

MESSAGE FROM THE MANAGEMENT

GRI 102-14 | I02L10

We invite you to learn about the principal achievements of the Algar group in 2017, the year when we demonstrated to the market excellence in corporate governance, expanded our business to strategic regions and concentrated our efforts on the more competitive businesses.

Our governance, business plan and management efficiency enabled us to attract important investment by the Archy fund, an affiliate of GIC Special Investments. We sold approximately 25% of Algar Telecom's capital for R\$ 1 billion. This transaction reflects the confidence in our management, in spite of Brazil's political and economic volatility. This represents an important marker for the market and other potential investors.

There were two highlights to our expansion movement. The first of them was the acquisition of Costa do Sauípe by the Rio Quente Group, doubling the accommodation capacity and making us a giant in the tourism and entertainment industry. The other was the conclusion Monet underwater fiber optics cable by Algar Telecom, which will connect Brazil and the United States, with an interconnection in Fortaleza (CE), commencing in 2018, enabling us to enter the Northeastern market and giving us a larger share of the high-volume internet market.

Algar Tech has made a name for itself in the market where it operates, achieving important recognitions within the technology

sector, as well as for its leaning towards innovation. Among others, we took fourth position in the Valor Innovation Brazil ranking in the technology sector, and we were acknowledged by Frost & Sullivan as the leading and most competitive company in competitive strategy in contact centers.

In agribusiness, Algar Farming expanded its leased areas and posted positive results, thanks to efficiency gains and higher productivity, in addition to management excellence. Algar Agro, in turn, has faced a challenging scenario in its soy export and crushing businesses, with margins under strong pressure across the industry as a whole.

The companies accelerated by Algar Ventures – AlsoI, specializing in renewable energy with distributed generation, and NetSupport, a collaborative platform for technical support in technology – have expanded the areas they serve and their results. We also invested in Sensix, a promising business in technology applied to agribusiness, which undertook a pilot project with Algar Farming for collecting and processing data about plantations.

The Algar Institute had a year of relevant results. The educational projects attended to 16,800 students and involved 1,180 volunteers of the Algar group companies. We embarked on 47 environmental initiatives in several fields, such as the protection of natural resources, water management and waste treatment.



UniAlgar became a digital platform and has produced significant gains in reducing the costs and scaling of education, as it no longer has a bricks-and-mortar head office, thus reducing fixed costs.

We received Awards and Acknowledgements from the market, in the fields of sustainability, innovation, management and customer service, which makes us very proud and enhances our commitment to achieving increasingly better results.

Our gratitude to our employees is expressed through an environment of human and intellectual development, the exchange of knowledge and, above all, ethical relationships. Together, we will make Algar one of the most significant organizations for the development of the countries where we are located.

Luiz Alexandre Garcia
Chief Executive Officer
of Algar S.A.

Luiz Alberto Garcia
Chairman of the Board of
Directors of the Algar group.