



Earnings  
Release  
3Q18

**+8.5%**

B2B gross revenue in the Telecom segment grew by 8.5%.

**+7.7%**

Fixed broadband revenue, the main service in the B2C segment, increased by 7.7% with high speed plans

**+17.9%**

Recurring net income growth of 17.9%.



**Uberlândia – MG, November 2018** – Algar Telecom, a telecom services company in the corporate (B2B) and retail (B2C) segments, releases its earnings for the third quarter of 2018 (3Q18).

Our interim and consolidated statements were compiled in accordance with International Financial Reporting Standards IAS 34 for Interim Financial Information issued by the International Accounting Standards Board (“IASB”) and CPC 21 (R1) - Interim Financial Statements issued by the Accounting Pronouncements Committee (“CPC”), Brazilian accounting practices (“BRGAAP”) and Brazilian Securities Commission (“CVM”) rules, in local currency (Reais, R\$). Unless stated otherwise, comparisons relate to the 3rd quarter of 2017 (3Q17).



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## 3Q18 HIGHLIGHTS

### TELECOM

#### B2B

- Algar Telecom expands operations in the Northeast and Southeast with the opening of new offices in João Pessoa, Maceió, Natal and Vitória;
- The Company acquired Lot 2 of the Cemig Telecom assets auction, with assets in Goiás, Bahia, Pernambuco and Ceará, which will allow it to accelerate its entry in the Northeast and obtain greater capillarity in these localities;
- The number of B2B customers grew by 10.4% and gross revenue increased by 8.5%.

#### B2C

- Fixed broadband accesses increased by 7.7% and the number of B2C customers with ultra-high-speed broadband reached 54% of total customers;
- Additions of postpaid mobile customers grew by 15.1% and ARPU increased by 4.7%, going from R\$20.60 to R\$21.58.

#### STRONG FINANCIAL PERFORMANCE

- Net operating revenue grew by 5.6% (y-o-y) in 3Q18, maintaining the positive trend of previous periods;
- Consolidated EBITDA increased by 33.0% (y-o-y) with a margin of 34.1% (31.0% recurring), versus 27.1% in 3Q17;
- EBITDA margin of the Tech – BPO/Managed IT segment reached 13.7%, reflecting the operational efficiency and portfolio revision initiatives implemented by the segment;
- Net income increased by 78.1% (y-o-y) and reached R\$91.2 million (R\$60.4 million on a recurring basis).

## ECONOMIC AND FINANCIAL PERFORMANCE

### SUMMARY - CONSOLIDATED INCOME STATEMENT<sup>1</sup>

R\$ million

	3Q17	2Q18	3Q18	Δ Year	Δ Quarter	9M17	9M18	Δ Year
<b>GROSS REVENUE</b>	<b>897.8</b>	<b>908.2</b>	<b>928.5</b>	<b>3.4%</b>	<b>2.2%</b>	<b>2,635.1</b>	<b>2,749.7</b>	<b>4.3%</b>
<b>Telecom</b>	<b>663.6</b>	<b>665.4</b>	<b>677.3</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1,929.5</b>	<b>2,008.9</b>	<b>4.1%</b>
B2B	357.3	383.0	387.8	8.5%	1.3%	1,052.2	1,145.9	8.9%
B2C	314.5	287.2	291.4	-7.4%	1.5%	901.7	877.7	-2.7%
Telecom Eliminations*	(8.2)	(4.8)	(1.9)	-	-	(24.4)	(14.7)	-
<b>Tech - BPO/Managed IT</b>	<b>234.2</b>	<b>242.8</b>	<b>251.2</b>	<b>7.3%</b>	<b>3.5%</b>	<b>705.6</b>	<b>740.8</b>	<b>5.0%</b>
Tech - BPO/Managed IT	245.7	255.3	263.3	7.2%	3.1%	738.0	777.4	5.3%
Eliminations	(11.5)	(12.5)	(12.1)	-	-	(32.4)	(36.6)	-
Tax and deductions	(213.1)	(202.4)	(205.5)	-3.6%	1.5%	(626.0)	(614.4)	-1.9%
<b>NET REVENUE</b>	<b>684.7</b>	<b>705.8</b>	<b>723.0</b>	<b>5.6%</b>	<b>2.4%</b>	<b>2,009.1</b>	<b>2,135.3</b>	<b>6.3%</b>
<b>Telecom</b>	<b>477.8</b>	<b>494.5</b>	<b>507.9</b>	<b>6.3%</b>	<b>2.7%</b>	<b>1,391.4</b>	<b>1,494.9</b>	<b>7.4%</b>
<b>Tech - BPO/Managed IT</b>	<b>219.5</b>	<b>225.3</b>	<b>227.7</b>	<b>3.7%</b>	<b>1.1%</b>	<b>653.3</b>	<b>680.9</b>	<b>4.2%</b>
Eliminations	-12.6	-14.0	-12.6	-	-	-35.6	-40.5	-
<b>EBITDA</b>	<b>185.3</b>	<b>255.6</b>	<b>246.4</b>	<b>33.0%</b>	<b>-3.6%</b>	<b>562.3</b>	<b>712.6</b>	<b>26.7%</b>
<i>Margin %</i>	<i>27.1%</i>	<i>36.2%</i>	<i>34.1%</i>	-	-	<i>28.0%</i>	<i>33.4%</i>	-
<b>EBIT</b>	<b>102.9</b>	<b>166.9</b>	<b>154.1</b>	<b>49.8%</b>	<b>-7.7%</b>	<b>320.3</b>	<b>444.9</b>	<b>38.9%</b>
Financial, net	(35.4)	(48.2)	(19.0)	-46.3%	-60.6%	(106.0)	(106.2)	0.2%
<b>NET INCOME</b>	<b>51.2</b>	<b>79.9</b>	<b>91.2</b>	<b>78.1%</b>	<b>14.1%</b>	<b>149.6</b>	<b>227.2</b>	<b>51.9%</b>
<i>Margin %</i>	<i>7.5%</i>	<i>11.3%</i>	<i>12.6%</i>	-	-	<i>7.4%</i>	<i>10.6%</i>	-

\*Elimination between B2B and B2C customers and the Tech - BPO/Managed IT segment.

### CONSOLIDATED GROSS REVENUE

Algar Telecom's consolidated gross revenue reached R\$928.5 million in 3Q18, a growth of 3.4% against 3Q17. This result reflects the increase in telecom revenue from B2B customers, which

<sup>1</sup> The 3Q18 and 9M18 figures already include the effects of the implementation of Technical Pronouncement CPC 47 – Revenue from Contracts with Customers, correlated to International Accounting Standards – IFRS 15. The net effects on the Company's figures are as follows:

(R\$ million)	3rd Quarter of 2018 (3Q18)			9 Months of 2018 (9M18)		
	Telecom	Tech	Consolidated	Telecom	Tech	Consolidated
Net Revenue	(0.9)	1.2	0.3	1.2	2.4	3.6
Operating Expenses	(0.8)	-	(0.8)	1.1	-	1.1
EBIT and EBITDA	(1.7)	1.2	(0.5)	2.3	2.4	4.7
Income Tax and Social Contribution	0.6	(0.4)	0.2	(0.7)	(0.8)	(1.5)
Net Result	(1.1)	0.8	(0.3)	1.6	1.6	3.2

increased by 8.5%, as well as the 7.3% increase in the Tech – BPO/Managed IT segment. In 9M18, the consolidated revenue increased by 4.3%.

R\$ million

GROSS REVENUE	3Q17	2Q18	3Q18	Δ Year	Δ Quarter	9M17	9M18	Δ Year
<b>Telecom</b>	<b>663.6</b>	<b>665.4</b>	<b>677.3</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1,929.5</b>	<b>2,008.9</b>	<b>4.1%</b>
<b>B2B</b>	<b>357.3</b>	<b>383.1</b>	<b>387.8</b>	<b>8.5%</b>	<b>1.2%</b>	<b>1,052.2</b>	<b>1,145.9</b>	<b>8.9%</b>
Data	272.0	301.9	305.4	12.3%	1.2%	795.5	912.7	14.7%
Voice	54.1	47.9	53.7	-0.6%	12.1%	153.5	149.0	-2.9%
VAS	3.1	4.3	5.8	86.6%	34.5%	8.2	14.1	70.7%
Other Services	28.1	29.0	22.8	-18.7%	-21.3%	95.0	70.0	-26.3%
<b>B2C</b>	<b>314.5</b>	<b>287.2</b>	<b>291.4</b>	<b>-7.4%</b>	<b>1.5%</b>	<b>901.7</b>	<b>877.7</b>	<b>-2.7%</b>
Fixed Broadband	79.9	80.1	86.1	7.7%	7.4%	231.1	245.9	6.4%
Fixed Voice Service	71.6	61.5	59.0	-17.7%	-4.2%	207.9	189.3	-9.0%
Fixed VAS	7.3	9.7	13.3	82.3%	37.1%	15.1	32.4	115.1%
Mobile Broadband	44.6	43.7	45.0	0.8%	2.8%	120.1	129.8	8.1%
Wireless Voice Service *	71.9	40.3	37.0	-48.6%	-8.1%	199.7	115.0	-42.4%
Mobile VAS *	5.2	20.2	25.4	389.2%	25.7%	12.3	69.6	467.3%
Pay-TV	31.9	25.1	23.4	-26.6%	-6.6%	93.0	79.6	-14.5%
Other Services	2.0	6.5	2.3	12.5%	-65.0%	22.5	16.1	-28.4%
Eliminations	(8.2)	(4.8)	(1.9)	-	-	(24.4)	(14.8)	-
<b>Tech - BPO/Managed IT</b>	<b>234.2</b>	<b>242.8</b>	<b>251.2</b>	<b>7.3%</b>	<b>3.5%</b>	<b>705.6</b>	<b>740.8</b>	<b>5.0%</b>
Tech - BPO/Managed IT	245.7	255.3	263.3	7.2%	3.1%	738.0	777.4	5.3%
Eliminations	(11.5)	(12.5)	(12.1)	-	-	(32.4)	(36.6)	-
<b>Gross Operating Revenues</b>	<b>897.8</b>	<b>908.2</b>	<b>928.5</b>	<b>3.4%</b>	<b>2.2%</b>	<b>2,635.1</b>	<b>2,749.7</b>	<b>4.3%</b>
Taxes and Deductions	(213.1)	(202.4)	(205.5)	-3.5%	1.5%	(626.0)	(614.4)	-1.9%
<b>Net Operating Revenues</b>	<b>684.7</b>	<b>705.8</b>	<b>723.0</b>	<b>5.6%</b>	<b>2.4%</b>	<b>2,009.1</b>	<b>2,135.3</b>	<b>6.3%</b>
<b>Telecom</b>	<b>477.8</b>	<b>494.5</b>	<b>507.9</b>	<b>6.3%</b>	<b>2.7%</b>	<b>1,391.4</b>	<b>1,494.9</b>	<b>7.4%</b>
<b>Tech - BPO/Managed IT</b>	<b>219.5</b>	<b>225.3</b>	<b>227.7</b>	<b>3.7%</b>	<b>1.1%</b>	<b>653.3</b>	<b>680.9</b>	<b>4.2%</b>
Eliminations	(12.6)	(14.0)	(12.6)	-	-	(35.6)	(40.5)	-

\* In 2Q18, continuing the process of improving the breakdown of revenue lines by type of customer, a model adopted by the Company at the end of 2017, segregated VAS revenue that was previously included in the other revenue groups.

Note: Revenues from B2B and B2C customers in 3Q17 and 9M17 have changed in relation to those already published due to the reclassification made by the Company.

## **TELECOM**

In 3Q18, revenue from the Telecom segment reached R\$677.3 million, a 2.1% increase versus the same quarter in 2017, driven by B2B revenue, which increased by 8.5% and more than offset the 7.4% drop in B2C revenue. In the first 9 months of the year, this segment increased by 4.1%.

## B2B

On September 30, 2018, revenue from B2B customers, which accounted for 57% of the Company's total telecom revenue, reached R\$387.8 million, a growth of 8.5% driven by the 12.3% increase in data solutions. This performance reflects the Company's geographic expansion strategy, with the offer of telecom and ICT<sup>2</sup> to an increasing number of companies. In 2018, Algar Telecom initiated its operations in the Northeastern and extended its Southeastern operations by opening offices in the cities of João Pessoa, Maceió, Natal and Vitória during 3Q18. Additionally, aiming to accelerate its entry in the Northeast, the Company acquired Cemig Telecom's Lot 2, with assets in the states of Goiás, Bahia, Pernambuco and Ceará, which will result not only new market possibilities but also in greater capillarity for the company. The number of corporate and MPE clients increased 22.0% and 9.0% versus the same period in 2017, respectively.

Revenue from voice services of B2B customers, in turn, dropped by 0.6% due to lower wireless voice services provided to small-sized companies in the Company's concession area. VAS services, which mainly includes certain network security services, amounted to R\$5.8 million versus R\$3.1 million in 3Q17.

Other services offered to B2B customers decreased by 18.7% in 3Q18 mainly due to a negative impact of R\$12.3 million related to accounting adjustments set forth by CPC 47/IFRS 15. This impact was neutralized by a positive one in the same amount in Data revenue.

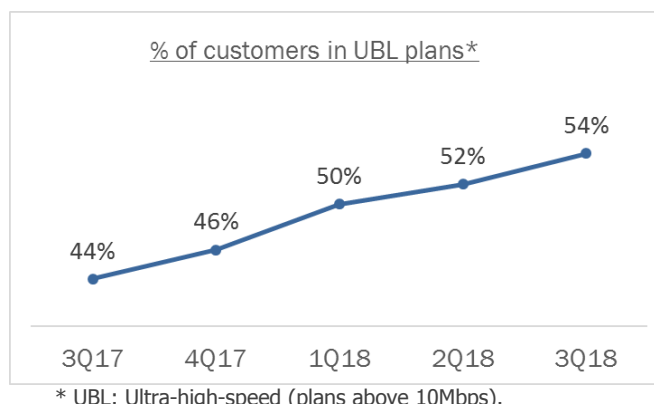
<b>B2B Operational Data</b>	<b>3Q17</b>	<b>2Q18</b>	<b>3Q18</b>	<b>Δ Year</b>	<b>Δ Quarter</b>
<b>Number of Customers (unit)</b>					
<b>Total</b>	<b>92,599</b>	<b>100,075</b>	<b>102,259</b>	<b>10.4%</b>	<b>2.2%</b>
Corporate	10,427	11,982	12,719	22.0%	6.2%
Micro and Small Business	82,172	88,093	89,540	9.0%	1.6%

## B2C

Revenue from B2C customers, for whom the Company offers converging broadband, fixed-line and mobile services and pay-TV packages, totaled R\$291.4 million in 3Q18, 7.4% lower than 3Q17. This is mainly due to the reduction in voice services such as mobile and TV.

Revenue from fixed broadband, the main service in the retail segment, grew by 7.7% and reached R\$86.1 million in 3Q18, as a result of the 7.0% increase in the number of customers migrating to combined higher speed, TV and fixed voice packages. At the end of September 2018, 54% of retail fixed broadband customers had ultra-high-speed plans.

<sup>2</sup> Services ranging from colocation and hosting to cloud and videoconferencing, included in revenue from data services.



Revenue from fixed voice services fell by 17.7%, despite the increase of 0.5% in the number of accesses, mainly reflecting the segregation of VAS services, which are complementary to the voice plans and were accounted for in this revenue line. Lastly, VAS revenue from fixed services totaled R\$13.3 million against R\$7.3 million in 3Q17.

In mobile telephone services, broadband revenue increased 0.8%. Voice revenue, in turn, amounted to R\$37.0 million, down by 48.6% against 3Q17. This decrease is due not only to the lower number of customers but, also, the lower use of voice, that has been migrating to data and the increasing use of applications, games and others, which are recognized as VAS revenue.

Pay-TV revenue totaled R\$23.4 million versus R\$31.9 million in 3Q17, in line with market trends.

Total mobile customers fell by 2.7% compared to September 2017 due to net disconnections from prepaid customers, whose number dropped by 8.4%. On the other hand, postpaid customers registered a net positive increase of 45,000 customers in the period, a growth of 15.1%. Therefore, despite the drop in the total number of customers, ARPU was R\$21.58, a 4.7% growth versus 3Q17.

<b>B2C Operational Data</b>	<b>3Q17</b>	<b>2Q18</b>	<b>3Q18</b>	<b>Δ Year</b>	<b>Δ Quarter</b>
<b>REVENUE GENERATING UNITS (THOUSANDS)</b>	<b>2,278</b>	<b>2,286</b>	<b>2,269</b>	<b>-0.4%</b>	<b>-0.8%</b>
<b>Fixed Broadband</b>	<b>434</b>	<b>457</b>	<b>464</b>	<b>7.0%</b>	<b>1.5%</b>
Up to 10MB	244	222	213	-12.4%	-3.8%
Over 10MB	184	236	251	36.2%	6.4%
<b>Fixed-line Telephony</b>	<b>539</b>	<b>543</b>	<b>542</b>	<b>0.5%</b>	<b>-0.2%</b>
<b>Mobile Telephony</b>	<b>1,214</b>	<b>1,199</b>	<b>1,181</b>	<b>-2.7%</b>	<b>-1.5%</b>
Postpaid Clients	299	331	344	15.1%	3.9%
Prepaid Clients	914	868	837	-8.4%	-3.6%
<b>PAY-TV</b>	<b>91</b>	<b>87</b>	<b>82</b>	<b>-10.6%</b>	<b>-6.1%</b>
<b>ARPU - Mobile (R\$)</b>	<b>20.60</b>	<b>20.46</b>	<b>21.58</b>	<b>4.7%</b>	<b>5.5%</b>

## **TECH – BPO/MANAGED IT**

The Tech – BPO/Managed IT segment's consolidated gross revenue reached R\$251.2 million in 3Q18, a 7.3% increase against 3Q17. This result was mainly driven by the increase, at the end of 2017, of new relevant customer management/BPO relationships and new telecom management service



contracts in addition to the growth of the LATAM operations. In 9M18, total revenue from this segment was R\$740.8 million, a 5.0% increase compared to the same period of the previous year.

## CONSOLIDATED NET REVENUE

In 3Q18, net revenue from the Telecom segment totaled R\$507.9 million, a 6.3% increase when compared to R\$477.8 million in the same period last year. From the Tech – BPO/Managed IT segment, net revenue reached R\$227.7 million in 3Q18, a 3.7% increase when compared to 3Q17. In the first nine months, net revenue grew by 7.4% in the Telecom segment and 4.2% in the Tech – BPO/Managed IT segment.

Algar Telecom's net consolidated revenue totaled R\$723.0 million in 3Q18 and R\$2,135.3 million in 9M18, a growth of 5.6% and 6.3% compared to the same periods in 2017, respectively.

## CONSOLIDATED COSTS AND EXPENSES

Consolidated operating costs and expenses, excluding amortization and depreciation, decreased by 4.6% in the period, from R\$499.4 million in 3Q17 to R\$476.6 million in 3Q18. In 9M18, costs and expenses fell by 1.7% in relation to the same period of the previous year.

R\$ million

OPERATING COSTS AND EXPENSES	3Q17	2Q18	3Q18	Δ Year	Δ Quarter	9M17	9M18	Δ Quarter
	<b>(499.4)</b>	<b>(450.2)</b>	<b>(476.6)</b>	<b>-4.6%</b>	<b>5.9%</b>	<b>(1,446.8)</b>	<b>(1,422.7)</b>	<b>-1.7%</b>
Personnel	(241.4)	(223.5)	(238.0)	-1.4%	6.5%	(718.5)	(708.2)	-1.4%
Materials	(15.7)	(15.9)	(17.9)	14.0%	12.6%	(42.5)	(49.5)	16.5%
Outsourced Services	(116.7)	(124.9)	(129.4)	10.9%	3.6%	(345.6)	(375.8)	8.7%
Interconnection and Means of Connection	(30.2)	(26.3)	(29.2)	-3.3%	11.0%	(96.3)	(88.2)	-8.4%
Advertising and Marketing	(8.7)	(13.8)	(14.9)	71.3%	8.0%	(34.0)	(40.8)	20.0%
Provision for Doubtful Accounts	(16.6)	(7.7)	(5.5)	-66.9%	-28.6%	(30.4)	(19.7)	-35.2%
Rent and Insurance	(44.8)	(39.8)	(49.1)	9.6%	23.4%	(133.3)	(137.7)	3.3%
Other *	(25.4)	1.7	7.4	-129.1%	336.2%	(46.2)	(2.9)	-93.7%

\* Includes other operating revenue (expenses).

### Personnel

Personnel costs and expenses totaled R\$238.0 million in 3Q18, down by 1.4% (R\$3.4 million) against the same period of the previous year, mainly due to a lower number of professionals in the Tech – BPO/Managed IT segment related to operational efficiency measures and a greater utilization of digital tools. From January to September 2018, personnel costs and expenses went from R\$718.5 million to R\$708.2 million, a R\$10.3 million decrease against the same period in 2017.

### Materials

In 3Q18, costs and expenses for materials increased by 14.0% (R\$2.2 million) versus 3Q17, mainly due to higher miscellaneous expenses related to the maintenance of a growing network and to a higher provision in 2017. In 9M18, the increase was by 16.5% against 9M17.



## Outsourced Services

Costs and expenses for outsourced services totaled R\$129.4 million against R\$116.7 million in 3Q17, up by 10.9% mainly due to: (i) increase by R\$1.1 million in energy expenses due to the geographical growth and expansion in the number of sites; (ii) increase by R\$4.2 million in data maintenance and data center costs, being R\$2.5 million in software licensing and R\$1.7 million in data center; and (iii) increase by R\$5.8 million in consulting expenses to support the Company's operational efficiency and digitalization projects. Year to date, these costs and expenses increased by 8.7%.

## Interconnection and Means of Connection

Interconnection costs of the Telecom segment ended the quarter at R\$29.2 million, down by 3.3% against 3Q17 due to the fee decrease in February 2018. In 9M18, these costs came in at R\$88.2 million against R\$96.3 million in 2017.

## Advertising and Marketing

In 3Q18, advertising and marketing expenses totaled R\$14.9 million, versus R\$8.7 million in 3Q17. This increase is mainly due to the communication plans for the Company's entry into the B2B market in new cities and regions, as well as an advertising campaign launched to publicize the new "Algar Fibra" package for the investments made in Fiber to the Home (FTTH) to provide high-speed data traffic to B2C customers. In 9M18, advertising and marketing expenses increased by 20.0%.

## Provision for Doubtful Accounts

Provision for Doubtful Accounts expenses totaled R\$5.5 million in 3Q18 compared to R\$16.6 million in 3Q17. This decrease was mainly driven by the timely recognition, in 2017, of debits under judicial dispute in the Tech segment in the amount of R\$12.0 million. Year to date, Provision for Doubtful Accounts reached R\$19.7 million, down by 35.2% compared to 9M17.

## Rent and Insurance

In 3Q18, rent and insurance costs and expenses totaled R\$49.1 million, up by 9.6% compared to the same period in 2017. This evolution is mainly due to new rentals of technical and commercial properties in the cities where the Company began to operate, in addition to annual adjustments in existing contracts. In 9M18, these costs and expenses increased by 3.3% against 9M17.

## Other

Other costs and expenses totaled an income of R\$7.4 million in 3Q18, compared to an expense of R\$25.4 million in 3Q17. The main effect was the revision of provisions in the amount of R\$22.6 million resulting from the exclusion of the ICMS tax from the calculation of the PIS and COFINS<sup>3</sup> taxes. In addition, this variation is also explained by the negative effect of labor provisions in the Tech segment, in 3Q17, in the amount of R\$12.4 million.

<sup>3</sup> The effects of reversal of provisions, treated as non-recurring, are as follows:

(R\$ million)	3rd Quarter of 2018 (3Q18)	9M18
EBITDA	22.6	44.9
Financial, Net	24.2	24.2
Income and Social Contribution Tax	(15.9)	(15.9)
Net Result	30.9	45.1

## EBITDA

R\$ million

	3Q17	2Q18	3Q18	Δ Year	Δ Quarter	9M17	9M18	Δ Year
<b>Telecom</b>	<b>190.3</b>	<b>227.6</b>	<b>215.2</b>	<b>13.1%</b>	<b>-5.5%</b>	<b>529.3</b>	<b>635.6</b>	<b>20.1%</b>
%	39.8%	46.0%	42.4%	-	-	38.0%	42.5%	-
<b>Tech - BPO/Managed IT</b>	<b>-5.0</b>	<b>28.0</b>	<b>31.2</b>	<b>-</b>	<b>11.3%</b>	<b>33.0</b>	<b>77.0</b>	<b>133.6%</b>
%	-2.3%	12.4%	13.7%	-	-	5.0%	11.3%	-
<b>CONSOLIDATED</b>	<b>185.3</b>	<b>255.6</b>	<b>246.4</b>	<b>33.0%</b>	<b>-3.6%</b>	<b>562.3</b>	<b>712.6</b>	<b>26.7%</b>
Margin	27.1%	36.2%	34.1%	-	-	28.0%	33.4%	-

### TELECOM

The Telecom segment recorded an EBITDA of R\$215.2 million in 3Q18, a 13.1% increase against 3Q17. EBITDA margin stood at 42.4% and 38.0% when excluding non-recurring effects. The change in margin, from 39.8% in 3Q17 to 38.0% in 3Q18, is explained by the recent expenses incurred by the Company to meet its entry into new locations, which will begin to generate revenue as new corporate customers are gained and the launching of the Algar Fiber.

In 9M18, EBITDA increased by 20.1% and the margin went from 38.0% to 42.5%. Excluding these non-recurring effects during 9M18, in the amount of R\$44.9 million, EBITDA margin reached 39.5%, up by 1.5 p.p. against the same period in 2017 due to the growth in the share of B2B customers within the segment and the launching of the Algar Fiber.

### TECH – BPO/MANAGED IT

EBITDA for the Tech – BPO/Managed IT segment totaled R\$31.2 million in 3Q18 against a negative EBITDA of R\$5.0 million in 3Q17. EBITDA margin stood at 13.7% in 3Q18 and -2.3% in 3Q17. This improved is mainly explained by non-recurring operating effects in 3Q17, which negatively affected EBITDA by R\$24.0 million. Excluding these effects, EBITDA margin in 3Q17 would have been 8.3%.

The evolution of this segment's EBITDA over the course of 2018, from 7.8% in 1Q18 to 13.7% in 3Q18, illustrates the results of both the operational efficiency actions that have been implemented by the segment and the evolution of the product portfolio, which has been using a greater number of digital tools to achieve higher operational productivity and greater results for customers.

### CONSOLIDATED EBITDA

As a consequence of the actions seen in the two business segments, the Company's consolidated EBITDA reached R\$246.4 million in 3Q18, an increase of 33.0% against the same quarter of the previous year, and an EBITDA margin of 34.1% (31.0% recurring), compared to 27.1% in 3Q17. In 9M18, EBITDA increased by 26.7% and reached R\$712.6 million (R\$667.7 million recurring) with an EBITDA margin of 33.4% (31.3% recurring).

## **DEPRECIATION AND AMORTIZATION**

The Company recorded R\$92.3 million in depreciation and amortization, a 12.0% increase against 3Q17 due to the higher levels of recent investments in projects mainly geared towards expansion and modernization of networks and quality of services. In 9M18, the increase was by 10.6%.

## **FINANCIAL RESULT**

In 3Q18, net financial results were R\$19.0 million, compared to R\$35.4 million in 3Q17, down by 46.3% due to revision of provisions resulting from the exclusion of the ICMS tax from the calculation of the PIS and COFINS taxes, which effected this account in the amount of R\$24.2 million. Excluding such effects, the financial result increased by R\$7.9 million, caused by: (i) lower financial income by R\$2.9 million due to lower CDI rates in the period (1.6% in 3Q18 versus 2.2% in 3Q17) and (ii) higher financial expenses by R\$9.1 million due to higher IPCA rates (1.5% in 3Q18 versus 0.2% in 3Q17) imposed on debenture balances that are indexed to such indicator.

## **NET INCOME FOR THE PERIOD**

The Company's net income was R\$91.2 million in 3Q18, up by 78.1% against the same period of the previous year. Excluding non-recurring effects, net income came in at R\$60.4 million, an increase of 17.9% versus 3Q17 due to higher cash generation as measured by EBITDA partially offset by higher depreciation and net financial expenses.

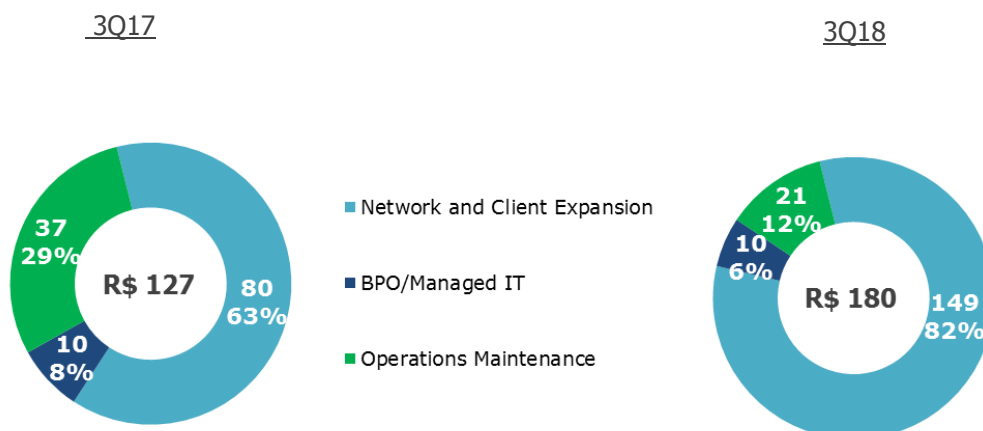
In 9M18, net income reached R\$227.2 million with a 10.6% margin and recurring net income was R\$182.1 million, with a net margin of 8.5% over net operating revenue.

## **INVESTMENTS**

Algar Telecom invested R\$179.9 million in 3Q18 against R\$127.3 million in the same period of the previous year, an increase by 41.3% which was allocated to the network expansion and modernization. In 9M18, investments totaled R\$428.4 million, 32.6% higher than in 2017. In 2018, a total of 11,100 km of networks were constructed out of the total network of 59,600 km. As a result, the Company began operating in 16 new locations through 5 new regional offices in the states of Alagoas, Espírito Santo, Paraíba and Rio Grande do Norte.

Of the quarter's use of funds, (i) 82% was invested in the expansion of our networks for the provision of services to B2B customers and connection of customers, as well as the extension of ultra-high-speed broadband networks; (ii) 12% was allocated to operational maintenance and (iii) 6% to the Tech – BPO/Managed IT segment.

R\$ million

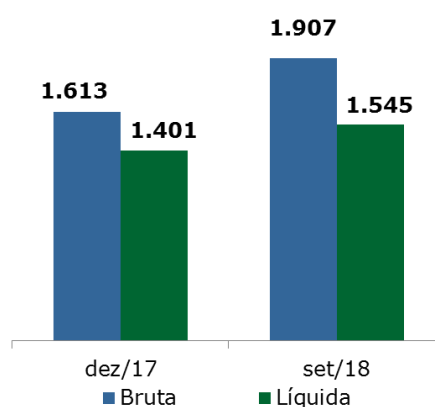


## DEBT

At the end of September 2018, the Company's consolidated gross debt was R\$1,906.5 million, 18.2% higher than on December 31, 2017. The increase in debt is explained by two debt issues made in 2Q18 (the 7th public issue of debentures and the 1st public issue of promissory notes), partially offset by the amortizations of more expensive and/or short-term debts, improving the Company's amortization schedule.

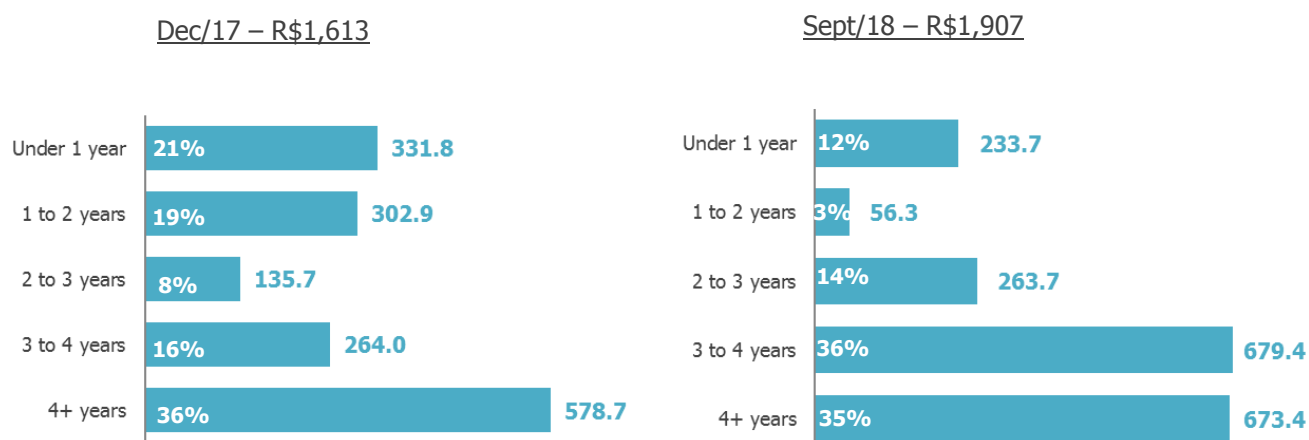
Net debt, in turn, ended the quarter at R\$1,544.5 million, 10.2% higher than in December 2017. Part of the funds raised were used for the acquisition of Lot 2 of Cemig Telecom's assets, as released on the material fact dated August 8, 2018, and the remaining will be used to finance investments throughout the year.

Debt (R\$ million)



The Company has a long-term debt profile, with an average term of 4.01 years. The net debt/EBITDA ratio<sup>1</sup> was 1.7x, in line with its financial covenants.

Gross debt schedule (R\$ million)



<sup>1</sup> To calculate our Net Debt/EBITDA ratio, we consider the balance of R\$5.0 million from the acquisition of Optitel in 2015, which was allocated to Payables (current liabilities) and Other liabilities (long-term liabilities), in addition to the amount of R\$25.2 million recognized in the Obligation to acquire equity interest line.

## ANNEX I – CONSOLIDATED OPERATING DATA

Operational Data	3Q17	2Q18	3Q18	Δ Year	Δ Quarter
<b>REVENUE GENERATING UNITS (THOUSANDS)</b>	<b>3,674</b>	<b>3,823</b>	<b>3,806</b>	<b>3.6%</b>	<b>-0.4%</b>
<b>Fixed Broadband</b>	<b>512</b>	<b>542</b>	<b>550</b>	<b>7.4%</b>	<b>1.4%</b>
Up to 10MB	271	245	235	-13.2%	-4.1%
Over 10MB	241	297	315	30.6%	5.9%
<b>Fixed-line Telephony</b>	<b>1,767</b>	<b>1,909</b>	<b>1,908</b>	<b>8.0%</b>	<b>-0.1%</b>
<b>Mobile Telephony</b>	<b>1,296</b>	<b>1,278</b>	<b>1,259</b>	<b>-2.8%</b>	<b>-1.5%</b>
Postpaid Clients	931	883	852	-8.5%	-3.6%
Prepaid Clients	365	394	407	11.5%	3.3%
<b>PAY-TV</b>	<b>99</b>	<b>94</b>	<b>89</b>	<b>-10.4%</b>	<b>-5.9%</b>
<b>ARPU - Mobile (R\$)</b>	<b>20.60</b>	<b>20.46</b>	<b>21.58</b>	<b>4.7%</b>	<b>5.5%</b>

## ANNEX II – CONSOLIDATED INCOME STATEMENT<sup>1</sup> (R\$ MILLION)

	3Q17	2Q18	3Q18	Δ Year	Δ Quarter	9M17	9M18	Δ Year
<b>GROSS REVENUE</b>	<b>897.8</b>	<b>908.2</b>	<b>928.5</b>	<b>3.4%</b>	<b>2.2%</b>	<b>2,635.1</b>	<b>2,749.7</b>	<b>4.3%</b>
<b>Telecom</b>	<b>663.6</b>	<b>665.4</b>	<b>677.3</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1,929.5</b>	<b>2,008.9</b>	<b>4.1%</b>
B2B	357.3	383.0	387.8	8.5%	1.3%	1,052.2	1,145.9	8.9%
B2C	314.5	287.2	291.4	-7.4%	1.5%	901.7	877.7	-2.7%
Telecom Eliminations*	(8.2)	(4.8)	(1.9)	-	-	(24.4)	(14.7)	-
<b>Tech - BPO/Managed IT</b>	<b>234.2</b>	<b>242.8</b>	<b>251.2</b>	<b>7.3%</b>	<b>3.5%</b>	<b>705.6</b>	<b>740.8</b>	<b>5.0%</b>
Tech - BPO/Managed IT	245.7	255.3	263.3	7.2%	3.1%	738.0	777.4	5.3%
Eliminations	(11.5)	(12.5)	(12.1)	-	-	(32.4)	(36.6)	-
Tax and Deductions	(213.1)	(202.4)	(205.5)	-3.6%	1.5%	(626.0)	(614.4)	-1.9%
<b>NET REVENUE</b>	<b>684.7</b>	<b>705.8</b>	<b>723.0</b>	<b>5.6%</b>	<b>2.4%</b>	<b>2,009.1</b>	<b>2,135.3</b>	<b>6.3%</b>
<b>Telecom</b>	<b>477.8</b>	<b>494.5</b>	<b>507.9</b>	<b>6.3%</b>	<b>2.7%</b>	<b>1,391.4</b>	<b>1,494.9</b>	<b>7.4%</b>
<b>Tech - BPO/Managed IT</b>	<b>219.5</b>	<b>225.3</b>	<b>227.7</b>	<b>3.7%</b>	<b>1.1%</b>	<b>653.3</b>	<b>680.9</b>	<b>4.2%</b>
Eliminations	-12.6	-14.0	-12.6	-	-	-35.6	-40.5	-
<b>OPERATING COSTS AND EXPENSES</b>	<b>(486.4)</b>	<b>(464.8)</b>	<b>(505.5)</b>	<b>3.9%</b>	<b>8.8%</b>	<b>(1,444.8)</b>	<b>(1,474.4)</b>	<b>2.0%</b>
Personnel	(241.4)	(223.5)	(238.0)	-1.4%	6.5%	(718.5)	(708.3)	-1.4%
Materials	(7.8)	(9.7)	(9.7)	24.4%	0.0%	(22.0)	(28.6)	30.0%
Oustourced Services	(116.7)	(124.9)	(129.4)	10.9%	3.6%	(345.7)	(375.8)	8.7%
Interconnection and Means of Connections	(30.2)	(26.3)	(29.2)	-3.3%	11.0%	(96.3)	(88.2)	-8.4%
Advertising and Marketing	(8.7)	(13.8)	(14.9)	71.3%	8.0%	(34.0)	(40.8)	20.0%
Provision for Doubtful Accounts	(16.6)	(7.7)	(5.5)	-66.9%	-28.6%	(30.4)	(19.7)	-35.2%
Rent and Insurance	(44.8)	(39.8)	(49.1)	9.6%	23.4%	(133.3)	(137.7)	3.3%
Other	(12.4)	(12.9)	(21.4)	72.6%	65.9%	(44.1)	(54.6)	23.8%
Cost of Goods Sold	(7.9)	(6.2)	(8.2)	3.8%	32.3%	(20.5)	(20.9)	2.0%
<b>OTHER OPERATING REVENUES (EXPENSES)</b>	<b>(13.0)</b>	<b>14.6</b>	<b>28.9</b>	<b>322.3%</b>	<b>97.9%</b>	<b>(2.0)</b>	<b>51.7</b>	<b>2685.0%</b>
<b>EBITDA</b>	<b>185.3</b>	<b>255.6</b>	<b>246.4</b>	<b>33.0%</b>	<b>-3.6%</b>	<b>562.3</b>	<b>712.6</b>	<b>26.7%</b>
Margin %	27.1%	36.2%	34.1%	-	-	28.0%	33.4%	-
Depreciation and Amortization	(82.4)	(88.7)	(92.3)	12.0%	4.1%	(242.0)	(267.7)	10.6%
<b>EBIT</b>	<b>102.9</b>	<b>166.9</b>	<b>154.1</b>	<b>49.8%</b>	<b>-7.7%</b>	<b>320.3</b>	<b>444.9</b>	<b>38.9%</b>
Financial, net	(35.4)	(48.2)	(19.0)	-46.3%	-60.6%	(106.0)	(106.2)	0.2%
<b>INCOME BEFORE TAXES</b>	<b>67.6</b>	<b>118.7</b>	<b>135.1</b>	<b>99.9%</b>	<b>13.8%</b>	<b>214.3</b>	<b>338.7</b>	<b>58.0%</b>
Income and Social Contribution Taxes	(16.4)	(38.8)	(43.9)	167.7%	13.1%	(64.7)	(111.5)	72.3%
<b>NET INCOME</b>	<b>51.2</b>	<b>79.9</b>	<b>91.2</b>	<b>78.1%</b>	<b>14.1%</b>	<b>149.6</b>	<b>227.2</b>	<b>51.9%</b>
Margin %	7.5%	11.3%	12.6%	-	-	7.4%	10.6%	-

\*Elimination between B2B and B2C customers and the Tech - BPO/Managed IT segment.

<sup>1</sup> The 3Q18 and 9M18 figures already include the effects of the implementation of Technical Pronouncement CPC 47 – Revenue from Contracts with Customers, correlated to International Accounting Standards – IFRS 15. The net effects on the Company's figures are as follows:

(R\$ million)	3rd Quarter of 2018 (3Q18)			9 Months of 2018 (9M18)		
	Telecom	Tech	Consolidated	Telecom	Tech	Consolidated
Net Revenue	(0.9)	1.2	0.3	1.2	2.4	3.6
Operating Expenses	(0.8)	-	(0.8)	1.1	-	1.1
EBIT and EBITDA	(1.7)	1.2	(0.5)	2.3	2.4	4.7
Income Tax and Social Contribution	0.6	(0.4)	0.2	(0.7)	(0.8)	(1.5)
Net Result	(1.1)	0.8	(0.3)	1.6	1.6	3.2



## ANNEX III – CONSOLIDATED COSTS AND EXPENSES<sup>1</sup> (R\$ MILLION)

	3Q17	2Q18	3Q18	Δ Year	Δ Quarter	9M17	9M18	Δ Year
<b>NET REVENUE</b>	<b>684.7</b>	<b>705.8</b>	<b>723.0</b>	<b>5.6%</b>	<b>2.4%</b>	<b>2,009.1</b>	<b>2,135.3</b>	<b>6.3%</b>
<b>COST OF SERVICES AND GOODS</b>	<b>(409.0)</b>	<b>(398.5)</b>	<b>(430.1)</b>	<b>5.2%</b>	<b>7.9%</b>	<b>(1,222.3)</b>	<b>(1,259.8)</b>	<b>3.1%</b>
<b>Cost of Services</b>	<b>(401.0)</b>	<b>(392.3)</b>	<b>(422.0)</b>	<b>5.2%</b>	<b>7.6%</b>	<b>(1,201.8)</b>	<b>(1,238.9)</b>	<b>3.1%</b>
Personnel	(171.3)	(162.4)	(173.1)	1.1%	6.6%	(516.2)	(515.1)	-0.2%
Materials	(7.2)	(9.3)	(8.9)	23.6%	-4.3%	(20.2)	(26.7)	32.2%
Oustourced Services	(76.5)	(77.6)	(81.6)	6.7%	5.2%	(228.0)	(238.2)	4.5%
Interconnection and Means of Connections	(30.2)	(26.3)	(29.2)	-3.3%	11.0%	(96.3)	(88.2)	-8.4%
Interconnection	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0%
EILD	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0%
Com. IP Data Backbone	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0%
Rent and Insurance	(38.2)	(34.1)	(42.9)	12.3%	25.8%	(114.6)	(119.5)	4.3%
Depreciation and Amortization	(68.5)	(74.8)	(78.1)	14.0%	4.4%	(200.8)	(225.8)	12.5%
Other	(9.1)	(7.8)	(8.2)	-9.9%	5.1%	(25.6)	(25.3)	-1.2%
Fistel	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0%
Other	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0%
<b>Cost of Goods</b>	<b>(8.0)</b>	<b>(6.2)</b>	<b>(8.2)</b>	<b>2.5%</b>	<b>32.3%</b>	<b>(20.5)</b>	<b>(20.9)</b>	<b>2.0%</b>
<b>GROSS PROFIT</b>	<b>275.8</b>	<b>307.2</b>	<b>292.8</b>	<b>6.2%</b>	<b>-4.7%</b>	<b>786.9</b>	<b>875.6</b>	<b>11.3%</b>
<b>COMMERCIAL EXPENSES</b>	<b>(101.6)</b>	<b>(98.0)</b>	<b>(106.3)</b>	<b>4.6%</b>	<b>8.5%</b>	<b>(280.2)</b>	<b>(303.0)</b>	<b>8.1%</b>
Personnel	(41.5)	(36.2)	(38.3)	-7.7%	5.8%	(118.2)	(113.6)	-3.9%
Materials	(0.3)	(0.3)	(0.4)	33.3%	33.3%	(1.0)	(1.1)	10.0%
Oustourced Services	(22.2)	(26.1)	(25.3)	14.0%	-3.1%	(54.1)	(74.2)	37.2%
Advertising and Marketing	(8.7)	(13.8)	(14.9)	71.3%	8.0%	(34.0)	(40.8)	20.0%
Provision for Doubtful Accounts	(16.6)	(7.7)	(5.5)	-66.9%	-28.6%	(30.4)	(19.7)	-35.2%
Rent and Insurance	(4.9)	(4.9)	(5.3)	8.2%	8.2%	(13.3)	(15.5)	16.5%
Depreciation and Amortization	(5.7)	(6.1)	(6.4)	12.3%	4.9%	(16.9)	(18.6)	10.1%
Other	(1.9)	(2.9)	(10.2)	436.8%	251.7%	(12.3)	(19.7)	60.2%
<b>GENERAL AND ADMIN. EXPENSES</b>	<b>(57.2)</b>	<b>(56.8)</b>	<b>(60.3)</b>	<b>5.4%</b>	<b>6.2%</b>	<b>(181.6)</b>	<b>(176.6)</b>	<b>-2.8%</b>
Personnel	(28.6)	(24.9)	(26.6)	-7.0%	6.8%	(84.1)	(79.5)	-5.5%
Materials	(0.2)	(0.1)	(0.4)	100.0%	300.0%	(0.8)	(0.8)	0.0%
Oustourced Services	(18.0)	(21.2)	(22.5)	25.0%	6.1%	(63.5)	(63.4)	-0.2%
Rent and Insurance	(1.7)	(0.8)	(0.9)	-47.1%	12.5%	(5.4)	(2.7)	-50.0%
Depreciation and Amortization	(7.3)	(6.8)	(6.8)	-6.8%	0.0%	(21.5)	(20.6)	-4.2%
Other	(1.3)	(3.0)	(3.1)	138.5%	3.3%	(6.3)	(9.6)	52.4%
<b>OTHER OPERATING REVENUE (EXPENSES)</b>	<b>(14.0)</b>	<b>14.6</b>	<b>27.9</b>	<b>299.3%</b>	<b>91.1%</b>	<b>(4.8)</b>	<b>48.9</b>	<b>1118.8%</b>
Depreciation and Amortization	(0.9)	(0.9)	(0.9)	0.0%	-4.1%	(2.8)	(2.8)	0.0%
Other	(13.1)	15.4	28.9	320.6%	87.7%	(2.0)	51.7	2685.0%
<b>EBIT</b>	<b>102.9</b>	<b>166.9</b>	<b>154.1</b>	<b>49.8%</b>	<b>-7.7%</b>	<b>320.3</b>	<b>444.9</b>	<b>38.9%</b>

<sup>1</sup> The 3Q18 and 9M18 figures already include the effects of the implementation of Technical Pronouncement CPC 47 – Revenue from Contracts with Customers, correlated to International Accounting Standards – IFRS 15. The net effects on the Company's figures are as follows:

(R\$ million)	3rd Quarter of 2018 (3Q18)			9 Months of 2018 (9M18)		
	Telecom	Tech	Consolidated	Telecom	Tech	Consolidated
Net Revenue	(0.9)	1.2	0.3	1.2	2.4	3.6
Operating Expenses	(0.8)	-	(0.8)	1.1	-	1.1
EBIT and EBITDA	(1.7)	1.2	(0.5)	2.3	2.4	4.7
Income Tax and Social Contribution	0.6	(0.4)	0.2	(0.7)	(0.8)	(1.5)
Net Result	(1.1)	0.8	(0.3)	1.6	1.6	3.2

## ANNEX IV – BALANCE SHEET (R\$ MILLION)

	12/31/2017	09/30/2018	Δ
<b>ASSET</b>	<b>3,694.4</b>	<b>4,147.7</b>	<b>12%</b>
<b>Current Assets</b>	<b>887.5</b>	<b>1,128.0</b>	<b>27%</b>
Cash and Cash Equivalents	212.0	283.2	34%
Accounts Receivable	549.9	574.2	4%
Inventory	24.0	30.9	29%
Taxes Recoverable	71.2	82.0	15%
Income and Social Contribution Taxes to Compensate	0.0	6.3	-
Financial Investments	0.0	78.3	-
Prepaid Expenses	19.0	57.8	204%
Other Credits	11.4	15.3	34%
<b>Long-term Assets</b>	<b>2,806.9</b>	<b>3,019.7</b>	<b>8%</b>
Taxes Recoverable	62.6	73.8	18%
Deferred Income and Social Contribution Taxes	38.4	19.4	-49%
Judicial Deposits	36.3	87.6	141%
Other Credits	17.1	32.8	92%
Investments	0.1	0.1	0%
Property, Plant & Equipment	2,124.4	2,263.2	7%
Intangible	528.0	542.8	3%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,694.4</b>	<b>4,147.7</b>	<b>12%</b>
<b>LIABILITIES</b>	<b>2,524.4</b>	<b>2,727.8</b>	<b>8%</b>
<b>Current Liabilities</b>	<b>1,041.5</b>	<b>845.8</b>	<b>-19%</b>
Loans and Financings	87.9	25.0	-72%
Debentures	220.2	175.4	-20%
Suppliers	282.1	239.0	-15%
Taxes, Fees and Contributions	116.5	87.2	-25%
Income and Social Contribution Taxes Payable	8.8	9.0	2%
Payroll and Social Charges	176.9	196.6	11%
Dividends Payable	60.6	6.9	-89%
Amounts to be Refunded to Shareholders	35.9	30.7	-14%
Obligation to Acquire Equity Interest	0.0	25.2	-
Anticipated Revenue	29.7	30.2	2%
Securities Payable	9.0	8.0	-11%
Other Liabilities	13.9	12.6	-9%
<b>Long-term Liabilities</b>	<b>1,482.9</b>	<b>1,882.0</b>	<b>27%</b>
Loans and Financings	101.8	16.6	-84%
Debentures	1,130.2	1,628.3	44%
Promissory Notes	0.0	0.0	-
Payroll and Social Charges	9.5	9.0	-5%
Deferred Income and Social Contribution Taxes	22.9	40.5	77%
Provisions	132.6	145.9	10%
Obligation to Acquire Equity Interest	41.6	0.0	-
Anticipated Revenue	32.7	34.9	7%
Other Liabilities	11.6	6.8	-41%
<b>EQUITY</b>	<b>1,170.0</b>	<b>1,419.9</b>	<b>21%</b>
Social Capital	721.4	1,090.5	51%
Capital Reserve	431.6	79.6	-82%
Asset Valuation Adjustment	19.0	18.6	-2%
Other Comprehensive Income	(23.9)	(23.6)	-1%
Proposed Additional Dividends	21.9	0.0	-
Retained Earnings	0.0	254.8	-
Equity Attributable to Controlling Shareholders	1,170.0	1,419.9	21%
Equity Attributable to Non-controlling Shareholders	0.0	0.0	-

## ANNEX V – CASH FLOW (R\$ MILLION)

	09/30/2017	09/30/2018	Δ
<b>Cash Flow from Operating Activities</b>			
Net (Loss)/Profit before Income Tax and Social Contribution	214.3	338.6	124.3
Adjustments to Reconcile (Loss)/Profit to Cash Generated by Operating Activities			
Depreciation and Amortization	242.0	267.7	25.7
Equity	0.0	0.0	0.0
Gain (Loss) on Sale of Property, Plant & Equipment	7.0	3.6	(3.4)
Net Financial Charges	106.0	106.2	0.2
Write-off of Deferred Tax Liabilities	0.0	(15.8)	(15.8)
Provision for Doubtful Accounts	30.4	19.7	(10.7)
Constitution of Provisions	22.2	(15.2)	(37.4)
	<b>621.9</b>	<b>704.8</b>	<b>82.9</b>
<b>Changes in Assets and Liabilities</b>			
(Increase)/Reduction in Accounts Receivable	(60.8)	(44.1)	16.7
(Increase)/Reduction in Inventories	(4.6)	(6.9)	(2.3)
(Increase)/Reduction in Recoverable Taxes	12.4	(22.0)	(34.4)
Increase in Judicial Deposits	(12.1)	(6.7)	5.4
(Increase) in Prepaid Expenses	(18.4)	(7.4)	11.0
Reduction in Other Current and Long-term Assets	(5.6)	(2.9)	2.7
Increase in Suppliers	(6.0)	(0.3)	5.7
Increase in Social Obligations	26.7	19.3	(7.4)
Reduction in Taxes, Fees and Contributions	3.8	(29.3)	(33.1)
Increase (Decrease) in Securities Payable	(8.5)	(1.0)	7.5
Increase (Decrease) in Other Current and Long-term Liabilities	0.3	(12.8)	(13.1)
Provisions Paid	(12.3)	(11.5)	0.8
Income Tax and Contribution on Profit, paid	(41.2)	(61.6)	(20.4)
Cash and Cash Equivalents Generated by Operating Activities	495.6	517.5	21.9
<b>Cash Flow from Investing Activities</b>			
Investments in Subsidiaries	(13.0)	(0.8)	12.2
Property, Plant & Equipment and Intangible Assets	(371.6)	(439.7)	(68.1)
Credits with Related Parties, received	3.1	0.0	(3.1)
(Increase) in Short-term Financial Investments	0.0	(78.3)	(78.3)
Acquisition of Subsidiary Shares, in treasury	0.0	(17.4)	(17.4)
Dividends Received	0.0	0.0	0.0
Dividends Received	0.0	(78.3)	(78.3)
Cash and Cash Equivalents Allocated to Investing Activities	(381.4)	(536.2)	(154.8)
<b>Cash Flow from Financing Activities</b>			
Additions to Loans and Debentures	432.0	900.5	468.5
Payment of Principal Amount of Loans and Debentures	(213.5)	(575.2)	(361.7)
Payment of Interest/Monetary Variation on Loans and Debentures	(153.7)	(172.9)	(19.2)
Capital Contribution	0.0	369.1	369.1
Return of Capital to Shareholders	0.0	(5.2)	(5.2)
Payment of Dividends	(61.9)	(426.4)	(364.5)
Cash and Cash Equivalents Generated (Invested) by Financing Activities	2.8	89.9	87.1
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash and Cash Equivalents, beginning of period	171.5	212.0	40.5
Cash and Cash Equivalents, end of period	288.5	283.2	(5.3)