

PROPOSAL OF THE BOARD OF DIRECTORS FOR INCREASE IN CAPITAL STOCK AND UPDATE OF ARTICLE 5 OF THE COMPANY'S BYLAWS

Considering that:

1. there are non-capitalized profit retentions, held in reserve in the Company's equity, that correspond to the appropriations of the profits for the years 2009 to 2013;
2. the use of the profit retention reserve is anticipated by the capital budget, previously approved by the General Meeting, after having been submitted to the Management bodies, in compliance with paragraph 1 of Article 196 of Law no. 6,404, of December 15, 1976;
3. such profit retention was effectively used through the application of the Company's own resources in its investment program;
4. the limit for the profit retention reserve is the value of the Company's capital stock, as established in Article 199 of Law 6,404, of December 15, 1976;
5. the percentage ratio between the Company's profit retention reserve and the capital stock shows that the Company is about to exceed the above-mentioned legal limit, through profit retention reserve to be built when the net profit for fiscal year 2019 is allocated;

the Board of Executive Officers decided to submit for resolution by the General Meeting, through the Board of Directors - after hearing the Audit Committee - a proposal to increase the capital stock, in the amount of R\$ 2,890,000,000.00 (two billion, eight hundred and ninety million reais), through the incorporation of the remaining balance of the 2009 retention (43.11%) and of the total retention for 2010, 2011 and 2012, as well as 95.68% of the retention of 2013, for numerical rounding purposes.

In view of such assumptions, the historical composition of said reserves, as per Appendix I, is as follows:

| | |
|---------------|--------------------------|
| 2009 - | R\$312,853,686.14 |
| 2010 - | R\$760,073,990.61 |
| 2011 - | R\$782,026,039.21 |
| 2012 - | R\$498,743,683.82 |
| <u>2013 -</u> | <u>R\$536,302,600.22</u> |
| | R\$2,890,000,000.00 |

If such amounts are used for the capitalization proposed herein, the balance of the retained earnings reserves shall be R\$3.536.740.847,40 (three billion, five hundred and thirty-six million, seven hundred and forty thousand, and forty cents), corresponding to 4.32% of the retention of the fiscal year of 2013 and 100% of the withholdings for the years 2014 to 2018, based on the assumption of its approval by the 64th Ordinary General Meeting, as established in paragraph 3 of article 176 of Law 6404 of December 15, 1976.

The capitalization proposed herein shall not cause a change in the value of the Company's shareholders' equity, therefore, without financial or economic consequences. From a corporate point of view, capitalization of the withholding of profits is due to the application of one of the hypotheses provided for the use of same, as established in the first paragraph of article 196 of Law 6,404, dated 12.15.1976. Withholdings were effectively used in the Company's investment program, whose applications, for comparison purposes, do not take into account the resources of third parties raised for this purpose. It is evidenced the use of own resources, according to the calculation memory shown in Annex II, in the following years and values, respectively:

1. 2010 - R\$694,938,437.84
2. 2011 - R\$1,156,474,897.95

| | | |
|----|--------|----------------------------|
| 3. | 2012 - | R\$1,203,076,726.78 |
| 4. | 2013 - | R\$1,682,738,911.76 |
| 5. | 2014 - | <u>R\$1,054,300,671.37</u> |
| | | R\$5,791,529,645.70 |

In view of the reported facts, it is proposed that the capital stock be increased from R\$7,910,000,000.00 (seven billion, nine hundred and ten million reais) to R\$10,800,000,000.00 (ten billion and eight hundred million reais), without modification of the number of shares, as provided for by article 169, paragraph 1, of Law 6,404, of December 15, 1976.

If this proposal for the incorporation of profit retention reserves into capital stock is approved, the text of Article 5 of the Company's Bylaws should be amended, for which following writing is proposed:

Article Underwritten paid up capital is R\$10,800,000,000.00 (ten billion and eight hundred million reais), represented by 273,655,375 (two hundred and seventy-three million, six hundred and fifty-five thousand and three hundred and seventy-five) shares, with no par value, composed of 145,031,080 (one hundred and forty-five million, thirty-one thousand and eighty) ordinary shares, and 128,624,295 (one hundred and twenty-eight million, six hundred and twenty-four thousand and two hundred and ninety-five) preferred shares, of which 328,627 (three hundred and twenty-eight thousand, six hundred and twenty-seven) shares are class "A" shares and 128,295,668 (one hundred twenty-eight million, two hundred ninety-five thousand and six hundred and sixty-eight) shares are class "B".

We are of the opinion that the foregoing proposals comply with the legal and statutory provisions in force and the interests of the Company and, therefore, merit the full reception of this Board, the Fiscal Council and the General Meeting.

Curitiba, March 28, 2019

DANIEL PIMENTEL SLAVIERO
Chief Executive Officer

ANA LETÍCIA FELLER
Chief Corporate Management Officer

ADRIANO RUDEK DE MOURA
Chief Financial and Investor Relations Officer

VICENTE LOIÁCONO NETO
Director of Governance, Risk and Compliance

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