that would otherwise meet the requisites to be measured at amortized cost or FVOCI as FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - assessment of the business model
The Company assesses the purpose of the business model in which a financial asset is maintained in the portfolio which better reflects how the business is managed and the information is provided to Management. The information considered includes:

- The policies and goals stipulated for the portfolio and the practical functioning of these policies. These include the question of ascertaining whether the Management strategy is focused on obtaining contractual interest revenue, maintaining a given interest rate profile, the correspondence between the duration of financial assets and the duration of related liabilities or expected cash flows, or the realization of cash flows through the sale of assets;
- How the portfolio's performance is assessed and reported to Company's Management;
- The risks affecting the performance of the business model (and the financial asset maintained in said business model) and how such risks are managed;
- How business managers are compensated - for example, if the compensation is based on the fair value of the assets managed or the contractual cash loans obtained; and
- The frequency, volume and timing of the financial asset sales in previous years, the reasons for these sales and expectations for future sales.

The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a way consistent with the ongoing recognition of the Company's assets.

Financial assets held-for-trading or managed with performance assessed based on fair value are measured at fair value through profit or loss.

Financial assets - assessment as to whether the contractual cash flows are merely payments of principal and interest

For the purpose of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. The interest is defined as a payment for the value of the money over time and the credit risk posed by the outstanding principal over a given period of time and the other underlying loan costs and risks (for example liquidity risk and administrative cost), in addition to a spread.

The Company examines the instrument's contractual terms to determine whether the contractual cash flows only entail payments of the principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it would no longer meet this condition. When making this assessment the Company takes into account:

- Contingent events modifying the value or timing of the cash flows;
- Terms that could adjust the contractual rate, including variable fees;
- Prepayment and extending the term; and
- The terms limiting the Company's access to specific cash flows from specific assets (for example based on an asset's performance).

Prepayment is consistent with the criteria of paying the principal and interest if the prepayment mainly represents unpaid amounts of the principal and interest on the outstanding principal - which may include reasonable additional compensation for early termination of the contract. Furthermore, in relation to a financial asset acquired for an amount less than or greater than the nominal value of the contract, the permission or requirement for prepayment at an amount representing the nominal value of the contract plus the contractual interest (which may also include reasonable additional compensation for early termination of the contract) accumulated (but not paid) are treated as consistent with this criteria if the fair value of the prepayment is insignificant upon initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently stated at fair value. The net income including interest or dividend revenue is recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange variance gains and losses and impairment are recognized in profit or loss. Any gain or loss resulting from derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently stated at fair value. Interest revenue calculated by the effective interest rate, exchange variance gains and losses and impairment are recognized in profit and loss. Other net income is recognized in OCI. Upon derecognition, the gain or loss accumulated in OCI is reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently stated at fair value. The dividends are recognized as a gain in profit and loss, unless the dividend clearly represents a recovery of part of the investment cost. Other net income in recognized in OCI and never reclassified to net income.

(iii) Derecognition
Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred or in which the Company neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset nor retains control over the financial asset.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized based on the modified terms and recognized at fair value.

Upon derecognizing a financial liability, the difference between the former carrying amount and the amount paid (including assets transferred that do not flow through cash or undertaken liabilities) is recognized in profit or loss.

(iv) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instruments
The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. The Company does not have embedded derivatives.

The Company uses hedges/swap for foreign currency differences between the functional currency overseas and its functional currency (Real).

4.11. Capital
(i) Common shares
The capital is comprised of common shares.

(ii) Dividends
The dividend recognition policy complies with CPC 25 - Provisions, Contingent Liabilities and Contingent Assets and ICPC 08 (R1) Recording proposed dividend payments, which determines that proposed dividends supported by bylaw obligations should be recorded in current liabilities.

Company's bylaw state that at least 25% of the annual net income should be paid out as dividends. The bylaws also state that the Board of Directors shall resolve the payment of interest on shareholders' equity and interim dividends.

4.12. Impairment
(i) Non-derivative financial assets
The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost;

The Company measures the provision for loss at an amount equal to the expected credit loss for the entire life, except for the items described below, which are measured as expected credit loss for 12 months:

- Debt securities with low credit risk at the reporting date; and

- Other debt securities and bank balances for which the credit risk (i.e. the risk of default over the expected lifetime of the financial instrument) has not significantly risen since initial recognition.

The provisions for losses on trade accounts receivable and contract assets are measured at an amount equal to the expected credit loss for the instrument's entire life. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the lifetime ECL (Expected Credit Loss), the Company considers reasonable and supportable information that is material and available without excessive cost or effort. This includes quantitative and qualitative information and analyses based on the Company's historic experience in credit evaluation and forward-looking information.

The Company conducted a study that projects the time in which the credit risk of a financial asset increases significantly if it is overdue. See note 19 for further information.

The Company considers a financial asset to be in default when:

- It is highly unlikely that the debtor will pay all of its credit obligations to the Company without resorting to actions such as realizing the guarantee (if applicable) or

- Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.
- 12-month ECLs are ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period, if the instrument's expected life is shorter than 12 months).

The maximum period considered to estimate the expected credit loss is the maximum contractual period during which the Company is subject to credit risks.

(ii) Impaired financial assets
At each reporting date, the Company evaluates whether the financial assets recorded at amortized cost are credit impaired. A financial asset is 'impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that a financial asset is impaired includes the following observable data:

- Significant financial difficulty of the issuer or borrower;
- Violation of contractual clauses, such as default or being more than 90 days overdue;
- Restructuring of an amount due to the Company on terms that it would not consider otherwise;

- The probability that the borrower will enter bankruptcy or other type of financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iii) Presenting the provision for expected credit losses in the statement of financial position

The provision for financial asset losses measured at amortized cost is deducted from the gross carrying amount of the assets.

(iv) Write-off

The gross carrying amount of financial asset is written off when the Company does not have a reasonable expectation to recover the financial asset in its entirety or in part. The Company do not expect any substantial recovery of the written-off amount. However, written-off financial assets can still be subject to credit enforcement to perform the Company procedures to recover the amounts due.

(v) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets for signs of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The Company did not identify any losses on the CGUs for FYs 2019 and 2018.

4.13. Provisions

A provision is recognized when the Company has a legal or unofficial obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, which can be reliably estimated. When the Company expects a provision to be reimbursed, in part or full, for example as a result of an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is a virtual certainty. Expenses related to any provision are presented in the income statement net of any reimbursement.

Provision for tax, civil and labor risks

Provisions for judicial proceedings are made for which an outflow of economic benefits will probably be required to settle the contingency/obligation and which can be reliably estimated. The chance of defeat is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions.

Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or additional exposure identified as a result of new issues or court decisions.

4.14. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to be made ready for sale or their intended use are capitalized as part of the corresponding asset's cost. All other loan costs are recorded as an expense in the year they are incurred in. Borrowing costs consist of interest and other costs incurred by an entity.

4.15. Standards and interpretations issued but not yet effective

The following amended standards and interpretations are not expected to have a significant impact on the Company's individual and consolidated financial statements:

- Investment in a subsidiary, associate and joint venture (Alterations to CPC 18(R2)).
- Defining a business (amendments to CPC 15(R1)).
- Defining materiality (amendments to CPC 26(R1) and CPC 23).

5. Cash and cash equivalents

	Consolidated		Parent Company	
	2019	2018	2019	2018
Cash	3	3	3	3
Checking accounts (a)	85.511	10.740	48.088	10.716
Short-term investments (b)	16.377	135	16.377	135
Total cash and cash equivalents	101.891	10.878	64.468	10.854

(a) In addition to the increase related to higher sales, the main sources of funding in 2019 were Credit Suisse, Banco Industrial do Brasil, BTG Pactual, Banco do Brasil and Banco da Amazônia, in the form of working capital and investment loans, which will be made at the start and during the course of FY 2020.

(b) Short-term investments consist of highly liquid investment funds are CDI-indexed and aim at meeting the Company's short-term commitments. These amounts are automatic investments linked to current accounts at financial institutions and their gross income in FY 2019 was 1.38% p.a. (4.36% p.a. in 2018).

The investments are available for use in the Company's operations, are readily convertible into a known amount of cash, and are subject to an insignificant risk of impairment, i.e. they are financial assets with immediate liquidity. These transactions have maturities of less than three months and a repurchase commitment by the issuer, and are therefore classified as cash and cash equivalents pursuant to CPC 03 (R2) - Statements of Cash Flows.

6. Short-term investments

	Consolidated		Parent Company	
	2019	2018	2019	2018
Banco do Brasil (a)	9.447	5.016	9.447	5.016
Banco BTG Pactual (a)	6.636	2.670	6.636	2.670
Banco da Amazônia (c)	3.676	1.607	3.676	1.607
Banco Santander (a)	3.000	-	3.000	-
Banco Pine (a)	1.043	-	1.043	-
Banco Banpará (b)	1.052	-	1.052	-
Total das aplicações financeiras	24.854	9.293	24.854	9.293

(a) Short-term investments are made for bank guarantees and loans, being applied in current assets due to the maturity of the guarantees and nonperformance of contractual obligations in loans and financing. The yield in 2019 was 1.38% p.a.

(b) The Banpará investment is a mutual holding with the bank yielding 5.20% in 2019.

(c) The short-term investment at Banco da Amazônia consists of capitalization bonds, with a 40-month term, which matured in October 2018, and can be redeemed at any time as it forms financial assets with immediate liquidity. The securities are restated monthly by the determined referential rate, which yielded some 1.88% in 2019

7. Trade accounts receivable
(i) Breakdown of balances

	Consolidated		Parent Company	
	2019	2018	2019	2018
Trade accounts receivable	200.763	182.587	192.651	179.507
Trade receivables due from related parties	-	-	10.879	5.250
Accounts receivable in foreign currency	354	2.383	354	2.383
(-) Impairment of trade accounts receivable	(2.685)	(2.006)	(2.685)	(2.006)
Total accounts receivable from customers	198.432	182.964	201.199	185.134

(ii) Accounts receivable aging list

	Consolidated		Parent Company	
	2019	2018	2019	2018
Neither past due nor impaired	169.149	166.422	170.392	166.372
Past due 1-30 days	19.325	5.215	20.149	5.527
Past due 31-90 days	1.148	6.602	1.834	8.701
91 to 180 days overdue	861	1.719	963	2.121
More than 181 days overdue	10.634	5.012	10.546	4.419
Total	201.117	184.970	203.884	187.140

(iii) Portfolio concentration

	Consolidated		Parent Company	
	2019	2018	2019	2018
Top customer	22.691	47.158	21.569	46.750
2nd to 11th largest clients	88.286	90.601	90.061	94.158
12th to 50th largest clients	76.215	38.282	78.329	37.303
Other	13.925	8.929	13.925	8.929
Total	201.117	184.970	203.884	187.140

(iv) Change in the provision for impairment of trade accounts receivable

	Consolidated		Parent Company	
	2019	2018	2019	2018
Opening balance in year	(2.006)	(1.730)	(2.006)	(1.730)
Recovery	-	127	-	127
Making of provision	(679)	(403)	(679)	(403)
Closing balance in year	(2.685)	(2.006)	(2.685)	(2.006)

The Company performs an individual analysis of the actual loss on bills to determine the allowance for impairment, which is recognized annually. 98.65% of the BRL 2,685 provisioned for as of December 31, 2019 denotes receivables being recovered through legal proceedings, and the remaining portion refers to receivables that are under negotiation and being recovered internally.

Further information as to how the Company measures the provision for impairment of accounts receivable can be seen in note 19.

The Company's exposure to credit and currency risks and losses due to impairment of trade accounts receivable can be seen in note 19.

8. Inventories

	Consolidated		Parent Company	
	2019	2018	2019	2018
Finished goods	14.279	31.061	14.147	30.951
Goods in progress	27.428	31.732	27.428	31.732
Raw materials and consumables	85.300	35.286	82.808	32.301
Supplies and packaging materials	4.151	2.963	4.122	2.856
Total inventories	131.158	101.042	128.505	97.840

The Company valued its inventory at December 31, 2019 and 2018 and concluded it was not necessary to record a provision for inventory obsolescence.

9. Recoverable taxes

	Consolidated		Parent Company	
	2019	2018	2019	2018
COFINS recoverable (a)	59.797	44.895	58.974	43.936
PIS recoverable (a)	17.161	12.972	16.983	12.763
Retentions recoverable	6.998	4.698	2.288	1.202
Corporate Income Tax	1.117	504	1.117	504
IPI recoverable	850	851	850	850
Total recoverable taxes	85.923	63.920	80.212	59.255

(a) The Company takes PIS and COFINS credits on the acquisition of inputs for the production of goods for sale. These credits are periodically used to offset federal liabilities through administrative proceedings duly filed with the Federal Revenue Service.

In FY 2019 the Company experienced an increase on FY 2018 of around 89% in Special Infrastructure Development Incentive Scheme - REIDI operations (Suspension of the requirement to pay PIS/COFINS), which explains the increase in these balances.

10. Benefits for reinvestment

	Consolidated		Parent Company	
	2019	2018	2019	2018
Legal reinvestments – SUDAM*	5.603	5.302	5.603	5.302
Total benefit for reinvestment	5.603	5.302	5.603	5.302

The balance of the reinvestment account denotes deposits made in prior years at 30% of the tax due (IRPJ) made by the Company in projects to modernize, expand or upgrade equipment, and the changes in this account denote capitalization of the operation.

The Company is obliged to make the deposit when the investment limit is positive i.e. when the tax owed at 15% of taxable income is greater than the deductions.

The Company adopts as a calculation base tax due at the rate of 15% charged on operating profit and in FY 2019 did not have a margin to make deposits for reinvestment in its activities carried out within the area covered by *Development Agency for the Amazon Region ("Superintendência de Desenvolvimento da Amazônia" – SUDAM), which manages the awarding of the benefit - Decree 4212/2002.

See the changes in balances below:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Opening balance in year	5.302	5.998	5.302	5.998
Offsetting/capitalization	301	(696)	301	(696)
Closing balance in year	5.603	5.302	5.603	5.302

11. Investment

(i) Changes in investments

Changes in investments in subsidiaries, presented in the individual and consolidated financial statements of the parent company, are as follows:

Subsidiary	2018	Capital contribution	2019
Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda. .	399	-	399
Alubar Cabos Elétricos Montenegro Importação, Ind e Com Ltda.	-	14.200	14.200
Alubar Canadá Holding Inc.	-	102.096	102.096
Alubar Metals LLC.	-	1	1
31 December	399	116.297	116.696

(ii) Summary financials information

2019	Ownership interest	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net income
Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda.	99%	8.425	2.208	8.302	3.464	(1.133)	(1.447)
Alubar Cabos Elétricos Montenegro Importação, Ind e Com Ltda.	100%	2.495	15.816	2.917	1.094	14.200	-
Alubar Canadá Holding Inc.	100%	39.762	66.623	6	3.882	102.497	(1.007)
Alubar Metals LLC.	100%	1	-	-	-	1	-
		50.683	84.647	11.225	8.440	115.565	(2.454)

2018	Ownership interest	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net income
Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda.	99%	16.483	1.274	11.023	6.420	314	(266)

12. Property, plant and equipment

(i) Parent Company

	Land	Buildings	Improvements	Improvements to rented property	Facilities	Plant and equipment	Vehicles	Fixtures and fittings	Computers and peripherals	Construction in progress	Fixed assets in progress	Advance for property, plant and equipment	Total
Change in the cost													
Balance at December 31, 2017	-	**125.328**	**-**	**-**	**7.626**	**249.334**	**4.832**	**2.881**	**3.247**	**20.585**	**49.926**	**5.157**	**468.916**
Additions (*)	-	-	-	-	5	498	287	115	341	28.146	82.931	4.078	116.401
Transfers	-	(22.313)	1.440	-	(2.403)	55.209	(119)	(813)	(327)	(1.738)	(28.299)	(14)	623
Write-offs	-	(1.311)	-	-	-	(1.390)	-	(7)	(5)	(32)	(665)	-	(3.410)
Balance at December 31, 2018	**-**	**101.704**	**1.440**	**-**	**5.228**	**303.651**	**5.000**	**2.176**	**3.256**	**46.961**	**103.893**	**9.221**	**582.530**
Additions (*)	-	-	-	-	5	1.770	170	350	278	54.073	36.087	6.388	99.121
Transfers	969	50.123	-	287	1.980	94.970	117	652	774	(57.667)	(92.205)	-	-
Transfers to other groups of the asset	-	-	-	-	-	-	-	-	-	-	(4.410)	(13.655)	(18.065)
Write-offs	-	-	-	-	-	(724)	-	(2)	(9)	(592)	(367)	-	(1.694)
Balance at December 31, 2019	**969**	**151.827**	**1.440**	**287**	**7.213**	**399.667**	**5.287**	**3.176**	**4.299**	**42.775**	**42.998**	**1.954**	**661.892**
Change in depreciation													
Balance at December 31, 2017	**-**	**(26.212)**	**-**	**-**	**(4.975)**	**(84.173)**	**(2.488)**	**(1.353)**	**(1.485)**	**-**	**-**	**-**	**(120.686)**
Depreciation	-	(3.330)	-	-	(285)	(11.540)	(634)	(229)	(472)	-	-	-	(16.490)
Transfers	-	10.964	-	-	2.694	(14.959)	1.048	253	-	-	-	-	-
Write-offs	-	384	-	-	-	1.162	-	-	-	-	-	-	1.546
Balance at December 31, 2018	-	**(18.194)**	**-**	**-**	**(2.566)**	**(109.510)**	**(2.074)**	**(1.329)**	**(1.957)**	**-**	**-**	**-**	**(135.630)**
Depreciation	-	(3.346)	-	-	(200)	(12.851)	(645)	(219)	(297)	-	-	-	(17.558)
Write-offs	-	-	-	-	-	319	-	1	9	-	-	-	329
Balance at December 31, 2019	**-**	**(21.540)**	**-**	**-**	**(2.766)**	**(122.042)**	**(2.719)**	**(1.547)**	**(2.245)**	**-**	**-**	**-**	**(152.859)**
Gross amount													
At December 31, 2018	-	83.510	1.440	-	2.662	194.141	2.926	847	1.299	46.961	103.893	9.221	446.900
At December 31, 2019	969	130.287	1.440	287	4.447	277.625	2.568	1.629	2.054	42.775	42.998	1.954	509.033

(*)Includes the addition resulting from capitalized interest of BRL 15,659 (BRL 7,061 as of December 31, 2018) in accordance with the rules of CPC 20 - Loan costs, as explained in note 12. This amount has therefore been adjusted in the presentation of the cash flow statements for the year.

(ii) Consolidated

	Land	Buildings	Improvements	Improvements to rented property	Facilities	Plant and equipment	Vehicles	Fixtures and fittings	Computers and peripherals	Construction in progress	Fixed assets in progress	Advance for property, plant and equipment	Total
Change in the cost													
Balance at December 31, 2017	**-**	**125.328**	**-**	**-**	**7.626**	**249.334**	**4.832**	**2.881**	**3.247**	**20.585**	**49.926**	**5.157**	**468.916**
Additions (*)	-	-	-	-	5	498	287	115	341	28.146	84.205	4.078	117.675
Transfers	-	(22.313)	1.440	-	(2.403)	55.209	(119)	(813)	(327)	(1.738)	(28.299)	(13)	624
Write-offs	-	(1.311)	-	-	-	(1.390)	-	(7)	(5)	(32)	(665)	-	(3.410)
Balance at December 31, 2018	-	101.704	1.440	-	5.228	303.651	5.000	2.176	3.256	46.961	105.167	9.222	583.805
Additions (*)	1.532	14.123	-	-	5	39.362	429	350	299	54.073	66.002	6.388	182.563
Transfers	969	50.123	-	287	1.980	96.074	117	679	807	(57.667)	(93.369)	-	-
Transfers to other groups of the asset	-	-	-	-	-	-	-	-	-	-	(4.495)	(13.656)	(18.151)
Write-offs	-	-	-	-	-	(724)	-	(2)	(9)	(592)	(367)	-	(1.694)
Balance at December 31, 2019	**2.501**	**165.950**	**1.440**	**287**	**7.213**	**438.363**	**5.546**	**3.203**	**4.353**	**42.775**	**72.938**	**1.954**	**746.523**
Change in depreciation													
Balance at December 31, 2017	**-**	**(26.212)**	**-**	**-**	**(4.975)**	**(84.173)**	**(2.488)**	**(1.353)**	**(1.485)**	**-**	**-**	**-**	**(120.686)**
Depreciation	-	(3.330)	-	-	(285)	(11.540)	(634)	(229)	(472)	-	-	-	(16.490)
Transfers	-	10.964	-	-	2.694	(14.959)	1.048	253	-	-	-	-	-
Write-offs	-	384	-	-	-	1.162	-	-	-	-	-	-	1.546
Balance at December 31, 2018	**-**	**(18.194)**	**-**	**-**	**(2.566)**	**(109.510)**	**(2.074)**	**(1.329)**	**(1.957)**	**-**	**-**	**-**	**(135.630)**
Depreciation	-	(3.346)	-	-	(200)	(12.972)	(645)	(223)	(307)	-	-	-	(17.693)
Write-offs	-	-	-	-	-	319	-	1	9	-	-	-	329
Balance at December 31, 2019	**-**	**(21.540)**	**-**	**-**	**(2.766)**	**(122.163)**	**(2.719)**	**(1.551)**	**(2.255)**	**-**	**-**	**-**	**(152.994)**
Gross amount													
At December 31, 2018	-	83.510	1.440	-	2.662	194.141	2.926	847	1.299	46.961	105.167	9.222	448.175
At December 31, 2019	2.501	144.410	1.440	287	4.447	316.200	2.827	1.652	2.098	42.775	72.938	1.954	593.529

Constructions in progress (Buildings)

As of December 31, 2019 the amount of BRL 42,775 (BRL 46,961 as of December 31, 2018) for works in progress refers to the Company's expansion projects, which are ongoing and consist of buildings.

Fixed assets in progress (Machinery and equipment)

The balance of BRL 42,998 as of December 31, 2019 (BRL 103,893 as of December 31, 2018) corresponding the Company's fixed assets in progress, and comprises BRL 7,665 for the Upcast rolling machine (BRL 20,285 as of December 31, 2018), BRL 13,340 for the acquisition of a new single stranded wire drawer, BRL 11,602 for the acquisition of a new right chord maker, BRL 5,497 for the acquisition of a new tubular reuniter and BRL 4,894 (BRL 6,837 as of December 31, 2018) denoting the other equipment items that are being assembled for the Company's new aluminum production line (note 1.2). The Company anticipates that each of these projects will be implemented definitively as from 2020.

Advance to suppliers for property, plant and equipment

The balance of advance to suppliers for property, plant and equipment was BRL 1,954 at December 31, 2019.

13. Leases

The Alubar Group leases land and employee transportation vehicles. Land leases normally last twenty years and transportation vehicles vary between one or two years, with an option to renew the lease after this period. Lease payments are renegotiated every year to reflect market rentals.

The land lease was signed in July 1995 and has been renewed three times. Vehicle leases are short-term contracts lasting between one and two years. These leases used to be classified as operating leases in accordance with CPC 06(R1).

Information about leases in which the Alubar Group is the lessee can be seen below and in the description of the accounting practice in note 3.4.1.

(a) Leases as lessee - right of use

The right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	Land
As at January 1	-
Additions to right-of-use assets	17.572
Depreciation expense in the year	(4.314)
At 31 December	13.258

(i) Amounts recognized in profit or loss

	2019
Leases under CPC 06(R2)	
Additions to right-of-use assets	17.572
Amortization of leases	(4.513)
Lease interest	199
At 31 December	13.258

(ii) Amounts recognized in the statement of cash flows

Total cash outflows for leases	(4.513)
Lease interest	199
Depreciation expense in the year	4.314

14. Trade and other payables

(i) Breakdown of balances

	Consolidated		Parent Company	
	2019	2018	2019	2018
Trade payables				
Aluminum raw material	68.018	41.297	62.969	41.297
Copper raw material	3.325	5.459	3.325	-
Consumables	10.946	11.934	10.946	11.934
Acquiring plant and equipment	2.679	20.522	2.679	20.522
Other	11.606	17.794	11.431	17.706
Total trade payables	96.574	97.006	91.350	91.459
Other accounts payable				
Forfaiting operations (a)	32.161	42.072	32.161	42.072
Other creditors	1.171	773	1.171	773
Total other accounts payable	33.332	42.845	33.332	42.845
Total trade payables and other accounts payable	129.906	139.851	124.682	134.304

(a) Forfaiting operations:

The Company has arrangements with partnering banks that makes it possible to structure forfaiting operations with its main suppliers. In these operations the suppliers transfer the right to receive the invoices to the bank, which in turn becomes the creditor in the operations. There is no significant change to the terms originally established with suppliers. However, the Company pays for the costs and fees of this transaction.

(ii) Concentration

	Consolidated		Parent Company	
	2019	2018	2019	2018
Top supplier (Albras)	62.092	51.650	62.092	51.650
2nd to 11th supplier	27.291	39.187	16.655	39.187
Other	40.523	49.014	45.935	43.467
Total	129.906	139.851	124.682	134.304

15. Loans and borrowings

(i) Breakdown of balances

	Consolidated		Parent Company	
	2019	2018	2019	2018
Secured loans	295.146	248.556	295.146	248.556
Unsecured loans	222.092	70.884	222.092	70.884
Subtotal	517.238	319.440	517.238	319.440
(-) Arrangement costs	(2.022)	(2.820)	(2.022)	(2.820)
Total loans and financing	515.216	316.620	515.216	316.620
Current	313.357	169.913	313.357	169.913
Noncurrent	201.859	146.707	201.859	146.707

(ii) Changes in loans and financings

	Consolidated		Parent Company	
	2019	2018	2019	2018
Balance at beginning of year	316.620	226.756	316.620	226.756
Borrowing	407.895	396.675	407.895	396.675
Arrangement costs	(1.862)	-	(1.862)	-
Charges and interest (*)	36.608	29.324	36.608	29.324
Principal + interest payments	(242.786)	(334.998)	(242.786)	(334.998)
Reclassification interest borrowing cost	-	(1.137)	-	(1.137)
Exchange effect on foreign currency loan	(1.259)	-	(1.259)	-
Balance at end of year	515.216	316.620	515.216	316.620

(*) The amount of charges and interest includes BRL 15,659 (BRL 7,061 as of December 31, 2018) which was not charged to profit or loss for the year as it was capitalized in property, plant and equipment in accordance with CPC 20 - Loan Costs. BRL 1,968 was also transferred to the group loans in 2019. Therefore, this amount has been adjusted in the presentation of the cash flow statements for the year.

(iii) Amortization schedule (without the effect of breaching covenants as per item (vi))

.	Consolidated		Parent Company	
	2019	2018	2019	2018
2019	-	122.686	-	122.686
2020	228.556	69.548	228.556	69.548
2021	137.144	127.206	137.144	127.206
2022	105.125	-	105.125	-
2023	14.924	-	14.924	-
2024	14.924	-	14.924	-
2025	14.924	-	14.924	-
2026	1.641	-	1.641	-
Total	517.238	319.440	517.238	319.440

(iv) Debentures

As of December 31, 2019, BRL 23,035 (BRL 27,959 as of December 31, 2018) denotes the issuance of convertible debentures. Only 15% of the liability can be converted into shares. These amounts are related to SUDAM projects and mature on June 15, 2023. The debentures are classified as debt, given that the debenture holder does not assume the risks from the transaction. Conversion to subscribed shares is limited to 15% of the liabilities and the shares have to be registered as traded capital at the Brazilian Securities Commission - CVM so they can be paid in. The debentures yield fixed interest on the amount held and the payment period is established at 144 months, subsequent to the grace period which ended on June 15, 2015. Said debenture operations can be seen in table "(i)" FNO in guarantee operations.

(v) Guarantees

The Company has contracts with Banco da Amazônia for the amounts of BRL 122,603, BRL 12,367, BRL 31,474 and BRL 39,145, which are secured by equity assets of BRL 94,281, BRL 84,449, BRL 51,003 and BRL 53,198 respectively. In 2019 Alubar took out three working capital loans from Banco da Amazônia for a total of BRL 47,874, plus a reserve account guarantee of BRL 4,556 plus BRL 5,051, amounting to BRL 9,607 in a reserve account for BASA. The company also took out BRL 5,900 from Banco do Brasil with BRL 6,879 secured by the inventory of finished products.

(vi) Covenants

The Company has financial and non-financial covenants with the banks: Banco do Brasil, Santander, BTG Pactual, PINE, Itaú and Caixa Econômica Federal.

At the reporting date of December 31, 2019 there remained unrectified violation of nonpecuniary obligations established in the loan contracts with the banks: Credit Suisse, Santander and BTG Pactual, The respective balances maintained in non-current liabilities for the transactions with these banks of BRL 74,347 was therefore reclassified to current liabilities, in accordance with CPC 26 (R1) Presentation of Financial Statements.

In accordance with the above standards, reclassification should occur in situations where the violation of contractual obligations entitles the creditor to request the Company pay outstanding amounts in the short term. We accordingly emphasize that no creditor has requested said early payment and that the Company has promptly settled its debt service obligations in accordance with the original amortization schedule, as presented in item (iii) of this note.

16. Tax obligations

	Consolidated		Parent Company	
	2019	2018	2019	2018
ICMS	3.019	422	3.005	420
IPI	23.085	10.114	23.085	10.114
Withholding Income Tax - IRRF	75	379	70	362
ISS	119	372	118	371
IOF	73	73	73	73
Taxes payable (i)	26.371	11.360	26.351	11.340
Financed IRPJ	4.636	510	4.636	510
Financed REFIS	253	253	253	253
Financed IPI	23.963	28.130	23.963	28.130
Financed CSLL	10.286	2.091	10.286	2.091
Refinanced INSS	6.190	2.936	6.190	2.936
Financed taxes (ii)	45.328	33.920	45.328	33.920
INSS third parties	362	858	265	761
PIS/COFINS/CSLL	98	559	97	544
Trade Union Contributions	8	5	8	5
Contributions payable	468	1.422	370	1.310
Total tax obligations	72.167	46.702	72.049	46.570
Current	35.967	16.836	35.849	16.704
Noncurrent	36.200	29.866	36.200	29.866

(i) Taxes payable
The balance of taxes payable is periodically offset against PIS and COFINS credits appropriated on consumables (note 8).

(ii) Tax financed
This increase in FY 2019 due to the entering of three new financing programs: (i) ordinary financing of (INSS) in the amount of BRL 3,804 over 60 months; (ii) ordinary financing of (IRPJ) in the amount of BRL 4,644 over 60 months; and (iii) ordinary financing of (CSLL) in the amount of BRL 9,199 over 60 months.

17. Provisions for contingencies
The Company is party as plaintiff or defendant to administrative proceedings and court cases before government agencies. Provisions are made for all contingencies related to judicial proceedings for which an outflow of economic benefits will probably be required to settle the contingency/obligation, and which can be reliably estimated.

The chance of defeat is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions. Based on the opinion of its legal advisers and when applicable specific opinions issued by specialists, Management assesses the expected result of proceedings in progress and decides whether or not it is necessary to make a provision for contingencies based on the probability of defeat assessed for the respective proceedings.

The Company has proceedings in progress involving cases rated as a probable defeat, as shown below:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Tax	290	17	290	17
Civil	-	30	-	30
Labor	653	139	653	139
Total	943	186	943	186

Changes in contingencies

	Consolidated		Parent Company	
	2019	2018	2019	2018
Balance at beginning of year	186	48	186	48
Provision supplement	787	138	787	138
Payments	(30)	-	(30)	-
Balance at end of year	943	186	943	186

See below the tax, labor and civil proceedings rated by the Company's legal advisers as possible estimated losses and respective clarifications:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Tax	6.934	4.640	6.934	4.640
Civil	10	5	10	5
Labor	57	430	57	430
Total	7.001	5.075	7.001	5.075

Tax
The tax cases rated as possible losses consist of assessment notices and delinquency notices directly contested by the Company. They are currently in progress before the respective federal or state tax authorities, as detailed below:

(i) IPI - RFB - DRF Recife - rated as a possible defeat in the amount of BRL 2,021, case from July 2015, the tax authorities assess the Company as it believes the return invoices issued allegedly contravene the legislation. The case is currently before CARF, after being processed by DRF.

(ii) Single fine PERDCOMPs - RFB - DRF São Paulo - rated as possible defeat in the amount of BRL 3,070, case from November 2017 the tax authority issued a single fine of 50% over the DCOMPs. Case currently being analyzed at DRJ (Judgment Department – Federal Tax Authorities).

(iii) ICMS - Pará State Department (SEFA) - rated as a possible defeat in the amount of BRL 1,070 thousand, case from November 2017, the tax authorities assessed the Company as it believes the return invoices issued allegedly contravene the legislation. The case is currently being analyzed by the Abaetetuba office.

(iv) Social Security Contributions – Ministry of Finance - rated as a possible loss in the amount of BRL 273 thousand, case from July 2016 – notification for sole reason it is part of the joint-venture undergoing enforcement. Enforcement has been stayed.

Civil
The civil contingent liability originates from a case filed by an outsourced employee claiming reimbursement for fines and compensation, given the alleged nonperformance by the Company of the transit rule. In our defense we submitted all the arguments against those presented by the plaintiff.

Labor
Labor claims result from proceedings in which the Company appears as Defendant, where the amounts presented are the original claim amounts that may be adjusted/modified over the course of the legal proceedings.

Environmental
There are longstanding environmental proceedings that involve several other companies, where Alubar is jointly liable. The possible liabilities have not been identified on an individual basis. Consequently, at the moment it is not possible to accurately assess the individual loss that may or may not be charged to the Company.

18. Dividends payable
Changes in the Company's dividends payable are shown as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Balance at beginning of year	16.883	10.697	16.883	10.697
Distribution of additional dividends	9.599	4.602	9.599	4.602
Dividends paid	(14.305)	(12.298)	(14.305)	(12.298)
Distribution of minimum non-discretionary dividends - current year (note 22.d)	33.806	13.882	33.806	13.882
Total dividends payable	45.983	16.883	45.983	16.883

19. Financial instruments

(a) Financial risk management

The financial economic risks principally reflect the behavior of macroeconomic variables, such as the aluminum prices, exchange and interest rates and the characteristics of financial instruments used by the Company. These risks are managed through follow-up by senior administration which is actively involved in the operational management thereof.

The Company has the practice of managing existing risks in a conservative manner, with the preservation of the value and liquidity of financial assets and guaranteeing financial resources for the smooth running of its business being the main purposes. The main financial risks considered by senior administration are:

- Market risk
- Interest rate risk
- Liquidity risk, and
- Credit risk.

This note presents information about the Company's exposure to each of the aforesaid risks, its goals, policies and procedures for measuring and managing risks in addition to management of the Company's capital.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Derives from the possibility that domestic and international aluminum market prices, and in the specific case of the Company, could vary as a result of changes in exchange rates, interest rates and in the prices of feedstocks and other production inputs.

Management monitors the market and its fluctuations, particularly international aluminum prices on a permanent basis. In order to minimize this risk, the Company seeks to anticipate market movements, primarily relying on commodity price hedges. In light of this situation, the Company, aiming at protecting its clients against possible sharp fluctuations in the prices of billed materials, uses swap instruments, basing its hedge management on price exchanges that are qualified for this. The hedge is used for the purchase of the metal which is used in the manufacturing of its products.

Currency risk

This arises from the possibility of exchange rate variance in the currencies used by the Company, primarily to take out financial instruments.

Hedge instruments deployed to manage exposure (swap instruments) are determined by management in such a manner that they are neither of a speculative nature nor carry any additional risk.

Foreign-currency exposure

As of December 31, 2019 and 2018, the Company has operations related to customers, suppliers and derivatives exposed to the foreign-currency risk.

The Company does not have any foreign-currency loans.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	Parent Company			
		2019		2018
Assets	**USD**	**BRL**	**USD**	**BRL**
Derivative financial instruments	10.135	40.850	1.464	5.673
Trade and other receivables	88	354	615	2.383
Total	10.223	41.204	2.079	8.056
Liabilities				
Derivative financial instruments	(44)	(176)	(2.644)	(10.245)
Loans and borrowings	(27.200)	(109.647)	-	-
Trade accounts payable	(931)	(3.753)	(598)	(2.318)
Total	(28.175)	(113.576)	(3.242)	(12.563)
Net exposure	(17.952)	(72.372)	(1.163)	(4.507)

	Consolidated			
		2019		2018
Assets	**USD**	**BRL**	**USD**	**BRL**
Derivative financial instruments	10.135	40.850	1.464	5.673
Trade and other receivables	88	354	615	2.383
Total	10.223	41.204	2.079	8.056
Liabilities				
Derivative financial instruments	(44)	(176)	(2.644)	(10.245)
Loans and borrowings	(27.200)	(109.647)	-	-
Trade accounts payable	(931)	(3.753)	(598)	(2.318)
Total	(28.175)	(113.576)	(3.242)	(12.563)
Net exposure	(17.952)	(72.372)	(1.163)	(4.507)

	Parent Company 2019				
	Probable scenario USD	**Possible scenario USD (+25%) (+25%)**	**Remote scenario USD (+50%) (+50%)**	**Possible scenario USD (-25%) (-25%)**	**Remote scenario USD (-50%)**
Exchange rate (BRL/USD)	4,09	4,09	4,09	4,09	4,09
Exchange rates using the scenarios	4,09	5,11	6,14	3,07	2,05
Net debt with variable interest	109.657	109.657	109.657	109.657	109.657
Effect on income					
- As per the effective rate BRL/USD 4.09	1.621	1.621	1.621	1.621	1.621
- As per stress scenario	-	29.211	56.820	(26.008)	(53.618)
Net effect on income	-	27.610	55.219	(27.610)	(55.219)

	Consolidated 2019				
	Probable scenario USD	**Possible scenario USD (+25%)**	**Remote scenario USD (+50%)**	**Possible scenario USD (-25%)**	**Remote scenario USD (-50%)**
Exchange rate (BRL/USD)	4,09	4,09	4,09	4,09	4,09
Exchange rates using the scenarios	4,09	5,11	6,14	3,07	2,05
Net debt with variable interest	109.657	109.657	109.657	109.657	109.657
Effect on income					
- As per the effective rate BRL/USD 4.09	1.621	1.621	1.621	1.621	1.621
- As per stress scenario	-	29.211	56.820	(26.008)	(53.618)
Net effect on income	-	27.610	55.219	(27.610)	(55.219)

Interest rate risk

This arises from the possibility of the Company incurring gains or losses owing to changes in the interest rates on its financial assets and liabilities.

In order to mitigate this risk, the Company seeks to diversify long-term funding at fixed or floating rates in CDI, so that any results from fluctuations in these indexes have no or minimal impact on the Company.

The carrying amount of financial assets and liabilities represents the maximum credit exposure. The maximum exposure to interest credit risk at the end of the individual and consolidated reporting period was as follows:

		Consolidated		Parent Company	
	Note	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	5	101.891	10.878	64.468	10.854
Short-term investments	6	24.854	9.293	24.854	9.293
Loans and borrowings	15	(515.216)	(316.620)	(515.216)	(316.620)
Total		(388.471)	(296.449)	(425.894)	(296.473)

Sensitivity analysis for variable-rate instruments

With respect to the main interest rate risk, the Company estimates, based on external research with financial institutions, that the probable scenario is for the CDI rate to be at 4.5% p.a. on December 31, 2019 and the TJLP 5.57% p.a. The Company carried out a sensitivity analysis of the effects on the Company's earnings arising from an increase in the CDI rate and TJLP of 25% and 50% in relation to the probable scenario, considered as possible and remote, respectively, and two more scenarios to demonstrate the inverse effects of a decrease of 25% and 50%. The CDI rate generally accompanies the variance of the SELIC rate.

The Company's operations are indexed to floating rates, linked to TJLP and CDI. Therefore, generally speaking, the Company understands that any oscillation in interest rates would not have any significant impact on the Company's results, as demonstrated below:

	Parent Company				
	2019				
	Probable scenario CDI	**Possible scenario CDII (+25%)**	**Remote scenario CDI (+50%)**	**Possible scenario CDI (-25%)**	**Remote scenario CDII (-50%)**
Effective CDI rates	4,50%	4,50%	4,50%	4,50%	4,50%
CDI rates using the scenarios	4,50%	5,63%	6,75%	3,38%	2,25%
Net debt with variable interest	213.911	213.911	213.911	213.911	213.911
Effect on income					
- As per the effective rate - 4.50% p.a.	9.626	9.626	9.626	9.626	9.626
- As per stress scenario	-	12.043	14.439	7.230	4.813
Net effect on income	-	2.417	4.813	(2.396)	(4.813)

	2019				
	Probable scenario TJLP	**Possible scenario TJLP (+25%)**	**Remote scenario TJLP (+50%)**	**Possible scenario TJLP (-25%)**	**Remote scenario TJLP (-50%)**
Effective TJLPI rates	5,57%	5,57%	5,57%	5,57%	5,57%
TJLP rates using the scenarios	5,57%	6,96%	8,36%	4,18%	2,79%
Net debt with variable interest	23.035	23.035	23.035	23.035	23.035
Effect on income					
- As per the effective rate - 5.57% p.a.	1.283	1.283	1.283	1.283	1.283
- As per stress scenario	-	1.603	1.926	963	640
Net effect on income	-	320	643	(320)	(640)
Effect of CDI + TJLP	-	2.737	5.456	(2.716)	(5.453)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's trade accounts receivable and financial instruments, where the carrying amount denotes the maximum credit exposure.

The Company's exposure to credit risk is primarily influenced by each client's individual characteristics. However, Management also takes into account factors which could influence the credit risk of its client base, including the risk of non-payment in the industry. Details about revenue concentration can be seen in note 6.

The Company manages its credit risk by sticking to a physical and financial schedule, whereby inflows from clients are aligned with the production schedule, so that each period's cash flow is in surplus, and by closely monitoring receipts and the process of production of all the outstanding client portfolio. In addition, the Company seeks to maintain a diversified client portfolio, and concentrates its sales on first-tier clients.

In general, business guidelines are laid down at committee meetings. Results are tracked and strategies are adjusted to maintain expected results.

Assessment of expected credit loss for trade accounts receivable

The Company has adopted CPC 48, with significant impacts regarding the use of all reasonable information related to past events, current conditions and economic conditions, such as risk indicators and macroeconomic changes in analyses in order to assess the expected future losses on accounts receivable.

The criteria used to measure the provision for accounts receivable impairment are as follows:

- **Step 1:** When the credits are overdue, but are being received or have a history of good payment, in negotiations/agreements with a high probability of recovery:
- **Group A:** Large contracts with a good history of contractual performance and payment schedule, with customers with an average default of up to 43 days. The Company believes there is no risk of losses for customers classified in this category and in this situation, meaning it does not make any provision for civil impairment.
- **Group B:** Customers with payables more than 180 days overdue and financing and/or debt acknowledgment agreements. A provision for impairment is made between 1% to 20% for clients in this situation, according to expected receipt, based on financial analyses and effectiveness of the collection measures applied to each client individually.
- **Group C:** Customers with credits under judicial recovery, providing there is no successful direct settlement with the customer. A provision for impairment is made between 21% to 50% for clients in this situation, according to expected receipt, based on financial analyses and effectiveness of the collection measures applied to each client individually.

Step 2: When receivables are more than 180 days overdue, have been renegotiated but remain in default, and there is no chance of recovery. Also applies to customers under judicial reorganization. A provision for impairment is made for customers in this situation for the entire balance of accounts receivable.

Based on the above criteria, the Company concluded the provision for impairment of accounts receivable at December 31, 2019, as can be seen in Note 7.

As of December 31, 2019 and based on its credit risk assessment, management believes it was not necessary to make the provision for impairment losses on outstanding accounts receivable, as the risk is minimized by receiving advance payments when signing the supply agreement and historically there has been no significant default, as shown by the low rates compared with the Company's revenue growth.

the Company uses processes and systems to check payment capacity and quality to protect itself from the risk of client default. These systems and processes include but are not limited to the following functions:

- Outsourced decision-making tools (credit analysis software);
- Active management of the existing client base;
- Active management of receipt processes; and
- Monitoring the credit risk.

See below the carrying amount of financial assets that denotes the maximum exposure to credit risk on the date of the financial statements:

		Consolidated		Parent Company	
	Note	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents (a)	5	101.891	10.878	64.468	10.854
Short-term investments (a)	6	24.854	9.293	24.854	9.293
Derivative financial instruments (b)	19	40.674	(4.572)	40.674	(4.572)
Advance to suppliers		19.184	19.030	19.181	13.432
Trade accounts receivable	7	198.432	182.964	201.199	185.134
Loans and related-party loans	15	3.638	15.961	12.078	22.381
Total		388.673	233.554	362.454	236.522

(a) Cash and cash equivalents, as well as short-term investments, are held in banks and financial institutions whose credit is rated between AA- and AA+ by Moody's.

(b) Derivative financial instruments are procured from banks and financial institutions whose credit is rated between AA- and AA+ by Moody's. The Company makes bank deposits to cover the risks from stock exchange transactions (swap).

The balances of cash and cash equivalents are concentrated on six financial institutions. The Company has financial loans and financing with these institutions, with the balance owed on that date being significantly higher than the balances maintained.

Generally, the Company understands that there is no significant credit risk to which the Company is exposed, while considering the counterparties' characteristics, concentration levels and materiality of the values in relation to turnover.

Guarantees
Company's policy is to provide financial guarantees for payables to clients. As of December 31, 2019, the Company had issued BRL 174,488 in letters of guarantee and surety bonds.

Liquidity risk
Liquidity risk is the risk at which the Company may eventually find it difficult to meet the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company reputation.

The Company is working to align the cash equivalents and generation of funds in order to honor its obligations by the agreed deadlines.

The following are the remaining contractual maturities including estimated interest payments and excluding the impact of currency trading agreements on a net basis.

	Parent Company				
	2019				
	Carrying amount	**Up to 1 year**	**1 – 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans and borrowings	(515.216)	(222.814)	(137.144)	(134.975)	(20.283)
Trade and other payables	(124.682)	(124.682)	-	-	-
Total	(639.898)	(347.496)	(137.144)	(134.975)	(20.283)
	2018				
	Carrying amount	**Up to 1 year**	**1 – 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans and borrowings	(316.620)	(122.687)	(69.548)	(55.795)	(71.412)
Trade and other payables	(134.304)	(134.304)	-	-	-
Total	(450.924)	(256.991)	(69.548)	(55.795)	(71.412)

	Consolidated				
	2019				
	Carrying amount	**Up to 1 year**	**1 – 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans and borrowings	(515.216)	(222.814)	(137.144)	(134.975)	(20.283)
Trade and other payables	(129.906)	(129.906)	-	-	-
Total	(645.122)	(352.720)	(137.144)	(134.975)	(20.283)
	2018				
	Carrying amount	**Up to 1 year**	**1 – 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans and borrowings	(316.620)	(122.687)	(69.548)	(55.795)	(71.412)
Trade and other payables	(139.851)	(139.851)	-	-	-
Total	(456.471)	(262.538)	(69.548)	(55.795)	(71.412)

Cash flows included in the analyses of the Company's maturity are not expected to arise much earlier or in significantly different amounts.

Derivative financial instrument
The Company carries out stock exchange transactions, aimed at guaranteeing any negative results. As of December 31, 2019, the balance in hedge transactions was an asset of BRL 40,074 (liability of BRL 4,572 as of December 31, 2018). It is company practice to record changes in MTM (Market-to-market) only when they occur upon settlement of the operation (cash recognition)

Due to the failure to recognize MTM on these operations, as of December 31, 2019, current and noncurrent assets have been overstated by BRL 33,918 thousand and BRL 6,932 thousand, current and noncurrent liabilities have been understated by BRL 149,850 thousand and BRL 46,869 thousand (current and noncurrent liabilities were understated by BRL 14,859 thousand and BRL 49,038 thousand in 2018) and net income for the year has been overstated by BRL 173,672 thousand (BRL 108,119 thousand in 2018). We emphasize that all derivative operations are operational and aim to hedge future contract sales.

Capital structure risk
This arises from the choice between own capital (financial resources provided by shareholders and retaining of profits) and third-party capital that Company uses to finance its operations. To mitigate liquidity risks and to optimize the weighted average cost of capital, the Company permanently monitors the level of indebtedness in accordance with market standards and proportionately evaluates the ratio between debt and own capital.

(b) Category and fair value of financial instruments
The fair values of the Company's financial assets and liabilities were estimated through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of market data to estimate the most adequate realization value. As a result, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values.

The carrying amounts and market values of the financial instruments included in the statement of financial position as of December 31, 2019 and December 31, 2018 are identified below:

		Parent Company			
	Category of financial instruments	31/12/2019		31/12/2018	
Asset	**CPC 48 / IFRS 9**	**Carrying**	**Market**	**Carrying**	**Market**
Cash and cash equivalents	Amortized cost	64.468	64.468	10.854	10.854
Short-term investments	FVTPL*	24.854	24.854	9.293	9.293
Trade accounts receivable	Amortized cost	201.199	201.199	185.134	185.134
Related parties	Amortized cost	12.078	12.078	22.381	22.381
Derivative financial instruments	FVTPL	40.850	40.850	5.673	5.673
Total assets		343.449	343.449	233.335	233.335

		Parent Company			
	Category of financial instruments	31/12/2019		31/12/2018	
Liabilities		**Carrying**	**Market**	**Carrying**	**Market**
Trade and other payables	Amortized cost	124.682	124.682	134.304	134.304
Lease liability	Amortized cost	13.258	13.258	-	-
Derivative financial instruments	FVTPL	176	176	10.245	10.245
Loans and borrowings	Amortized cost	515.216	515.216	316.620	316.620
Total liabilities		653.332	653.332	461.169	461.169

		Consolidated			
	Category of financial instruments	31/12/2019		31/12/2018	
Asset	**CPC 48 / IFRS 9**	**Carrying**	**Market**	**Carrying**	**Market**
Cash and cash equivalents	Amortized cost	101.891	101.891	10.878	10.878
Short-term investments	FVTPL	24.854	24.854	9.293	9.293
Trade accounts receivable	Amortized cost	198.432	198.432	182.964	182.964
Related Parties	Amortized cost	3.638	3.638	15.961	15.961
Derivative financial instruments	Amortized cost	40.850	40.850	5.673	5.673
Total assets		369.665	369.665	224.769	224.769

		Consolidated			
	Category of financial instruments	31/12/2019		31/12/2018	
Liabilities		**Carrying**	**Market**	**Carrying**	**Market**
Trade and other payables	Amortized cost	129.906	129.906	139.851	139.851
Lease liability	Amortized cost	13.258	13.258	-	-
Derivative financial instruments	Amortized cost	176	176	10.245	10.245
Loans and borrowings	Amortized cost	515.216	515.216	316.620	316.620
Total liabilities		658.556	658.556	466.716	466.716

* Financial assets at fair value through profit or loss (FVTPL)

The table above does not include differences on the fair value of financial assets and liabilities, as the carrying amount is a close approximation of fair value.

(c) Fair value hierarchy

Fair value is measured at market value based on the assumption that market participants can measure an asset or liability. To increase coherence and comparability, the hierarchy of fair value gives priority to the consumables used in the measurement at three levels, as detailed in note 2.3 above.

	Parent Company			
	Fair value as of December 31, 2018			
	Balance in 2019	Active Market - Quoted Price (Level 1)	No active market - Assessment Technique (Level 2	No active market - Equity Instrument (Level 3)
Assets				
Cash and cash equivalents	64.468	64.468	-	-
Short-term investments	24.854	24.854	-	-
Trade and other receivables	201.199	-	201.199	-
Related-party loans	12.178	-	12.178	-
Derivative financial instrument	40.850	40.850	-	-
Liabilities				
Trade accounts payable	124.682	-	124.682	-
Derivative financial instruments	13.258	-	13.258	-
Loans and borrowings	176	176	-	-
Loans and borrowings	515.216	-	515.216	-

	Fair value as of December 31, 2018			
	Balance in 2018	Active Market - Quoted Price (Level 1)	No active market - Assessment Technique (Level 2)	No active market - Equity Instrument (Level 3))
Assets				
Cash and cash equivalents	10.854	10.854	-	-
Short-term investments	9.293	9.293	-	-
Trade and other receivables	185.134	-	185.134	-
Related-party loans	22.381		22.381	
Derivative financial instrument	5.673	5.673	-	-
Liabilities				
Trade accounts payable	134.304	-	134.304	-
Derivative financial instruments	10.245	10.245	-	-
Loans and borrowings	316.620	-	316.620	-

	Consolidated			
	Fair value as of December 31, 2019			
	Balance in 2019	Active Market - Quoted Price (Level 1)	No active market - Assessment Technique (Level 2)	No active market - Equity Instrument (Level 3)
Assets				
Cash and cash equivalents	101.891	101.891	-	-
Short-term investments	24.854	24.854	-	-
Trade and other receivables	198.432	-	198.432	-
Related-party loans	3.638	-	3.638	-
Derivative financial instrument	40.850	40.850	-	-
Liabilities				
Trade accounts payable	129.906	-	129.906	-
Lease liability	13.258	-	13.258	-
Derivative financial instruments	176	176	-	-
Loans and borrowings	515.216	-	515.216	-

	Fair value as of December 31, 2018			
	Balance in 2018	Active Market - Quoted Price (Level 1)	No active market - Assessment Technique (Level 2)	No active market - Equity Instrument (Level 3)
Assets				
Cash and cash equivalents	10.878	10.878	-	-
Short-term investments	9.293	9.293	-	-
Trade and other receivables	182.964	-	182.964	-
Related-party loans	15.961	-	15.961	-
Derivative financial instrument	5.673	5.673	-	-
Liabilities				
Trade accounts payable	139.851	-	139.851	-
Derivative financial instruments	10.245	10.245	-	-
Loans and borrowings	316.620	-	316.620	-

20. Related parties

Loan operations

All balances with these related parties are measured based on historical cost and should be settled in accordance with the specific determination. None of the balances has guarantees or are adjusted for inflation.

	Consolidated		Parent Company	
	2019	2018	2019	2018
Accounts receivable – Asset				
Alubar Coppertec Ind. e Com.	-	-	8.152	5.250
Alubar Montenegro	-	-	2.727	-
Loans receivable				
Advance to shareholders	2.260	2.255	2.260	2.255
Advance to officers	1.378	1.497	1.378	1.497
Alubar Coppertec Ind. e Com. (a)	-	-	3.464	6.420
Alubar Energia S.A. (b)	-	12.209	-	12.209
Alubar Montenegro (c)	-	-	1.094	-
Alubar Metaux (d)	-	-	3.882	-
Total Assets	3.638	15.961	22.957	27.631
Loans payable				
Alubar Energia S.A. (b)	5.743	-	5.743	-
Loans to shareholders	-	1.666	-	1.666
Total liabilities	5.743	1.666	5.743	1.666
Net income				
Sale of products from parent company to Alubar Coppertec	-	-	3.206	18.255
Parent Company bought products from Alubar Coppertec	-	-	-	(16.958)
Sale of products from parent company to Alubar Montenegro	-	-	2.426	-
Sale of products from parent company to Alubar Energia	-	-	425	-
Sale of property, plant and equipment	-	-	(99)	-
Total income	-	-	5.958	1.297

a. Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda.

As presented in note 1.2, Alubar Metais e Cabos S.A. created a new company in 2017, of which it is the parent company given its equity interest and control over the administrative and operational management of said company.

The balance of Alubar Coppertec Comercial de Fios e Cabos Elétricos Ltda. as of December 31, 2019 and 2018 are as follows:

		2019	2018
Equity interest		99,63 %	99,63 %
	Current	8.425	16.483
Assets	Noncurrent	2.208	1.274
	Current	8.302	11.023
Liabilities	Noncurrent	3.464	6.420
Equity		1.133	314
Net income for the year		(1.447)	(266)

The effect of equity income not recognized by Alubar Metais e Cabos S.A. in 2019 on its interest in the subsidiary was a loss of BRL 1,447.

b. Alubar Energia S.A.

Contracts related to loans that will be settled in 2020.

c. Alubar Cabos Elétricos Montenegro Importação, Industria e Comércio Ltda.

As presented in note 1.2, Alubar Metais e Cabos S.A. founded Alubar Cabos Elétricos Montenegro Importação, Industria e Comércio Ltda., in the city of Montenegro, Rio Grande do Sul State, on November 08, 2019, of which it is the parent company given its equity interest and control over the administrative and operational management of said company.

The balances of Alubar Cabos Elétricos Montenegro Importação, Industria e Comércio Ltda., in the City of Montenegro - RS. as of December 31, 2019 and 2018 are as follows:

		2019	2018
Equity interest		100 %	-
	Current	2.495	-
Assets	Noncurrent	15.716	-
	Current	2.917	-
Liabilities	Noncurrent	1.094	-
Equity		14.200	-

d. Alubar Canada Holding Inc.

As presented in note 1.2, Alubar Metais e Cabos S.A. founded Alubar Canada Holding Inc. on August 27, 2019, of which it is the parent company given its equity interest and control over the administrative and operational management of said company.

The balances of Alubar Canada Holding Inc. are as follows as of December 31, 2019 and 2018:

		2019	2018
Equity interest		100 %	-
	Current	39.762	-
Assets	Noncurrent	66.623	-
	Current	6	-
Liabilities	Noncurrent	3.882	-
Equity		102.497	-
Net income for the year		(1.007)	-

e. Key management personnel compensation

With respect to the amounts paid to the legal entity owned by the officers, there are no balances outstanding at year end and the amount paid during FY 2019 amounts to BRL 1,895 (BRL 1,602 in 2018) for the rendering of advisory and corporate management services.

21. Advances from customers

	Consolidated		Parent Company	
	2019	2018	2019	2018
Top customer	12.832	29.089	12.832	29.087
Other customers	83.960	59.845	83.960	59.845
Total	96.792	88.934	96.792	88.932

The Company adopts the policy of receiving advances from clients, due to supply contracts which have already been formalized. In this case, all amounts help avoid a greater capital commitment to the suppliers in question. Part of the balance reported for the largest client is used to comply with credit limits for stock exchange transactions. Contracts are assessed individually but in general the advances are equal to 10%. The advanced balance does not incur monetary restatement.

The purpose is to hedge amounts and quantities of aluminum formally committed in the transaction. 58% of total advances are concentrated on the clients EKTT (50%) and EDP Transmissão (8%).

22. Equity

a. Capital

It is divided into ordinary shares valued at BRL 1 (one Real) each and the changes in shares is shown as follows:

	31/12/2019 and 31/12/2018		
Shareholders	**Shares**	**Amount**	
Aluminum Investment	85.416.243	85.416	98,06%
Minority Interest	1.697.950	1.698	1,94%
Total	87.114.193	87.114	**100%**

Common shareholders are entitled to dividends as defined in the Company's Statutes. The holders of common shares are entitled to one vote per share at Company meetings.

b. Revenue reserves

The Company holds profit reserves to cover any capital increase, profit distribution, possible non-compliance with loan covenants and loss absorption, among others.

c. Legal reserve

Pursuant to article 193 of Act No. 6,404,76, 5% of annual profit is appropriated to the legal reserve, up to the limit of 20% of share capital.

d. Dividends payable

The Company's bylaws establish the distribution of non-discretionary dividends of 25% of the year's profit adjusted in accordance with the law. Dividends payable were reclassified from equity at year end and accounted for as a liability.

	Parent Company	
	2019	2018
Profit or loss	142.342	58.452
(-) Legal reserve	(7.117)	(2.923)
Calculation basis	135.225	55.529
Minimum mandatory dividend (25%)	33.806	13.882

Company's Management maintains a profit reserve of BRL 101,427 in order to await proposal approved at shareholders' meeting for distribution, owing to the fact that this distribution is performed at amounts above the minimum mandatory dividends.

23. Net operating revenue

	Consolidated		Parent Company	
	2019	2018	2019	2018
Gross revenue from sales of goods	1.656.239	1.016.026	1.654.885	1.015.421
(-) Deductions				
Tax - ICMS	(187.193)	(123.039)	(186.964)	(123.013)
Tax - IPI	(120.637)	(67.854)	(120.721)	(67.857)
Tax - PIS	(4.695)	(4.385)	(4.693)	(4.445)
Tax - COFINS	(21.622)	(20.188)	(21.615)	(20.475)
Sales returns/cancellations	(69.349)	(42.412)	(69.124)	(41.751)
Total deductions	(403.496)	(257.878)	(403.117)	(257.541)
Total net operating revenue	1.252.743	758.148	1.251.768	757.880

24. Cost of goods sold

	Consolidated		Parent Company	
	2019	2018	2019	2018
Raw materials (a)	(901.403)	(528.559)	(900.647)	(530.358)
Fuels and lubricants	(32.853)	(19.921)	(32.853)	(19.921)
Packaging materials	(51.369)	(31.219)	(51.351)	(31.075)
Outsourced services	(17.478)	(11.728)	(17.321)	(11.414)
Personnel	(56.362)	(46.227)	(56.362)	(46.227)
Depreciation and amortization	(12.776)	(11.193)	(12.656)	(11.193)
Other costs	(21.975)	(10.101)	(21.764)	(10.101)
Total	(1.094.216)	(658.948)	(1.092.954)	(660.289)

(a) The sales volume rose in 2019 and 2018, justifying the change in the item materials and cost proportionately.

25. Sales expenses

	Consolidated		Parent Company	
	2019	2018	2019	2018
Personnel	(4.830)	(3.951)	(4.828)	(3.924)
Materials	(49)	(58)	(47)	(57)
Outsourced services	(832)	(655)	(802)	(643)
Freight on sales	(39.789)	(32.182)	(39.451)	(31.331)
Commissions on sales	(7.004)	(8.056)	(7.004)	(8.056)
Insurance	(2.732)	(3.275)	(2.711)	(3.275)
Depreciation and amortization	(52)	(15)	(53)	(15)
Other sales expenses	(1.000)	(1.481)	(989)	(1.474)
Total	(56.288)	(49.673)	(55.885)	(48.775)

26. Administrative expenses

	Consolidated		Parent Company	
	2019	2018	2019	2018
Personnel	(26.160)	(20.839)	(25.705)	(20.387)
Materials	(1.631)	(1.164)	(1.627)	(1.138)
Outsourced services	(15.084)	(10.337)	(14.638)	(10.212)
Travel and accommodation	(2.477)	(2.443)	(2.465)	(2.433)
Storage	(3.701)	(2.416)	(3.701)	(2.416)
Insurance	(666)	(807)	(666)	(807)
Sponsorship of culture and sports	(2.702)	-	(2.702)	-
Depreciation and amortization	(2.302)	(2.347)	(2.287)	(2.347)
Other expenses	(5.355)	(4.967)	(5.330)	(4.949)
Total	(60.078)	(45.320)	(59.121)	(44.689)

27. Other operating (expenses) and revenue

27.1 . Other operating income

	Consolidated		Parent Company	
	2019	2018	2019	2018
Government grants (a)	175.551	113.278	175.551	113.278
Recovery of expenses	503	1.544	503	1.544
Total	176.054	114.822	176.054	114.822

(a) See details about government subsidies in note 4.4.

27.2. Other operating expenses

	Consolidated		Parent Company	
	2019	2018	2019	2018
Other expenses	(4.519)	(7.884)	(4.504)	(7.743)
Total	(4.519)	(7.884)	(4.504)	(7.743)

28. Net finance income

	Consolidated		Parent Company	
	2019	2018	2019	2018
Financial revenue				
Interest on trade receivables	851	543	815	526
Discounts received	356	380	356	380
Income on short-term investments	1.305	2.177	1.045	2.177
Monetary / exchange variance gains	7.966	3.580	7.966	3.580
Total financial revenue	10.478	6.680	10.182	6.663
Finance expenses				
Interest expense on financial liabilities	(24.597)	(20.317)	(24.597)	(20.317)
Interest / Fines on loans and financing	(18.298)	(20.566)	(18.298)	(20.566)
Exchange/monetary variance loss	(8.673)	(3.526)	(8.673)	(3.526)
Discounts awarded	(8.773)	(3.493)	(7.521)	(3.493)
Bank expenses	(3.094)	(2.865)	(3.023)	(2.807)
Total financial expenses	(63.435)	(50.767)	(62.112)	(50.709)
Net financial income	(52.957)	(44.087)	(51.930)	(44.046)

29. Income tax and social contribution

The Company accrued the following amounts as provision for taxes charged on net income reported in the year, including operating profit:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Income tax				
Net income before income and social contribution taxes	162.751	67.264	162.751	66.884
Additions:	-	403	-	403
(-) Allowance for doubtful accounts	673	1.075	673	1.075
Social responsibility	1.811	1.811	1.811	1.811
Law 12973 addition depreciation	969	1.011	969	1.010
Total additions	3.453	4.300	3.453	4.299
Exclusions:				
Difference tax and accounting depreciation (useful life)	(16.697)	(9.406)	(16.697)	(9.406)
Other exclusions	-	(127)	-	(127)
Total exclusions	(16.697)	(9.533)	(16.697)	(9.533)
Income and social contribution tax basis	149.507	62.031	149.507	61.650
Tax loss carryforwards	-	(114)	-	-
Basis of IRPJ and CSLL after offsetting	149.507	61.917	149.507	61.650
IRPJ 15%	22.426	9.287	22.426	9.247
10% surcharge	14.927	6.162	14.927	6.141
(-) PAT	(897)	(370)	(897)	(370)
1 - Total IRPJ (1+2)	36.456	15.079	36.456	15.018
2 - IRPJ incentive reduction (75%)	(29.505)	(12.134)	(29.505)	(12.134)
3 - (-) Carry forwards	(97)	(385)	(97)	(385)
4- IRPJ payable (1-2-3)	6.854	2.560	6.854	2.499
5- Reinvest. calculation 30% (BASA deposit)	-	-	-	-
6- Amount payable to the Federal Revenue Service (4-5)	6.854	2.560	6.854	2.499
Total payable	6.854	2.560	6.854	2.499

Federal Tax Incentive - Decrease in the income tax rate - operating profit

The Company adopts the annual taxable earnings arrangement and receives a tax incentive that involves a decrease in the income tax rate of 75% on operating profits derived from its main activities (operating profit).

This tax incentive is recognized directly in profit or loss and the amount of income tax is presented at its net amount, i.e. the total amount less the tax incentive. In 2019, the Company recognized BRL 29,505 as a result of this tax incentive (BRL 12,134 in 2018).

30. Subsequent events

Operational start-up of subsidiaries acquired in 2019

As part of its operational expansion, in 2019 Alubar Metais e Cabos S.A. founded companies (subsidiaries) which were preoperational but started operating on the dates below: (i) January 2020 - Alubar Cabos Elétricos Montenegro Importação, Ind e Com Ltda.; (ii) March 2020 - Alubar Canadá Holding Inc.; and (iii) April 2020 - Alubar Metals LLC.

COVID – 19 – Coronavirus – Impacts for the Company

In March 2020, the WHO declared the Covid-19 pandemic. After the pandemic had been recognized by the WHO/UN, the Brazilian government also recognized the situation – Legislative Decree 6, issued March 20, 2020, recognized the state of public calamity for the purpose of Article 65 of Supplementary Law 101, issued May 4, 2000, in accordance with the request submitted by the resident of the Republic by way of Message 93 on March 18, 2020.

Since then the Company has been tracking the virus' spread in Brazil and the world and its impact on the economy. By the disclosure of financial statements we had not observed any material and significant impacts on the conditions in place at the end of the accounting period covered by the financial statements, pursuant to technical standard CPC 24 – Subsequent Events, which were not already reflected in the accounting adjustments made to the measurement of the assets and liabilities of the Company and its subsidiaries in the financial statements for the financial year ended December 31, 2019. We have not yet been able to measure with any reasonable accuracy the future economic and financial impacts that Covid-19 may cause, as there are multiple scenarios.

The Company and its subsidiaries have taken several prevention measures to protect their employees, avoiding them from exposure to risky situations, such as: (i) canceling national and international travel; (ii) adopting home office and rotating shifts to avoid agglomerations; (iii) using remote service tools, amongst other things. The Company will continue to comply with the guidelines issued by the competent authorities and may adopt further preventive measures, in order to protect its employees.

The possible facts which cannot yet be measured include: (i) the possibility of reviewing operational cash flow and revenue projections of the Company for 2020; (ii) exchange variance exposure on foreign currency loans and commodity hedge contracts, and the respective interest rates, which are partly covered by financial derivative operations, where the exposure scenarios can be seen in the sensitivity analysis in note 19.

The Company and its subsidiaries also have a conservative cash policy, which seeks to maintain robust liquidity by investing in Tier 1 financial institutions and low-credit-risk operations.

Company's Management is closely monitoring the possible impacts of COVID-19 on its business and market. At the present moment it cannot yet estimate the possible effects on its equity situation and earnings caused by the pandemic.

To date we have not identified any increases in default for the Company's receivables.

Executive Board

José Maria Barale
Chairman of the Board of Directors

Maurício Gouvêa dos Santos
Executive Officer

Professional in charge

Otávio Jorge Carvalho Ribeiro
Chief Financial Officer
Accountant 8435/O CRC/PA
CPF 085.773.312-53

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Alubar

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INDUSTRIAL DIRECTOR
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We would like to thank the support and the cooperation of Alubar employees and managers who made available the information needed to prepare this report.

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EDITORIAL CONSULTING, TEXTS, EDITION, LAYOUT AND COPY DESK
Temple Comunicação

PHOTOS
Alubar Metais e Cabos Photo Dababase

TYPEFACES
Avenir LT Std
Diverda Serif Com
Microsoft YaHey

PUBLICATION
December 31, 2019

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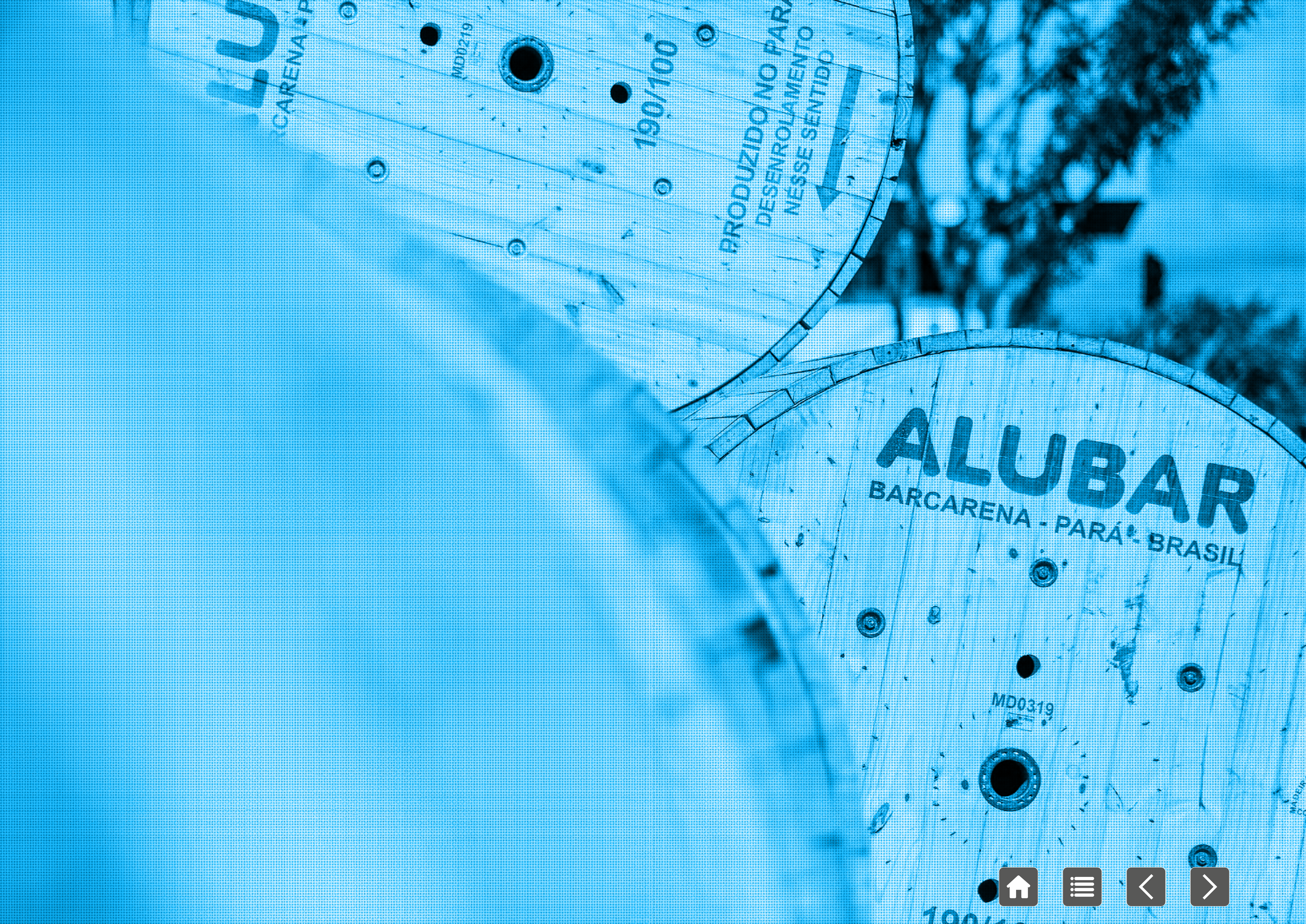
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