

ELDORADO BRASIL CELULOSE S.A.

**Individual and consolidated interim
financial statements**

As at June 30th, 2021

(Free translation from the original previously issued in Portuguese)

ELDORADO BRASIL CELULOSE S.A.

Individual and consolidated interim financial statements

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KPMG Auditores Independentes
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil
Telefone +55 (11) 3940-1500
kpmg.com.br

Report on review of interim financial information

(A free translation of the original report in Portuguese)

To the Shareholders, Board of Directors, and Management of
Eldorado Brasil Celulose S.A
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Eldorado Brasil Celulose S.A. (the "Company") contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2021, which comprises the statement of financial position as of June 30, 2021 and the respective statements of income (loss), comprehensive income (loss) for the three and six-month period then ended, changes in equity and cash flows for the six-month period then ended, including the explanatory notes.

The Company's management is responsible for the preparation of this individual and consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in accordance with standards issued by the Brazilian Securities Commission, applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of Quarterly Information (ITR), and presented in accordance with the standards issued by the Brazilian Securities Commission.

Other matters

Statements of Value Added

The interim financial information as referred to above includes individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2021, prepared under the responsibility of the Company's management, presented as supplementary information for the purposes of IAS 34. The financial information were submitted to the review procedures followed together with the review of the Quarterly Information, in order to form our conclusion whether these statements are reconciled to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that Statement of Value Added has not been prepared, in all material respects, in accordance with requirements described at the Technical Pronouncement and consistent with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 16, 2021

KPMG Auditores Independentes
CRC SP014428/O-6
Original report in Portuguese signed by
Leslie Nares Laurenti
Contadora CRC 1SP215906/O-1

ELDORADO BRASIL CELULOSE S.A.

Balance sheets

As of June 30, 2021 and December 31, 2020

(In thousands of Reais - R\$, unless otherwise indicated)

Assets						Liabilities and equity					
	Note	Individual		Consolidated		Note	Individual		Consolidated		
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	
Current						Current					
Cash and cash equivalents	4.1	350.644	183.292	688.600	888.014	Loans and borrowings	15	3.753.694	3.765.168	3.763.877	5.645.612
Short term investments	4.2	9.559	-	279.647	62.392	Trade payables	14	260.754	281.300	253.941	266.603
Trade receivables	5	1.022.596	490.832	869.938	712.377	Lease liabilities	16	189.723	186.742	213.718	212.489
Inventories	7	405.907	371.712	584.401	544.885	Loans and borrowings with related parties	6	3.521	1.887.692	-	-
Tax receivables	8	141.688	182.101	151.104	190.506	Social tax and payroll payables		136.144	122.474	141.212	129.045
Advance to suppliers		63.795	34.045	63.982	34.045	Tax payables		23.574	29.041	34.328	34.456
Other current assets		37.159	48.437	38.255	49.528	Accounts payable to related parties	6	1.404	2.968	1.404	1.716
Total current assets		2.031.348	1.310.419	2.675.927	2.481.747	Other current liabilities		7.267	11.432	24.393	55.560
Non-current						Non-current					
Long term investments	4.2	117.901	-	117.901		Loans and borrowings	15	3.198.777	2.081.345	3.198.777	2.081.345
Tax receivables	8	989.873	1.040.225	989.875	1.040.225	Trade payables	14	-	523	-	523
Advance to suppliers		166.518	149.762	166.518	149.762	Loans and borrowings with related parties	6	1.102.315	-	-	-
Deferred income tax	17	39.758	286.114	39.758	286.114	Lease liabilities	16	572.012	555.118	727.545	708.797
Deposits, guarantee and others		10.159	9.944	10.978	10.786	Provisions for lawsuit	18	38.126	31.379	38.622	31.850
Other non current assets		215	2.245	246	2.289	Total non-current liabilities		4.911.230	2.668.365	3.964.944	2.822.515
Biological assets	9	3.237.937	3.004.369	3.237.937	3.004.369	Shareholders' equity					
Investments	10	1.856.305	1.278.786	-	-	Share capital		1.788.792	1.788.792	1.788.792	1.788.792
Right of use	13	690.539	683.532	935.050	927.413	Income reserves		1.458.662	1.471.044	1.458.662	1.471.044
Intangible assets	12	11.348	14.188	76.727	77.847	Consolidated translation adjustment		201.799	290.574	201.799	290.574
Property, plant and equipment	11	4.772.992	4.726.008	4.784.482	4.737.854	Retained earnings		1.188.329	-	1.188.329	-
Total non-current assets		11.893.545	11.195.173	10.359.472	10.236.659	Total equity	19	4.637.582	3.550.410	4.637.582	3.550.410
Total assets		13.924.893	12.505.592	13.035.399	12.718.406	Total liabilities and shareholders' equity		13.924.893	12.505.592	13.035.399	12.718.406

The accompanying notes are an integral part of the individual and consolidated interim financial information

ELDORADO BRASIL CELULOSE S.A.

Statements of income (loss)

Six-month period ended June 30, 2021 and 2020

(In thousands of Reais - R\$, unless otherwise indicated)

	Note	Individual				Consolidated			
		04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Net revenue	20	1.117.261	1.974.051	943.807	1.611.348	1.570.417	2.876.597	1.248.918	2.108.419
Cost of sales	22	(489.757)	(924.426)	(448.148)	(833.856)	(456.709)	(915.444)	(502.309)	(939.813)
Gross profit		627.504	1.049.625	495.659	777.492	1.113.708	1.961.153	746.609	1.168.606
Operating income (expenses)									
General and administrative	22	(50.347)	(94.203)	(80.491)	(126.507)	(55.297)	(102.836)	(83.720)	(134.256)
Selling and distribution	22	(74.989)	(146.479)	(67.554)	(120.916)	(184.766)	(367.650)	(205.381)	(321.028)
Fair value adjustment of biological assets	9	70.444	70.444	24.295	24.295	70.444	70.444	24.295	24.295
Share of income in controlled companies	10	358.264	663.585	102.942	175.651	-	-	-	-
Bad debit provision	5	1.392	1.414	118	154	1.929	1.951	118	154
Other income	24	10.477	24.368	2.350	12.630	10.544	24.552	1.516	12.463
Other expense	24	(62.911)	(86.301)	(8.334)	(9.979)	(63.133)	(86.905)	(9.116)	(10.830)
Earnings before net financial expenses and taxes		879.834	1.482.453	468.985	732.820	893.429	1.500.709	474.321	739.404
Net financial income (expenses)	23								
Financial expenses		(134.475)	(264.576)	(161.182)	(310.644)	(141.208)	(274.845)	(163.776)	(315.506)
Financial income		1.817	2.617	4.299	7.322	3.525	5.684	4.833	9.366
Foreing exchange variation, net		827.032	201.809	(343.688)	(1.808.769)	827.111	201.899	(343.826)	(1.808.992)
Income (loss) before income tax and social contribution		1.574.208	1.422.303	(31.586)	(1.379.271)	1.582.857	1.433.447	(28.448)	(1.375.728)
Income tax and social contribution	17								
Current		-	-	-	-	(8.649)	(11.144)	(3.138)	(3.543)
Deferred		(412.888)	(246.356)	45.329	528.048	(412.888)	(246.356)	45.329	528.048
Net income (loss) for the period		1.161.320	1.175.947	13.743	(851.223)	1.161.320	1.175.947	13.743	(851.223)
Earnings (loss) per share - basic and diluted - in R\$						0,7612	0,7708	0,0090	(0,5580)

The accompanying notes are an integral part of the individual and consolidated interim financial information

ELDORADO BRASIL CELULOSE S.A.

Statements of comprehensive income (loss)

Six-month period ended June 30, 2021 and 2020

(In thousands of Reais - R\$, unless otherwise indicated)

	Individual				Consolidated			
	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Net income (loss) for the period	1.161.320	1.175.947	13.743	(851.223)	1.161.320	1.175.947	13.743	(851.223)
Items that are or may be reclassified to the income (loss)								
Foreign exchange variation	(216.065)	(88.775)	60.478	274.341	(216.065)	(88.775)	60.478	274.341
Total of comprehensive income	945.255	1.087.172	74.221	(576.882)	945.255	1.087.172	74.221	(576.882)

The accompanying notes are an integral part of the individual and consolidated interim financial information

ELDORADO BRASIL CELULOSE S.A.

Statements of changes in equity

Six-month period ended June 30, 2021 and 2020

(In thousands of Reais - R\$, unless otherwise indicated)

	Share capital	Income reserves			Special reserve	Consolidated Translation adjustment	Retained earnings	Total
		Legal reserve	Tax benefits reserve	Reserve for expansion				
Balance as at December 31, 2019	1.788.792	36.498	1.002.780	405.132	135.045	81.171	-	3.449.418
Net loss for the period	-	-	-	-	-	-	(851.223)	(851.223)
Foreign exchange variation	-	-	-	-	-	274.341	-	274.341
Balance as at June 30, 2020	1.788.792	36.498	1.002.780	405.132	135.045	355.512	(851.223)	2.872.536
Balance as at December 31, 2020	1.788.792	36.498	1.002.780	405.132	26.634	290.574	-	3.550.410
Net income for the period	-	-	-	-	-	-	1.175.947	1.175.947
Tax incentive reserve	-	-	(12.382)	-	-	-	12.382	-
Foreign exchange variation	-	-	-	-	-	(88.775)	-	(88.775)
Balance as at June 30, 2021	1.788.792	36.498	990.398	405.132	26.634	201.799	1.188.329	4.637.582

The accompanying notes are an integral part of the individual and consolidated interim financial information

ELDORADO BRASIL CELULOSE S.A.

Statements of cash flows

Six-month period ended June 30, 2021 and 2020

(In thousands of Reals - R\$, unless otherwise indicated)

	Note	Individual		Consolidated	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash flows from operating activities					
Net income (loss) for the period		1.175.947	(851.223)	1.175.947	(851.223)
Adjustments:					
Depreciation and amortization		129.452	119.930	131.919	126.713
Depletion		89.660	76.162	88.784	77.294
Income (loss) on disposal fixed assets and biological assets		(660)	1.853	(602)	1.853
Change in fair value of biological assets	9	(70.444)	(24.295)	(70.444)	(24.295)
Deferred income taxes	17	246.356	(528.048)	246.356	(528.048)
Financial results - interest - lease		151	284	430	502
Financial results - interest and foreign exchange variation	15.2	(69.443)	1.638.316	(39.263)	2.284.686
Financial results - interest and foreign exchange variation - related parties		40.853	645.075	30.736	-
Financial results - interest on short and long term investments	4.2	(74)	-	(720)	-
Foreign exchange on customers		51.817	(170.273)	51.817	(170.273)
Provision for lawsuit	18	12.419	4.983	12.444	5.381
Reversal of tax credits	8	50.507	-	50.507	-
Share of income in controlled companies	10	(663.585)	(175.651)	-	-
Bad debt provision	5	(1.414)	154	(1.951)	154
		<u>991.542</u>	<u>737.267</u>	<u>1.675.960</u>	<u>922.744</u>
Decrease (increase) in assets					
Trade receivables		(578.804)	(4.409)	(234.756)	56.329
Inventories		(30.562)	7.671	(45.828)	111.868
Tax receivables		40.258	1.699	38.860	(12.149)
Advance to suppliers		(45.826)	(16.328)	(46.014)	(14.139)
Other current and non-current assets		13.093	12.513	13.101	14.970
Increase (decrease) in liabilities					
Trade payables		64.526	105.763	122.544	(62.586)
Accounts payable to related parties		-	8.274	-	8.274
Social tax and payroll payables		13.670	9.831	12.271	179
Tax payables		8.172	(4.779)	16.418	15.814
Other current liabilities		(12.650)	(6.936)	(37.835)	(24.374)
Cash from operating activities		<u>463.419</u>	<u>850.566</u>	<u>1.514.721</u>	<u>1.016.930</u>
Income taxes paid		(13.639)	-	(16.025)	(3.516)
Net cash from operating activities		<u>449.780</u>	<u>850.566</u>	<u>1.498.696</u>	<u>1.013.414</u>
Cash flows of investing activities					
Additions to biological assets		(224.697)	(177.695)	(224.697)	(177.695)
Additions to property, plant and equipment and intangible assets	11 and 12	(194.442)	(308.907)	(200.218)	(309.325)
Cash received from disposal of property, plant and equipment		-	6.389	-	6.389
Paid-in capital of controlled companies	10	(3.299)	-	-	-
Cash withdraw from short and long term investments		-	-	-	15.352
Net cash used in investing activities		<u>(422.438)</u>	<u>(480.213)</u>	<u>(424.915)</u>	<u>(465.279)</u>
Cash flows of financing activities					
Proceeds from loans and borrowings	15.2	1.926.259	170.217	1.936.376	170.217
Payment of loans and borrowings - principal	15.2	(639.112)	(607.525)	(2.471.809)	(673.105)
Payment of loans and borrowings - interest	15.2	(111.746)	(143.350)	(189.608)	(226.610)
Cash invested on short and long term investments	4.2	(127.386)	-	(829.949)	-
Cash withdraw from short and long term investments	4.2	-	-	446.188	-
Payment of loans and borrowings - principal - related parties	6.3	(741.136)	(64.700)	-	-
Payment of loans and borrowings - interest - related parties	6.3	(80.323)	(82.928)	-	-
Payment of lease liabilities	16	(86.546)	(77.869)	(87.797)	(78.431)
Net cash from (used in) financing activities		<u>140.010</u>	<u>(806.155)</u>	<u>(1.196.599)</u>	<u>(807.929)</u>
Foreign exchange variance on cash and cash equivalents		-	-	(76.596)	191.949
Net increase (decrease) in cash and cash equivalents		<u>167.352</u>	<u>(435.802)</u>	<u>(199.414)</u>	<u>(67.845)</u>
Cash and cash equivalents at the beginning of the period		183.292	520.504	888.014	840.010
Cash and cash equivalents at the end of the period		350.644	84.702	688.600	772.165
Net increase (decrease) in cash and cash equivalents		<u>167.352</u>	<u>(435.802)</u>	<u>(199.414)</u>	<u>(67.845)</u>

The accompanying notes are an integral part of the individual and consolidated interim financial information

ELDORADO BRASIL CELULOSE S.A.

Statements of value added

Six-month period ended June 30, 2021 and 2020

(In thousands of Reais - R\$, unless otherwise indicated)

	Individual		Consolidated	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues				
Sales of goods, products and services	2.077.440	1.673.229	2.980.652	2.170.967
Other operating income (expenses)	75.288	27.998	75.255	27.134
Transfers related to the construction of own assets	26.499	18.789	26.499	18.789
Bad debt provision	1.414	154	1.951	154
	<u>2.180.641</u>	<u>1.720.170</u>	<u>3.084.357</u>	<u>2.217.044</u>
Goods and services acquired from third parties				
Cost of sales	(413.691)	(396.503)	(399.361)	(490.511)
Third party services, supplies, energy and other	(312.593)	(274.330)	(525.789)	(473.836)
Gross value added	<u>1.454.357</u>	<u>1.049.337</u>	<u>2.159.207</u>	<u>1.252.697</u>
Depreciation, amortization and depletion	(219.112)	(196.092)	(220.703)	(204.007)
Value added created	<u>1.235.245</u>	<u>853.245</u>	<u>1.938.504</u>	<u>1.048.690</u>
Value added received as transfer				
Share of income in controlled companies	663.585	175.651	-	-
Financial income	2.617	7.322	5.684	9.366
Total value added created	<u>1.901.447</u>	<u>1.036.218</u>	<u>1.944.188</u>	<u>1.058.056</u>
Value added distribution				
Personnel				
Salary compensation	77.911	61.056	88.903	66.844
Benefits	50.184	61.199	55.862	65.034
FGTS (Severance Pay Fund)	12.114	11.829	13.484	12.743
	<u>140.209</u>	<u>134.084</u>	<u>158.249</u>	<u>144.621</u>
Taxes, fees and contributions				
Federal	339.985	(464.871)	351.927	(460.400)
State	119.081	36.459	119.297	36.613
Municipal	-	-	665	667
	<u>459.066</u>	<u>(428.412)</u>	<u>471.889</u>	<u>(423.120)</u>
Borrowed capital return				
Interest	54.787	2.118.828	54.787	2.115.334
Lease	71.271	62.874	73.087	63.798
Other	167	67	10.229	8.646
	<u>126.225</u>	<u>2.181.769</u>	<u>138.103</u>	<u>2.187.778</u>
Equity capital return				
Net income (loss) for the period	1.175.947	(851.223)	1.175.947	(851.223)
Total value added distributed	<u>1.901.447</u>	<u>1.036.218</u>	<u>1.944.188</u>	<u>1.058.056</u>

The accompanying notes are an integral part of the individual and consolidated interim financial information

ELDORADO BRASIL CELULOSE S.A.

Notes to the individual and consolidated interim financial statements

As at June 30, 2021

(In thousands of Reais - R\$, unless otherwise indicated)

1. Corporate information

Eldorado Brasil Celulose S.A. (“Eldorado”) and its subsidiaries (“Company”) is a public company governed by laws of Brazil, registered in The Securities and Exchange Commission of Brazil (CVM), under category B, headquartered in the city of São Paulo, state of São Paulo, Brazil.

The Company is a pulp producer, seller, importer and exporter, with an industrial unit in the city of Três Lagoas, state of Mato Grosso do Sul - MS, where operating since December 2012. The Company’s operations also includes the growing of seedlings and forests, extraction of wood from planted forests, reforestation of its own and third-party lands as well as electric power generation from biomass from the thermoelectric power plant (“Usina Termelétrica de Onça Pintada - UTOP”) placed into service, in April, 2021.

The pulp is sold in the foreign market directly by Eldorado, as well as through its wholly owned subsidiaries in Austria, the United States of America and China.

The individual and consolidated interim financial statements were prepared on a going concern basis, which assumes that the Company will meet its financial obligations according the terms stated in the accompanying note 15.

As at June 30th, 2021, the Company presented current liabilities in excess of current assets in the amount of R\$ 2,344,733 (R\$ 4,976,398, as at December 31st, 2020) in the individual and R\$ 1,756,946 (R\$ 3,863,734, as at December 31st, 2020) in the consolidated.

The net operating cash flow for the six month period ended June 30th, 2021 was R\$ 449,780 (R\$ 850,066, six month period ended June 30th, 2020) in the individual, and R\$ 1,498,696 (R\$ 1,013,414, six month period ended June 30th, 2020) in the consolidated. The net operating cash flow for the three month period ended March 31st, 2021 was R\$ 297,077 in the individual and R\$ 724,696 in the consolidated.

Higher global demand combined with logistics constraints in the global supply chain, had a positive impact on pulp prices, which maintained, throughout the quarter, the upward trend already seen in the previous quarter. This positive economic environment supported the strong generation of operating cash flow which, combined with the refinancing of part of the debt, allowed the reduction of the Company’s indebtedness and improvement of the net working capital.

In June, the Company repaid bonds by taking out loans in the amount of approximately R\$ 1,2 billion, as well as an approximate amount of R\$ 660 million of its own cash. During the second quarter, approximately R\$ 3 billion of both, new and existed Company’s loans and borrowings were contracted and/or renegotiated, thus leading to the lengthening of the debt terms and working capital improvements. Management understands that strong cash generation will continue contributing for net debt relief. Additionally, it will continue to access the credit lines available in the market, prioritizing the export credit lines which are already being negotiated at better terms.

ELDORADO BRASIL CELULOSE S.A.

Notes to the individual and consolidated interim financial statements

As at June 30, 2021

(In thousands of Reais - R\$, unless otherwise indicated)

Higher global demand combined with a robust global economic recovery and higher pulp prices, will continue to drive Company's profit growth and cash generation. This background reinforces the management's confidence on Company's going concern.

(a) Coronavírus measures update

The fight against COVID-19 remains a priority for Eldorado, which structured its actions around the follow areas: (i) maintenance of preventive measures in order to keep operational activities safe, preserve the health of employees, their families, suppliers, customers and other third parties; (ii) support COVID-19 prevention in social communities; (iii) continuous monitoring of the market situation and potential direct and indirect pandemic impacts on business; (iv) monitoring the economic and financial effects on business.

2. Equity interest

	Country of Incorporation	Equity interest	
		06/30/2021	12/31/2020
<u>Subsidiaries - direct control</u>			
Cellulose Eldorado Austria GmbH	Austria	100%	100%
Rishis Empreend. e Participações S.A.	Brazil	100%	100%
Eldorado Brasil Celulose Logística Ltda.	Brazil	100%	100%
<u>Subsidiaries - indirect control:</u>			
Eldorado USA Inc.	United States of America	100%	100%
Eldorado Intl. Finance GmbH	Austria	100%	100%
Cellulose Eldorado Asia	China	100%	100%

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

(a) Statement of compliance (in respect of the IFRS and CPC standards)

The individual and consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and also in accordance with pronouncement CPC 21 - *Demonstração Intermediária*, issued by the Accounting Pronouncements Committee.

The individual and consolidated interim financial statements were revised and approved by Executive Board on August 13, 2021.

Management states that all relevant information to the individual and consolidated interim financial statements, and only it, is being disclosed and corresponds to those used in business management.

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(In thousands of Reais - R\$, unless otherwise indicated)

(b) Basis of measurement

The individual and consolidated interim financial statements are based on accounting practices and policies consistent with those adopted in the preparation of the financial statements as of December 31, 2020 and should be read in conjunction with such statements.

The information in the notes to the individual and consolidated interim financial statements that was not significantly changed to these as at December 31, 2020, was not fully replicated in this quarterly information. Some selected information has been included to explain the main events and transactions of the quarter and to allow a better understand of the Company's financial position and operational performance changes that occurred since the publication of the individual and consolidated annual financial statements, at December 31, 2020.

Information for the year ended at December 31, 2020 is presented in the individual and consolidated annual financial statements, issued at March 31, 2021.

The notes listed below were not replicated or are not at the same level of detail of those included in the individual and consolidated annual financial statements:

- Summary of significant accounting policies (note 4);
- Trade receivables (note 6);
- Investments (note 11);
- Property, plant and equipment (note 12);
- Intangible assets (note 13);
- Right-of-use (note 14);
- Loans and borrowings (note 16);
- Lease liability (note 17);
- Income tax and social contribution - current and deferred (note 19);
- Provision for contingencies (note 20);
- Financial instruments (note 28) and
- Take or pay agreements (note 29).

(c) Use of estimates and judgments

The individual and consolidated interim financial statements have been prepared in accordance with IFRS and CPC standards which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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As at June 30, 2021

(In thousands of Reais - R\$, unless otherwise indicated)

(i) Judgments

The information on judgments made in the application of the accounting policies that has material effects on the amounts recognized in the individual and consolidated interim financial statements is included in the following notes:

- **Note 1** - going concern: whether there are material uncertainties about the Company's ability to continue operating;
- **Note 8** - ICMS: realization of the accumulated credits of Value Added Tax on Sales and Services (ICMS) are subject to approval from tax authorities of the state of Mato Grosso do Sul - MS, to be transferred to suppliers located in that state.
- **Note 9** - biological assets: tree felling date, selling prices of eucalyptus and cash flow discount rate.

(ii) Uncertainties about assumptions and estimates

The information on uncertainties about assumptions and estimates that have a significant risk of resulting in a material adjustment in the period ended at June 30, 2021 is included in the following notes:

- **Note 9** - biological assets: discount rate, wood price and average annual increment;
- **Note 11** - impairment test: discount rate;
- **Note 16** - lease liability: discount rate;
- **Note 17** - deferred tax assets: probability that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized;
- **Note 18** - provisions for contingencies: main loss probability assumptions and sufficient amount to cover probable losses.

(d) Fair value measurement

When measuring fair value of an asset or a liability, the Company uses prices and other relevant information generated by market transactions involving identical or similar assets and liabilities. Additional information on the assumptions used in the fair value measurement is included in the following notes:

- **Note 9** - biological assets;
- **Note 25** - financial instruments.

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(In thousands of Reais - R\$, unless otherwise indicated)

(e) Functional and presentation currency

The individual and consolidated interim financial statements are being presented in thousands of Reais (R\$), which is the functional currency of the Company. The functional currency of the foreign subsidiaries is the U.S. dollar. All balances were rounded to the nearest thousand, unless otherwise indicated.

(i) Transactions in foreign currency

Transactions denominated in a foreign currency are translated to the entity's functional currency at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date. Differences resulting from the translation are recognized in profit or loss.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated in Reais (R\$) at the exchange rate on the balance sheet date. Revenues and expenses of foreign operations are translated in Reais (R\$) at the average exchange rate of the transaction period.

The foreign currency differences (functional currency of foreign subsidiaries) arising from the translation to the reporting currency, Reais (R\$), are recognized in other comprehensive income and accumulated in the Cumulative Translation Adjustments - CTA, in shareholders' equity.

(f) New and revised standards and interpretations already issued and not yet adopted

New and revised standards and interpretations already issued but not yet effective on the issued date of the individual and consolidated interim financial statements, if applicable, will be adopted when become effective. The Company is not expecting to have any material impact on its individual and consolidated interim financial statements.

- *CPC 25/IAS 37 - Contratos onerosos*
- *CPC 27/IAS 16 - Imobilizado*
- *CPC 15/IFRS 3 - Referência à estrutura conceitual*
- *CPC 26/IAS 1 - Apresentação das demonstrações contábeis*

ELDORADO BRASIL CELULOSE S.A.

Notes to the individual and consolidated interim financial statements

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(In thousands of Reais - R\$, unless otherwise indicated)

4. Cash and cash equivalents, short term investments

4.1. Cash and cash equivalents

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Cash	39	41	45	44
Bank deposit(a)	19,861	18,747	298,375	553,739
Bank certificates of deposit(b)	330,744	164,504	390,180	334,231
	350,644	183,292	688,600	888,014

- (a) Counterparty risk is mitigated through allocation across various financial counterparts with stronger credit profiles in accordance to the Company's risk management practices and policy, as indicated in the bellow's credit rating classification.
- (b) Readily available bank certificates of deposit (CDB's) with daily interest indexed to the Brazil Interbank Deposit Rate (CDI). The short term investments held by foreign controlled entities are "Time Deposit" type, readily available, with daily interest based on pre-fixed rates.

The allocation of the bank deposits and bank certificates of deposit across the score risk of the financial counterparts were as follows:

Credit risk rate ⁽¹⁾	Bank deposit and Bank certificate of deposit			
	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
AAA	-	-	2,627	1,925
A	-	-	4,679	4,715
A-	133,212	54,807	406,126	581,367
BB +	1	-	1	-
BBB	-	-	-	1,916
BB -	24,871	-	76,063	-
brAAA	4	3	4	3
brAA	192,517	127,205	199,055	296,807
brA	-	100	-	100
brBB+	-	1,136	-	1,137
	350,605	183,251	688,555	887,970

(1) Credit risk rate classification granted by Fitch Ratings, Moody's, Standard & Poor's.

ELDORADO BRASIL CELULOSE S.A.

Notes to the individual and consolidated interim financial statements

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(In thousands of Reais - R\$, unless otherwise indicated)

4.2. Short term investments

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Bank of Brasil - Paris(a)	-	-	-	62,392
Time deposit(b)	29,568	-	299,656	-
Bank certificates of deposit(c)	97,892	-	97,892	-
	<u>127,460</u>	<u>-</u>	<u>397,548</u>	<u>62,392</u>
Current	9,559	-	279,647	62,392
Non-current	117,901	-	117,901	-
	<u>127,460</u>	<u>-</u>	<u>397,548</u>	<u>62,392</u>

(a) Bank deposits held at *Banco do Brasil AG, Succursale France*, as a collateral for the Term Loan agreement presented in note 15.3(iv), settled in April 2021.

(b) Interest-bearing bank deposits held as collateral for Advance on Exchange Contracts (ACC) presented in note 15.3(i), which will be released upon payment;

(c) Bank certificate of deposit (CDB) held as collateral for the Export Credit Notes (NCE) agreement the Company has entered in May and June 2021, presented in note 15.3(iii), which will be released upon to repayment.

5. Trade receivables

5.1. Balance composition

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Domestic	224,005	142,002	224,005	142,002
Overseas	808,753	360,513	676,366	603,672
	<u>1,032,758</u>	<u>502,515</u>	<u>900,371</u>	<u>745,674</u>
Bad debt reserve	(10,162)	(11,683)	(30,433)	(33,297)
	<u>1,022,596</u>	<u>490,832</u>	<u>869,938</u>	<u>712,377</u>
<u>aging by maturity:</u>				
Current	1,005,351	478,301	801,345	634,159
1-30 days past due	11,010	2,980	59,798	43,925
31-60 days past due	1,678	97	5,446	24,324
61-90 days past due	54	-	799	246
Over 90 days	4,503	9,454	2,550	9,723
	<u>1,022,596</u>	<u>490,832</u>	<u>869,938</u>	<u>712,377</u>

The Company has financial instruments, such as credit insurance, that guarantee the partial collection of due balances.

5.2. Bad debit provision:

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	<u>Individual</u>	<u>Consolidated</u>
Balance as at December 31, 2020	(11,683)	(33,297)
Reserval of bad debt reserve	1,414	1,951
Foreign exchange variance	107	913
Balance as at June 30, 2021	<u>(10,162)</u>	<u>(30,433)</u>

6. Related parties

All balances in the balance sheet and transactions registered in the profit and loss accounts are based on prices and terms agreed upon both parties, are as follows:

6.1. Balance composition

	<u>Transaction</u>	<u>Receivable(Payable)</u>			
		<u>Individual</u>		<u>Consolidated</u>	
<u>Subsidiaries</u>		<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
Cellulose Eldorado Áustria GmbH	Pulp sale	458,687	42,808	-	-
Cellulose Eldorado Áustria GmbH	PPE (6.3 (ii))	-	(45,590)	-	-
Cellulose Eldorado Áustria GmbH	Cost sharing	-	(111)	-	-
Eldorado EUA Inc.	Pulp sale	325,695	277,441	-	-
Eldorado EUA Inc.	Cost sharing	-	(1,110)	-	-
Eldorado Intl. Finance GmbH	PPE (6.3 (iii))	(1,105,836)	(1,842,102)	-	-
Eldorado Intl. Finance GmbH	Cost sharing	-	(31)	-	-
Rishis Empreend. e Partic.	Logistic services	(34,013)	(31,499)	-	-
		<u>(355,467)</u>	<u>(1,600,194)</u>	<u>-</u>	<u>-</u>
<u>Shareholders</u>					
J&F Participações S.A.	Guarantee fees (6.2(i))	(1,319)	(1,631)	(1,319)	(1,631)
J&F Participações S.A.	Other (6.2(vi))	(85)	(85)	(85)	(85)
		<u>(1,404)</u>	<u>(1,716)</u>	<u>(1,404)</u>	<u>(1,716)</u>
<u>Other related parties</u>					
JBS S.A.	Other (6.2(iv))	(105)	(80)	(105)	(80)
Seara Alimentos Ltda.	Other (6.2(v))	(31)	(536)	(31)	(536)
		<u>(136)</u>	<u>(616)</u>	<u>(136)</u>	<u>(616)</u>
		<u>(357,007)</u>	<u>(1,602,526)</u>	<u>(1,540)</u>	<u>(2,332)</u>
<u>Assets</u>					
Trade receivables		784,382	320,249	-	-
<u>Liabilities</u>					
Trade payables		(34,149)	(32,115)	(136)	(616)
Loans and borrowings		(1,105,836)	(1,887,692)	-	-
Accounts payable		(1,404)	(2,968)	(1,404)	(1,716)
		<u>(357,007)</u>	<u>(1,602,526)</u>	<u>(1,540)</u>	<u>(2,332)</u>

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6.2. Period transactions

		Individual			
		04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Subsidiaries					
Cellulose Eldorado Áustria GmbH	Pulp sale	557,712	535,882	925,786	932,597
Cellulose Eldorado Áustria GmbH	PPE (ii)	(316)	(3,022)	(1,573)	(6,126)
Eldorado EUA Inc.	Pulp sale	249,417	219,840	509,665	316,402
Eldorado Intl. Finance GmbH	PPE (iii)	(30,746)	(42,254)	(73,219)	(77,214)
Rishis Empreend. e Partic.	Logistic services	(6,067)	(6,374)	(11,667)	(12,226)
		770,000	704,072	1,348,992	1,153,433
Shareholders					
J&F Participações S.A.	Guarantee fees(i)	(620)	(6,157)	(1,319)	(12,260)
Other related parties					
JBS S.A.	Other (iv)	(3,450)	(3,341)	(6,422)	(7,192)
Seara Alimentos Ltda.	Other (v)	(62)	(27)	(153)	(78)
Flora Prod. Higiene e Limp. S.A.	Other (vii)	-	(172)	-	(172)
		(3,512)	(3,540)	(6,575)	(7,442)
		765,868	694,375	1,341,098	1,133,731
					Consolidated
		04/01/2021 a 06/30/2021	04/01/2020 a 06/30/2020	01/01/2021 a 06/30/2021	01/01/2020 a 06/30/2020
Shareholders					
J&F Participações S.A.	Guarantee fees(i)	(620)	(6,157)	(1,319)	(12,260)
Other related parties					
JBS S.A.	Other (iv)	(3,450)	(3,341)	(6,422)	(7,192)
Seara Alimentos Ltda.	Other (v)	(62)	(27)	(153)	(78)
Flora Prod. Higiene e Limp. S.A.	Other (vii)	-	(172)	-	(172)
		(3,512)	(3,540)	(6,575)	(7,442)
		(4,132)	(9,697)	(7,894)	(19,702)

- (i) Aval fee granted by J&F Investimentos S.A.;
- (ii) 5-year export credit (“Pre-payment”) granted by Cellulose Eldorado Austria GmbH, with market interest earnings + foreign exchange variance. This financial transaction has been repaid in April, 2021;
- (iii) 5 year export credit (“Pre-payment”) granted by Cellulose Eldorado Austria GmbH, with market interest earnings + foreign exchange variance. In June 2021, this financial transaction was extended for an additional period of 3 years;
- (iv) Amounts payable on general transactions, including freight on pulp transportation, supply of food ingredients for using in the Company's cafeteria and data center leasing;
- (v) Supply of food ingredients for using in the Company's cafeteria;
- (vi) Leasing and office expenses sharing.
- (vii) Cleaning kits for COVID 19 offered to employees.

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(In thousands of Reais - R\$, unless otherwise indicated)

6.3. Period transactions of related parts loans

<u>Individual</u>	<u>01/01/2021 to 06/30/2021</u>
Beginning balance	1,887,692
Interest accrued	77,437
Foreign exchange variation accrued	(37,834)
Payment	
Principal	(741,136)
Interest	(80,323)
Ending balance	1,105,836

6.4. Management compensation

Expenses related to the compensation of key management personnel, which include the Board of Statutory Executive Officers, Fiscal Council and Board of Directors, recognized in the statement of income for the period, were as follows:

	<u>04/01/2021 a 06/30/2021</u>	<u>04/01/2020 a 06/30/2020</u>	<u>01/01/2021 a 06/30/2021</u>	<u>01/01/2020 a 06/30/2020</u>
<u>Individual</u>				
Compensation (a)	6,752	7,084	13,513	12,298
<u>Consolidated</u>				
Compensation (a)	8,386	8,471	16,730	15,221

(a) Includes fixed compensation (salaries, vacations and 13th salary), social security contribution - INSS, compulsory severance pay fund - FGTS, bonus and other compensation.

7. Inventories

	<u>Individual</u>		<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
Seedlings	2,603	3,523	2,603	3,523
Raw materials - wood	94,704	112,309	94,704	112,309
Pulp	55,912	47,562	234,214	220,544
Operating supplies	50,886	38,861	50,886	38,861
Maintenance supplies	201,802	169,457	201,994	169,648
	405,907	371,712	584,401	544,885

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Inventories are measured at the average cost of acquisition or production, net of the tax credits. Net realizable value is the estimated selling price in the ordinary course of business less variable selling expenses. Woods are adjusted to the fair value of the biological asset at felling date.

Maintenance supplies have increased due to: (i) Additional supplies for the annual general maintenance, scheduled for August 2021; and, (ii) Additional supplies related to the Thermoelectric Power Plant, including the forestry activities and biomass production.

8. Recoverable taxes

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Value Added Tax on Sales and Services - (ICMS) (i)	1,043,386	1,109,054	1,047,153	1,110,837
Contribution to the Social Integration Program/Social				
Contribution on Billing - PIS/COFINS (ii)	61,459	95,952	61,669	95,958
Tax Incentive credit - <i>Reintegra</i> program	16,969	16,621	16,969	16,621
Income tax and Social Contribution - IRPJ/CSLL	9,085	503	14,128	6,724
Others taxes and contributions	662	196	1,060	591
	<u>1,131,561</u>	<u>1,222,326</u>	<u>1,140,979</u>	<u>1,230,731</u>
Current	141,688	182,101	151,104	190,506
Non-current	989,873	1,040,225	989,875	1,040,225
	<u>1,131,561</u>	<u>1,222,326</u>	<u>1,140,979</u>	<u>1,230,731</u>

(i) Value Added Tax on Sales and Services (“ICMS”)

ICMS credits arise from the acquisition of consumed production materials, fixed assets and tax incentive, granted, under the law, by the Government of *Mato Grosso do Sul - MS*, for investments in the industrial plant located in city of *Três Lagoas*.

The future ICMS realization plan is mainly supported by the Company's expansion project, which is part of the strategic planning previously approved by the Board of Directors, for an investment in a new pulp mill with an estimated capacity of 2.3 million tons of pulp per year.

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The realization assumptions includes the negotiation with the state of *Mato Grosso do Sul* - MS, seeking authorization to:

- a. Transfer ICMS credits to fix capital suppliers as a payment for the acquisition of plant equipment to be made;
- b. Offset ICMS credits with:
 - 100% of the ICMS debits to be paid on differences between intra-states ICMS rates arising on the acquisition of plant equipment and non-production materials. The Company has already a state authorization to offset 50% of these debits.
 - 100% of the ICMS debits owed on imported goods, as provided in the article 68, §5 and §8, of the ICMS regulation, and in the Term of Agreement 1171/2018, entered with the state;

The remaining balance, if any, will be offset in the course of the Company's normal operations.

- c. ICMS credit reversal:

In the quarter, supported by the opinion of its legal advisors, the Company has accepted the terms of the tax authorities' decision ("*Despacho/CEATT/SAT*") relate to administrative proceeding No. 11/029623/2017 of the tax department of the State of *Mato Grosso do Sul*, and reversed the amount of R\$ 50,507 of ICMS credit rights arising from the acquisition of plant equipment in the period between October 2010 and October 2012. These credits were not accepted by the tax authorities due to timely issues on the regulatory registering process. The total amount of ICMS credits reversed in the semester was R\$56,528, and includes the reversal, in the 1st quarter, of the amount of R\$6,021 of ICMS credit rights arising from the acquisition of materials whose classification as production material was revised by the Company.

- (ii) Contribution to the Social Integration Program / Social Contribution on Billing - PIS/COFINS

The PIS and COFINS are the excess of non-cumulative credits related to:

- a. Favorable decision, in June 28, 2019, of the legal action filed by the Company claiming the exclusion of ICMS from the tax basis of PIS and COFINS owe in domestic sales.
- b. Acquisition of raw materials and operating supplies consumed in the production of pulp sold overseas;

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- c. Acquisition of equipment used on pulp and electric energy production as well as forestry activities.

The realization assumptions includes:

- a. Offset with other federal tax, such as withhold income tax, social security contributions - INSS and corporate income tax;
- b. Tax refunds.

9. Biological assets

The biological assets has the follow changes in the period of six months ended on June 30, 2021:

	Individual and consolidated
Beginning balance	3,004,369
Forest formation cost	237,206
Forest depletion	(74,082)
Fair value adjustment, net of selling expenses	70,444
Ending balance	<u>3,237,937</u>

The calculation of fair value of the biological assets falls under Level 3 in the hierarchy due to the data of used measurement methodology.

In order to recognize the fair value of its biological assets, the Company uses the Discounted Cash Flow, whose methodology can be summarized as the projection of growth and depletion of the working forests within a period of 6 to 10 years, supported by the operational restrictions and annual demand of wood.

The volume of trees to be harvested is estimated on the average productivity of the wood produced for each working forest, calculated per hectare and measured in cubic meters, at the time of the tree felling. It is represented by the Average Annual Timber Increment (IMA) in cubic meters per hectare/year. The working forest costs include fertilization, weed control, ants and other pests' control, construction and maintenance of access roads and fire breaks, and all other necessary services.

Wood prices and cash flow discount rate are the main assumptions for fair value calculation. The average selling price of eucalyptus wood was estimated for the local market and adjusted to reflect the standing timber price for each working forest of the Company, which changes according to the road distance to the Company's plant. The discount rate is the Company's Weighted Average Cost of Capital - WACC.

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Significant increases (decreases) in the prices used for the calculation would result in an increase (decrease) in the fair value of biological assets.

Significant increases (decreases) of WACC would result in a decrease (increase) in the fair value of biological assets.

The main assumptions on fair value calculation were as follows:

	<u>06/30/2021</u>
Productive area (hectare)	238,079
Harvest area for the purpose of biological assets (hectare)	224,695
Average annual timber increment (IMA) - m ³ /hectare	30.07
Discount rate - WACC (%) *does not include inflation	4.79
Timber market price - R\$ / m ³	74.30

Changes in the fair value of biological assets are recognized in the profit or loss of the period, under fair value adjustment, and are mostly related to the follow variables:

	<u>06/30/2021</u>
Price	4,469
Physical changes	65,975
	<u>70,444</u>

The forests that form the biological asset are exposure to operational and environmental risks, such as fire, pests and diseases. Additionally, there are risks related to climate change which can affect the ecological balance and, as a consequence, the forest productivity.

10. Investments

10.1. Investment composition and controlled entity's information

	Ownership interest	Total assets	Share capital	Equity	Net revenue	Net income (loss) for the period
Cellulose Eldorado Austria GmbH	100%	2,642,022	111	1,686,264	2,337,871	690,607
Rishis Empreendimentos e Participações S.A.	100%	99,813	108,979	90,759	11,024	(502)
Eldorado Brasil Celulose Logística Ltda.	100%	254,599	69,431	69,356	-	(76)

10.2. Investments period transactions - individual

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	Balance as at 12/31/2020	Additions (disposals)	Cumulative translation adjustment	Unrealized profit on inventories	Share of profit (loss) in controlled companies	Balance at 06/30/2021
Cellulose Eldorado Austria GmbH	1,110,876	-	(88,775)	(26,444)	690,607	1,686,264
Rishis Empreendimentos e Participações S.A.	91,261	-	-	-	(502)	90,759
Eldorado Brasil Celulose Logística Ltda.	66,133	3,299	-	-	(76)	69,356
Goodwill from port concession right-of-use	10,516	(590)	-	-	-	9,926
Total	1,278,786	2,709	(88,775)	(26,444)	690,029	1,856,305

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11. Property, plant and equipment

11.1. Property, plant and equipment composition

	Weighted annual depreciation rates	06/30/2021			12/31/2020		
		Cost	Accumulated depreciation	Net cost	Cost	Accumulated depreciation	Net cost
Individual:							
Land	-	103,224	-	103,224	103,224	-	103,224
Eucalyptus matrices	20.0%	107	(90)	17	107	(84)	23
Buildings	3.5%	1,361,149	(301,953)	1,059,196	1,195,268	(279,581)	915,687
Leasehold improvements	10.0%	3,246	(2,356)	890	3,246	(2,194)	1,052
Facilities and improvements	5.4%	348,460	(97,031)	251,429	299,591	(89,055)	210,536
Machinery and equipment	6.4%	4,137,781	(1,245,479)	2,892,302	3,948,638	(1,220,596)	2,728,042
Technical and scientific equipment	11.2%	9,838	(5,580)	4,258	9,792	(5,124)	4,668
Furniture and fixtures	9.3%	12,810	(6,691)	6,119	12,685	(5,998)	6,687
Vehicles	20.1%	174,324	(108,670)	65,654	148,878	(107,946)	40,932
Vessels	de 13,3% a 20%	14	(4)	10	14	(3)	11
IT equipments	19.4%	92,505	(67,241)	25,264	84,982	(62,967)	22,015
Assets under construction and advance payments	-	364,629	-	364,629	693,131	-	693,131
		6,608,087	(1,835,095)	4,772,992	6,499,556	(1,773,548)	4,726,008
Consolidated:							
Land	-	103,224	-	103,224	103,224	-	103,224
Eucalyptus matrices	20.0%	107	(90)	17	107	(84)	23
Buildings	3.5%	1,361,149	(301,953)	1,059,196	1,195,268	(279,581)	915,687
Leasehold improvements	7.8%	3,501	(2,448)	1,053	3,502	(2,278)	1,224
Facilities and improvements	5.5%	349,578	(97,119)	252,459	300,711	(89,099)	211,612
Machinery and equipment	6.5%	4,142,579	(1,246,733)	2,895,846	3,953,580	(1,221,554)	2,732,026
Technical and scientific equipment	11.4%	9,852	(5,594)	4,258	9,806	(5,138)	4,668
Furniture and fixtures	9.5%	13,451	(7,108)	6,343	13,333	(6,396)	6,937
Vehicles	20.2%	174,324	(108,671)	65,653	148,878	(107,946)	40,932
Vessels	de 13,3% a 20%	14	(4)	10	14	(3)	11
IT equipments	19.5%	94,570	(68,850)	25,720	87,085	(64,476)	22,609
Assets under construction and advance payments	-	370,703	-	370,703	698,901	-	698,901
		6,623,052	(1,838,570)	4,784,482	6,514,409	(1,776,555)	4,737,854

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11.2. Transactions of property, plant and equipment

	Balance as at 12/31/2020	Period of six months ended 06/30/2021					Balance as at 06/30/2021
		Additions	Disposals	Transfers	Depreciation	Effect of movements	
Individual:							
Land	103,224	-	-	-	-	-	103,224
Eucalyptus matrices	23	-	-	-	(6)	-	17
Buildings	915,687	-	-	165,881	(22,372)	-	1,059,196
Leasehold improvements	1,052	-	(419)	419	(162)	-	890
Facilities and improvements	210,536	-	-	48,869	(7,976)	-	251,429
Machinery and equipment	2,728,042	8,691	(2,384)	257,379	(99,426)	-	2,892,302
Technical and scientific equipment	4,668	-	-	46	(456)	-	4,258
Furniture and fixtures	6,687	129	(2)	3	(698)	-	6,119
Vehicles	40,932	24,117	(305)	9,714	(8,804)	-	65,654
Vessels	11	-	-	-	(1)	-	10
IT equipments	22,015	54	-	7,470	(4,275)	-	25,264
Assets under construction and advance payments	693,131	161,557	-	(490,059)	-	-	364,629
	4,726,008	194,548	(3,110)	(278)	(144,176)	-	4,772,992
Consolidated:							
Land	103,224	-	-	-	-	-	103,224
Eucalyptus matrices	23	-	-	-	(6)	-	17
Buildings	915,687	-	-	165,881	(22,372)	-	1,059,196
Leasehold improvements	1,224	-	(419)	419	(171)	-	1,053
Facilities and improvements	211,612	-	-	48,869	(8,022)	-	252,459
Machinery and equipment	2,732,026	8,691	(2,427)	257,292	(99,736)	-	2,895,846
Technical and scientific equipment	4,668	-	-	46	(456)	-	4,258
Furniture and fixtures	6,937	129	(2)	3	(722)	(2)	6,343
Vehicles	40,932	24,117	(306)	9,714	(8,804)	-	65,653
Vessels	11	-	-	-	(1)	-	10
IT equipments	22,609	56	(1)	7,470	(4,405)	(9)	25,720
Assets under construction and advance payments	698,901	161,774	-	(489,972)	-	-	370,703
	4,737,854	194,767	(3,155)	(278)	(144,695)	(11)	4,784,482

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11.3. Construction in progress and advance payments

Construction in progress and advance payments are mainly related to the plant and surrounding improvements as well as basic engineering, environmental license and other costs incurred in the new pulp mill project, named “Projeto Vanguarda 2.0”.

In the quarter, the amount of R\$ 489,972 of related construction costs were transferred from construction in progress and advance payments to the appropriate property, plant and equipment account. R\$ 456,972 out of the transferred amount were related to the Thermolectric Power Plant (“Usina Termelétrica de Onça Pintada - UTOP”) which was placed into service and started producing green power electricity from biomass in April, 2021.

11.4. Items pledged as collateral

Property, plant and equipment can be pledged as collateral up to the related loan amount (note 15).

12. Intangible assets

12.1. Intangible assets composition

	Weighted annual amortization rates	06/30/2021			12/31/2020		
		Costs	Accumulated amortization	Net cost	Costs	Accumulated amortization	Net cost
Individual:							
Software	19.7%	32,020	(20,672)	11,348	31,741	(17,553)	14,188
Consolidated:							
Goodwill of right-of-use on port concession	6.9%	17,002	(7,076)	9,926	17,002	(6,486)	10,516
Software	19.7%	32,785	(21,391)	11,394	32,507	(18,253)	14,254
Terminal concession	8.6%	97,626	(42,219)	55,407	92,082	(39,005)	53,077
		<u>147,413</u>	<u>(70,686)</u>	<u>76,727</u>	<u>141,591</u>	<u>(63,744)</u>	<u>77,847</u>

12.2. Transactions of intangible assets

	Balance as at 12/31/2020	Period of six months ended 06/30/2021			Balance as at 06/30/2020
		Additions	Transfers	Amortization	
Individual:					
Software	14,188	-	278	(3,118)	11,348
Consolidated:					
Goodwill of right-of-use on port concession	10,516	-	-	(590)	9,926
Software	14,254	-	278	(3,138)	11,394
Terminal concession	53,077	5,544	-	(3,214)	55,407
	<u>77,847</u>	<u>5,544</u>	<u>278</u>	<u>(6,942)</u>	<u>76,727</u>

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13. Right of use of leased properties

13.1. Right of use composition

	06/30/2021			12/31/2020		
	Cost	Accumulated depreciation	Net cost	Cost	Accumulated depreciation	Net cost
Individual:						
Land	915,615	(237,676)	677,939	851,157	(181,697)	669,460
Buildings	5,285	(2,870)	2,415	5,092	(2,675)	2,417
Vehicles	29,593	(23,647)	5,946	27,805	(21,565)	6,240
Machinery and forestry equipment	13,420	(9,181)	4,239	13,581	(8,166)	5,415
Facilities and improvements	201	(201)	-	201	(201)	-
	964,114	(273,575)	690,539	897,836	(214,304)	683,532
Consolidated:						
Land	915,615	(237,715)	677,900	851,157	(181,697)	669,460
Buildings	12,200	(4,852)	7,348	10,606	(4,330)	6,276
Vehicles	29,768	(23,704)	6,064	27,987	(21,596)	6,391
Machinery and forestry equipment	13,420	(9,181)	4,239	13,581	(8,166)	5,415
Facilities and improvements	287,188	(47,689)	239,499	240,073	(202)	239,871
	1,258,191	(323,141)	935,050	1,143,404	(215,991)	927,413

13.2. Transactions of right of use

	Balance as at 12/31/2020	Period of six months ended 06/30/2021					Balance as at 06/30/2021
		Additions	Disposals	Depreciation	Price index related adjustment	Foreign exchange variance	
Individual:							
Land	669,460	46,250	(7,844)	(55,209)	25,282	-	677,939
Buildings	2,417	123	-	(349)	224	-	2,415
Vehicles	6,240	-	-	(3,923)	3,629	-	5,946
Machinery and forestry equipment	5,415	-	-	(1,996)	820	-	4,239
	683,532	46,373	(7,844)	(61,477)	29,955	-	690,539
Consolidated:							
Land	669,460	46,250	(7,844)	(55,242)	25,276	-	677,900
Buildings	6,276	123	-	(741)	1,690	-	7,348
Vehicles	6,391	-	-	(3,947)	3,620	-	6,064
Machinery and forestry equipment	5,415	-	-	(1,996)	820	-	4,239
Facilities and improvements	239,871	-	-	-	(365)	(7)	239,499
	927,413	46,373	(7,844)	(61,926)	31,041	(7)	935,050

R\$ 41.737 out of the depreciation was considered part of the formation cost of the biological asset (note 9).

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14. Trade payables

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Materials and services	64,844	86,727	57,273	71,029
Production materials	185,011	176,490	185,011	176,489
Others	10,899	18,606	11,657	19,608
	260,754	281,823	253,941	267,126
Current	260,754	281,300	253,941	266,603
Non-current	-	523	-	523
	260,754	281,823	253,941	267,126

Corresponds to the accounts payable for materials, services and general expenses acquired in the normal course of the business and adjusted, when applicable, for any monetary or exchange variation.

15. Loans and borrowings

15.1 Loans and borrowings composition

Category	Average annual interest rate and commissions	Maturity	06/30/2021	Individual 12/31/2020
FINAME - Project Finance	avg. interest from 3% up to 10% p.a.	July/2021 to July/2023	2,119	3,739
ACC (i)	* Trade finance	July/2021 to August/2023	2,597,262	2,156,406
BNDES (ii)	TJLP + 2,83% p.a.	June/2022	119,083	179,266
BNDES (ii)	BNDES variable rate + 3,52% p.a.	July/2022	742,643	1,127,878
NCE (iii)	* Trade finance	October/2021 to January/2023	1,003,821	426,681
Working Capital (x)	9,42% p.a. in Reais	July/2021	101,040	-
FINEM Florestal (vi)	TJLP + 3,48% p.a. / selic + 3,58% p.a.	May/2025	217,454	214,629
Leasing (vii)	CDI + 5,02% p.a.	March/2024 to March/2025	23,278	26,702
CCB (viii)	Pre-fixed rate of 8.97% p.a.	August/2022	75,341	75,192
PPE (ix)	* Trade finance	August to November/2022	2,070,430	1,636,020
			6,952,471	5,846,513
Current			3,753,694	3,765,168
Non-current			3,198,777	2,081,345
			6,952,471	5,846,513
Non-current maturity are as follows:				
2022			1,112,756	
2023			1,928,576	
2024			111,902	
2025			45,543	
			3,198,777	

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Category	Average annual interest rate and commissions	Maturity	Consolidated	
			06/30/2021	12/31/2020
FINAME - Project Finance	avg. interest from 3% up to 10% p.a.	July/2021 to July/2023	2,119	3,739
ACC (i)	* Trade finance	July/2021 to August/2023	2,597,262	2,156,406
BNDES (ii)	TJLP + 2,83% p.a.	June/2022	119,083	179,266
BNDES (ii)	BNDES variable rate + 3,52% p.a.	July/2022	742,643	1,127,878
NCE (iii)	* Trade finance	October/2021 to January/2023	1,003,821	426,681
Working Capital (x)	9,42% p.a. in Reais	July/2021	101,040	-
Term Loan (iv)	Libor + 5% p.a.	April/2021	-	57,871
Bonds (v)	8,625% p.a.	June/2021	-	1,822,573
FINEM Florestal (vi)	TJLP + 3,48% p.a. / selic + 3,58% p.a.	May/2025	217,454	214,629
Leasing (vii)	CDI + 5,02% p.a.	March/2024 to March/2025	23,278	26,702
CCB (viii)	Pre-fixed rate of 8.97% p.a.	August/2022	85,524	75,192
PPE (ix)	* Trade finance	August to November/2022	2,070,430	1,636,020
			6,962,654	7,726,957
Current			3,763,877	5,645,612
Non-current			3,198,777	2,081,345
			6,962,654	7,726,957
Non-current maturity are as follows:				
2022			1,112,756	
2023			1,928,576	
2024			111,902	
2025			45,543	
			3,198,777	

(*) Trade finance (ACC, NCE and PPE) has an average cost from 3.86% to 5.38% p.a.

15.2 Transactions of loans and borrowings

	Individual	Consolidated
	06/30/2021	06/30/2021
Beginning balance	5,846,513	7,726,957
Interest accrued	154,809	233,972
Foreign exchange variation - accrued	(224,252)	(273,234)
Fundraising	1,926,259	1,936,376
Repayments:		
Principal	(639,112)	(2,471,809)
Interest	(111,746)	(189,608)
Ending balance	6,952,471	6,962,654

The interest repayments are presented as financing activities in the statements of cash flows since they are financing related costs.

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15.3 Company's credit lines

The Company uses trade finance instruments and bilateral loans with banks to support working capital and capital investments needs.

The existent credit lines are as follows:

- (i) Working capital through Advance on Exchange Contracts (ACC);
- (ii) On July 22, 2011 and subsequent amendment, the Company entered into a loan agreement with the National Bank for Economic and Social Development (BNDES) in the total amount of R\$ 2.7 billion, for the construction of the industrial plant located in city of Três Lagoas, including the acquisition of machinery and equipment produced in Brazil as well as the implementation of social investment programs within the plant communities;
- (iii) Real (R\$) denominated Export Credit Notes (NCE) contracts. In May and June 2021, the Company entered to an Export Credit Note agreement due from October 2021 to January 2023, and interest rate indexed to CDI + spread;
- (iv) In May 2016, Cellulose Eldorado Austria GmbH, a Company' wholly-owned subsidiary, entered into a financing agreement (Term Loan) with *Banco do Brasil AG, Succursale France*, seeking to extend the terms of its debt. In April 2021, the Company, through its wholly-owned subsidiary Cellulose Eldorado Austria GmbH, settled the amount of USD 11,223K (R\$ 61,082K equivalent);
- (v) In June 2016, the Company, through its wholly-owned subsidiary Eldorado Intl. Finance GmbH, issued international bonds (Senior Unsecured Bonds/Notes) in the amount of USD 350,000K, which was settled in June 2021, in the amount of R\$ 1,848,652;
- (vi) Financing granted by BNDES to invest in eucalyptus' forest;
- (vii) Financing of machinery and equipment through Real denominated leasing contracts;
- (viii) In May 2019, the Company entered into a Bank Credit Note agreement with a fixed interest rate. In May 2021, the Company, through its wholly-owned subsidiary Eldorado Brasil Celulose Log. LTDA, entered into a Bank Credit Note agreement with Daycoval Bank, due in November, 2021 and interest rate indexed to CDI + spread;
- (ix) The Company has several Export Prepayment agreements due in the period from August to November, 2022, with interest rate indexed to Libor + spread;
- (x) Working capital agreement secured by Company's trade receivables.

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15.4 Covenants

The Company has the obligation to maintain the follow covenants for its financial contracts:

Index	Parameter	Limit
Net debt to Ebitda ratio - R\$	Net debt / Ebtida	up to 4.0x
Net debt to Ebitda ratio - US\$	Net debt / Ebtida	up to 3.5x

Net debt¹ to EBITDA² ratio in Real (R\$) is measured in a semiannual basis while the Dollar (US\$) ratio is measured in both, quarterly and annual basis.

- (¹) Net debt is total balance of loans and borrowings minus cash, cash equivalents, short and long investments in the measurement date.
(²) Ebitda is the English acronym for earnings before interest, taxes, depreciation and amortization.

On June 30, 2021 the Company has complied with all covenants.

15.5 Loan guarantees

Loan and borrowing contracts related to ACC's, BNDES and NCE's are guaranteed by promissory notes, bank guarantees, pledge of forests, or aval granted by *J&F Investimentos SA*. Some debt are guaranteed by short and long term investments pledged as collateral, (note 4.2), as well as lien on equipment, bank guarantee and promissory notes.

16. Lease liabilities

16.1. Lease liabilities composition

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Lease liabilities	1,149,490	1,103,855	1,444,472	1,400,636
Net present value adj. - NPV	(387,755)	(361,995)	(503,209)	(479,350)
	<u>761,735</u>	<u>741,860</u>	<u>941,263</u>	<u>921,286</u>
Current	189,723	186,742	213,718	212,489
Non-current	572,012	555,118	727,545	708,797
	<u>761,735</u>	<u>741,860</u>	<u>941,263</u>	<u>921,286</u>

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16.2. Transactions of lease liabilities:

	<u>Individual</u>	<u>Consolidated</u>
	<u>06/30/2021</u>	<u>06/30/2021</u>
Beginning balance	741,860	921,286
Additions	46,373	46,373
Payments	(86,546)	(87,797)
Interest accrued(a)	38,344	39,215
Write-off or termination	(8,251)	(8,251)
Contract modifications(b)	29,955	30,449
Foreign exchange variance	-	(12)
Ending balance	<u>761,735</u>	<u>941,263</u>

(a) R\$ 35,589 out of the accrued interest was considered part of the formation cost of the biological asset (note 9).

(b) Refers to changes in the existing contracts.

16.3. Lease liabilities payment schedule:

	<u>Individual</u>	<u>Consolidated</u>
	<u>06/30/2021</u>	<u>06/30/2021</u>
<u>Estimated lease payments:</u>		
2021	91,855	131,071
2022	166,857	207,750
2023	157,980	198,723
2024	152,284	194,924
2025	143,562	186,197
from 2026	436,952	525,807
(-) NPV	(387,755)	(503,209)
Total	<u>761,735</u>	<u>941,263</u>

16.4 Non-cash transactions:

		<u>06/30/2021</u>
	<u>Individual</u>	<u>Consolidated</u>
New lease contracts	46,373	46,373
Write-off or termination	(8,251)	(8,251)
Contract modifications	29,955	30,449

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Lease liabilities were considered gross of PIS and COFINS taxes. The potential PIS and COFINS credits included in the leasing contracts are as follows:

Individual		06/30/2021	
		Net present value - NPV	
Cash flows	Nominal		
Lease liabilities	1,149,490	761,735	
Potential PIS and COFINS credits (9.25%) ⁽¹⁾	69,341	40,534	
Consolidated		06/30/2021	
		Net present value - NPV	
Cash flows	Nominal		
Lease payable	1,444,472	941,263	
Potential PIS and COFINS credits (9.25%) ⁽¹⁾	70,057	40,986	

⁽¹⁾ Refer to tax credits on lease contracts that have an enterprise as a counterpart.

17. Income tax and social contribution - current and deferred

17.1. Effective tax rate reconciliation:

	Individual			
	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Income (loss) before income tax and social contribution	1,574,208	(31,586)	1,422,303	(1,379,271)
Income tax - nominal rate of 34%	(535,231)	10,739	(483,583)	468,952
<u>Tax effect on permanent differences:</u>				
Share of profit in controlled companies	121,810	35,000	225,619	59,721
Non-deductible expenses	(341)	(849)	(533)	(1,001)
Government grants	884	282	1,119	459
Lease expenses - IFRS16	(9)	157	354	(83)
Other	(1)	-	10,668	-
Income tax and social contribution - current and deferred	(412,888)	45,329	(246,356)	528,048
Effective tax rate	26.23%	(143.51%)	17.32%	(38.28%)

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	Consolidated			
	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Income (loss) before income tax and social contribution	1,582,857	(28,448)	1,433,447	(1,375,728)
Income tax - nominal rate of 34%	(538,171)	9,673	(487,372)	467,748
<u>Tax effect on permanent differences:</u>				
Non-deductible expenses	(407)	(969)	(686)	(1,121)
Government grants	884	282	1,119	459
Lease expenses - IFRS16	(26)	152	320	(103)
Difference of nominal rate to the foreign subsidiary rate	24,207	(6,298)	44,110	(2,545)
Taxable income for subsidiaries (rulling)	92,485	38,553	174,279	59,024
Other	(509)	798	10,730	1,043
Income tax and social contribution - current and deferred	(421,537)	42,191	(257,500)	524,505
Effective rate	26.63%	(148.31%)	17.96%	(38.13%)

17.2. Deferred income tax and social contribution transactions:

Individual and Consolidated	12/31/2020	Additions	Deductions	06/30/2021
Tax loss carryforward (i)	644,454	2,471	-	646,925
Unrealized foreign exchange variance	463,735	-	(162,591)	301,144
Accrued expenses	30,974	8,889	-	39,863
Fair value adjustment on biological assets	(171,993)	(6,746)	-	(178,739)
Accelerated depreciation - tax incentive	(681,056)	(88,379)	-	(769,435)
	286,114	(83,765)	(162,591)	39,758
Temporary differences - assets	1,139,163	11,360	(162,591)	987,932
Temporary differences - liabilities	(853,049)	(95,125)	-	(948,174)
	286,114	(83,765)	(162,591)	39,758

(i) On June 30, 2021, the total of losses carryforward amounted to R\$ 1,902,723.

Management, based on the approved multi-year budget, estimates that the tax credits arising from temporary differences and losses carryforward will be realized as follows:

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	06/30/2021
	Individual and Consolidated
2022	228,480
2023	97,565
2024	23,953
2025	220,606
2026	243,993
2027	173,335
	987,932

18. Provisions for lawsuit

The Company, in the normal course of business, is subject to tax, labor, environmental, civil and regulatory lawsuits, and, supported by the opinion of its legal advisors, assesses the expectation for the outcome of ongoing proceedings and determines the probability of loss which reflects the follow estimated provision for lawsuits:

Individual

	12/31/2020	Additions	Write-off	Adjustment	06/30/2021
Environmental	328	-	-	1	329
Civil	6,872	3,424	(1,042)	746	10,000
Labor	22,963	6,748	(4,246)	1,491	26,956
Tax	1,216	-	(384)	9	841
	31,379	10,172	(5,672)	2,247	38,126

Consolidated

	12/31/2020	Additions	Write-off	Adjustment	06/30/2021
Environmental	328	-	-	1	329
Civil	6,872	3,424	(1,042)	746	10,000
Labor	23,434	6,771	(4,246)	1,493	27,452
Tax	1,216	-	(384)	9	841
	31,850	10,195	(5,672)	2,249	38,622

The company has contingencies in the amount of R\$ 579,902 in the Individual and R\$ 580,123 in the Consolidated (R\$ 536,767 in the Individual and R\$ 537,205 in the Consolidated, in December 31, 2020) whose expectations for the outcome is classified as possible by the legal advisors and, therefore, no provision for lawsuits has been made. The contingencies classified as possible loss are as follows:

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Possible	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Environmental	10,155	9,693	10,155	9,693
Civil	429,619	389,290	429,619	389,300
Labor	35,825	32,987	36,046	33,415
Tax	4,836	7,724	4,836	7,724
Regulatory	99,403	97,028	99,403	97,028
Administrative	64	45	64	45
	<u>579,902</u>	<u>536,767</u>	<u>580,123</u>	<u>537,205</u>

Description of major contingencies

(i) Suzano S/A (merger of Fibria Celulose S.A.)

Among the cases above, the Company is a defendant in an intellectual property dispute with Suzano S.A., (hereinafter only referred to as "Suzano"), which alleges that the Company has violated certain rights related to the use of eucalyptus clones used in a small part of the Company's plantations. On April 19, 2013, Suzano filed a lawsuit with the Pre-Trial Evidence Production Action. As it is an expedient for the production of Fibria's evidence, the report favorable to Suzano's allegations was approved and the process was extinguished.

On April 01, 2016, the Company was included as defendant in an obligation to do suit, claiming R\$ 100 million. On May 05, 2016, Eldorado filed a reply for preliminary lack of jurisdiction and a preliminary injunction counterclaim stating briefly that according to the legal technical criteria, the examination of the samples showed that the seedlings were not the clones of Fibria and that, even if they were, the use by the Company would be assured by the provisions of the Law for Protection of Cultivars, with no damage to Suzano.

On September 26, 2016, the urgent claim required by Fibria was granted, for the immediate cessation and abstention of the planting and spread of VT02 clone eucalyptus by the Company, throughout the Brazilian territory. Regarding that claim, an interlocutory appeal was filed also addressing the lack of retention of jurisdiction of the court of Três Lagoas for the judgment of the ordinary proceeding. The appeal was judged groundless and a special appeal was filed against this decision.

In parallel to that, the evidence produced at the investigation stage showed that the Cultivar under dispute was not subject to protection, since it was in the public domain and freely marketed before the application for protection. Therefore, on May 8, 2020, the Company filed a Nullity Action against the Federal Union and Suzano, seeking the nullity of the Cultivar's Protection Certificate. This process is in the instruction phase.

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On April 29, 2021, a judgment of merit was published in the Action for Obligation to Do, which partially upheld the initial request to determine that the Company cease and refrain from planting and propagating eucalyptus clones VT02 throughout the national territory, as well as order it to pay indemnity for losses and material damages in relation to 5 (five) farms, to be fixed in due course in liquidation by arbitration. The judgment also ruled that the claim for indemnity for moral damages was unfounded. However, on May 6, 2021, the Company, by means of a procedural appeal, obtained the suspension of the process and the effects of the lower court decision until the final decision of the Superior Court of Justice. Furthermore, it also informs that, supported by the opinion of its legal advisors, the prognosis of loss in this lawsuit is possible, without the constitution of a provision.

(ii) Sanctioning Administrative Procedure - CVM

On December 8, 2017, CVM Instituted CVM Administrative Procedure No. 5388/2017, which aims to determine the purchase of derivative dollar contracts on behalf of Eldorado Brasil S.A. and other companies that are members of its economic group, between May 5 and 17, 2017, using unfair practices, in alleged violation of item II, point "d" of CVM Instruction No. 8/1979. A proposal for a compromise and defence was presented in May 2018. Currently the process awaits consideration of the defense that aims to rule out the application of the penalty of fine, estimated at R \$ 84.9 million. In the current phase of the process, the classification of the probability of loss is possible, without provision.

(iii) EGTM x Eldorado Brasil Celulose S.A.

EGTM Navegações Ltda, filed lawsuits against Eldorado Brasil Celulose, whose objects are contracts signed between the parties, seeking compensation for damages due to alleged contractual breaches: (i) minimum monthly volume of pulp cargo that Eldorado should make available for transportation; (ii) losses and damages arising from the early termination of the Pulp Transport Contract, (iii) infrastructure that would have been installed at the site at its expense, as well as the application of the penalties of bad faith litigation against Eldorado.

Eldorado also filed a lawsuit against EGTM seeking the termination of the Investment, Wood and Pulp Transport Contracts, due to the supervenience of an act of God or force majeure consistent with the unnavigability of the Tietê Paraná waterway, in addition to reimbursement for advances made and which did not were compensated for the provision of service by EGTM.

Eldorado's lawsuit was dismissed, and EGTM's were partially upheld. Eldorado filed an appeal, which was distributed to the 12th Chamber of Private Law of the São Paulo Court of Justice and is awaiting judgment.

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In the current stage of the process, the probability of loss is possible, in the amount of R\$ 377,526.

19. Shareholders' equity

19.1. Share capital

The subscribed and paid-in capital on June 30, 2021 and December 31, 2020 amounts for R\$ 1,788,792 which is equivalent to 1,525,558,419 common shares.

Equity participation is divided in 49.42% holding by CA Investment and 50.58% holding by J&F Investimentos S.A..

19.2. Legal reserve

Under the article 193 of Brazilian Corporate Law 6,404/76, the Company is required to record a legal reserve of 5.0% of net income for each fiscal year up to 20.0% of the share capital.

19.3. Tax benefits reserve

The Company has recorded tax benefit reserves for the portion of the net income related with tax incentives granted, under the law, by the Government of Mato Grosso do Sul - MS, for investments in the industrial plant located in city of Três Lagoas. The incentives were recognized in profit or loss.

19.4. Reserve for expansion

Under the Company's articles of association the totality of net income remaining after the deduction of the legal reserve, tax benefits reserve and mandatory minimum dividends, shall be allocated to an expansion reserve for investing in operating assets. The reserve amount is limit to 100% (one hundred percent) of the subscribed share capital.

19.5. Dividends

Under the Company's articles of association, the net income remaining after the deduction of the accumulated losses and the recorded legal reserve, tax benefits reserve and expansion reserve, shall be allocated to the payment of the minimum mandatory dividends, which should not be less than 25% of the adjusted net income. The minimum mandatory dividends are allocated in the Company's special reserve, pursuant to article 202, paragraph 4 and paragraph 5 of Law 6,404/76.

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19.6. Cumulative translation adjustments

The Cumulative Translation Adjustments - CTA, represents the foreign currency differences (functional currency of foreign subsidiaries) arising from the translation to the reporting currency, Reais (R\$).

19.7. Earnings per share - basic calculation

The basic calculation of earnings (losses) per share is calculated by dividing the ordinary shareholders net income (loss) by weighted-average number of outstanding ordinary shares and is presented as follows:

	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Income (loss) attributable to shareholders	1,161,320	13,743	1,175,947	(851,223)
Weighted-average number of ordinary shares - thousands	1,525,558	1,525,558	1,525,558	1,525,558
Earnings (loss) per share in reais	0.7612	0.0090	0.7708	(0.5580)

The Company does not have any financial instrument that could potentially dilute the earnings per share.

20. Net revenue

	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	Individual 01/01/2020 to 30/06/2020
Gross sales				
Domestic	324,122	139,991	545,916	312,952
Overseas	855,862	833,425	1,537,246	1,368,350
Discounts and rebates	(3,700)	(1,734)	(5,721)	(8,073)
	1,176,284	971,682	2,077,441	1,673,229
Tax on sales	(59,023)	(27,875)	(103,390)	(61,881)
Net revenue	1,117,261	943,807	1,974,051	1,611,348

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	Consolidated			
	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	01/01/2020 to 30/06/2020
Gross sales				
Domestic	324,122	139,991	545,916	312,952
Overseas	1,615,371	1,340,152	3,050,013	2,193,399
Discounts and rebates	(309,712)	(203,015)	(615,277)	(335,384)
	1,629,781	1,277,128	2,980,652	2,170,967
Tax on sales	(59,364)	(28,210)	(104,055)	(62,548)
Net revenue	1,570,417	1,248,918	2,876,597	2,108,419

21. Operating Segments

21.1. Geographic information

The geographic distribution of net revenue, based on customers' location is as follows:

Net revenue	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	01/01/2020 to 30/06/2020
Brazil	262,075	111,732	438,273	250,297
China	659,813	604,064	1,167,360	908,336
United States of America	238,184	207,418	458,498	337,491
Italy	144,030	40,148	278,707	135,986
Mexico	58,967	44,331	106,408	65,817
Germany	47,394	29,061	86,249	42,394
Canada	40,585	39,002	76,672	72,271
Bolivia	18,858	13,874	46,382	21,029
Slovenia	20,338	9,017	41,504	23,414
Egypt	22,131	3,682	30,604	13,738
Sweden	14,803	20,935	23,040	27,993
Other	43,239	125,654	122,900	209,653
	1,570,417	1,248,918	2,876,597	2,108,419

21.2. Information about the major customers

Only one customer, individually, concentrated more than 10% of the Company's net revenue for the period of six months ended at June 30, 2021. (Only one customer, individually, concentrated more than 10% of the Company's net revenue at December 31, 2020).

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21.3. Information about non-current assets

The geographic distribution of non-current assets is as follows:

<u>Non-current assets</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
Brazil	10,358,123	10,234,997
Austria	889	1,072
United States of America	372	463
China	88	127
	<u>10,359,472</u>	<u>10,236,659</u>

22. Cost and expenses by category

	<u>Individual</u>			
	<u>04/01/2021 to 06/30/2021</u>	<u>04/01/2020 to 06/30/2020</u>	<u>01/01/2021 to 06/30/2021</u>	<u>01/01/2020 to 06/30/2020</u>
Cost of goods sold	489,757	448,148	924,426	833,856
General & administrative	50,347	80,491	94,203	126,507
Selling & distribution	74,989	67,554	146,479	120,916
	<u>615,093</u>	<u>596,193</u>	<u>1,165,108</u>	<u>1,081,279</u>
Personnel expenses	103,407	94,677	191,806	173,030
Third party services, supplies and logistic	169,438	178,886	331,513	306,052
Depreciation, amortization and depletion	130,699	80,407	213,410	195,503
Raw material & operating supplies	205,763	236,720	413,691	396,503
Other	5,786	5,503	14,688	10,191
	<u>615,093</u>	<u>596,193</u>	<u>1,165,108</u>	<u>1,081,279</u>
	<u>Consolidated</u>			
	<u>04/01/2021 to 06/30/2021</u>	<u>04/01/2020 to 06/30/2020</u>	<u>01/01/2021 to 06/30/2021</u>	<u>01/01/2020 to 06/30/2020</u>
Cost of goods sold	456,709	502,309	915,444	939,813
General & administrative	55,297	83,720	102,836	134,256
Selling & distribution	184,766	205,381	367,650	321,028
	<u>696,772</u>	<u>791,410</u>	<u>1,385,930</u>	<u>1,395,097</u>
Personnel expenses	110,482	100,191	205,388	184,495
Third party services, supplies and logistic	278,257	315,590	549,650	504,354
Depreciation, amortization and depletion	130,862	115,048	214,828	203,418
Raw material & operating supplies	170,378	254,277	399,361	490,511
Other	6,793	6,304	16,703	12,319
	<u>696,772</u>	<u>791,410</u>	<u>1,385,930</u>	<u>1,395,097</u>

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23. Net interest income (expenses)

	Individual			
	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	01/01/2020 to 30/06/2020
Interest proceeds	92	324	133	1,546
Short term investments proceeds	1,727	591	2,483	2,330
Other financial income	(2)	3,384	1	3,446
Total interest incomes	1,817	4,299	2,617	7,322
Bank fees	(34)	(37)	(74)	(68)
Interest expenses	(124,683)	(149,729)	(252,925)	(287,755)
Guarantee fees	(806)	(10,554)	(1,691)	(20,916)
Other financial expenses	(8,952)	(862)	(9,886)	(1,905)
Total interest expenses	(134,475)	(161,182)	(264,576)	(310,644)
Loans and borrowings	705,385	(274,097)	224,252	(1,438,137)
Other assets and liabilities	121,647	(69,591)	(22,443)	(370,632)
Foreign exchange variance, net	827,032	(343,688)	201,809	(1,808,769)
Net interest income (expenses)	694,374	(500,571)	(60,150)	(2,112,091)

	Consolidated			
	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	01/01/2020 to 30/06/2020
Interest proceeds	106	416	195	2,086
Short term investments proceeds	3,421	1,033	5,488	3,834
Other financial income	(2)	3,384	1	3,446
Total interest incomes	3,525	4,833	5,684	9,366
Bank fees	(174)	(132)	(317)	(248)
Interest expenses	(126,278)	(147,483)	(253,000)	(284,020)
Guarantee fees	(806)	(10,554)	(1,691)	(20,916)
Other financial expenses	(13,950)	(5,607)	(19,837)	(10,322)
Total interest expenses	(141,208)	(163,776)	(274,845)	(315,506)
Loans and borrowings	705,385	(274,097)	224,252	(1,438,137)
Other assets and liabilities	121,726	(69,729)	(22,353)	(370,855)
Foreign exchange variance, net	827,111	(343,826)	201,899	(1,808,992)
	689,428	(502,769)	(67,262)	(2,115,132)

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24. Other operating income (expenses)

	Individual			
	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	01/01/2020 to 30/06/2020
ICMS credit reversal(a)	(51,993)	(415)	(60,722)	(915)
Provisions for lawsuit	(3,329)	(2,905)	(6,746)	(1,387)
Indemnities expenses	(2,231)	(215)	(4,361)	(1,034)
Proceeds on PP&E sales	7,015	521	14,939	5,057
Other	(1,896)	(2,970)	(5,043)	930
	(52,434)	(5,984)	(61,933)	2,651
Other income	10,477	2,350	24,368	12,630
Other expenses	(62,911)	(8,334)	(86,301)	(9,979)
	(52,434)	(5,984)	(61,933)	2,651
	Consolidated			
	01/04/2021 to 30/06/2021	01/04/2020 to 30/06/2020	01/01/2021 to 30/06/2021	01/01/2020 to 30/06/2020
ICMS credit reversal(a)	(52,074)	(472)	(60,939)	(1,070)
Provisions for lawsuit	(3,344)	(3,303)	(6,772)	(1,785)
Indemnities expenses	(2,279)	(1,108)	(4,409)	(1,422)
Proceeds on PP&E sales	7,014	522	14,961	5,126
Other	(1,906)	(3,239)	(5,194)	784
	(52,589)	(7,600)	(62,353)	1,633
Other income	10,544	1,516	24,552	12,463
Other expenses	(63,133)	(9,116)	(86,905)	(10,830)
	(52,589)	(7,600)	(62,353)	1,633

(a) Refer to note 8(i)c.

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25. Financial instruments

25.1. Financial risk management

The Company has a Financial Risk Management Policy that was updated and approved by the Board of Directors in 2020. The policy establishes guidelines and best practices to be followed by the Company and its subsidiaries in relation to fundraising, foreign exchange (FX), interest rates and related risks ("Financial Risks"). The policy also defines the Company's risk management structure and provides authority for management to establish the process to monitor, measure and report the Financial Risks the Company is exposed in its normal course of business.

The Company is exposed to the following risks arising from financial instruments:

- a. Market risk;
 - (i) Risk of interest rates;
 - (ii) Risk of exchange rates;
 - (iii) Price risk;
- b. Credit risk;
- c. Liquidity risk.

a. Market risk

Market risk is the risk that changes in market prices (foreign exchange rates, interest and inflation rates, commodities and equity prices) will affect the Company income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

During the year, markets were severely impacted by the coronavirus health crisis, resulting in great volatility in financial assets, such as interest rates, foreign exchange and market liquidity. This lack of liquidity cooled over time, with the end of the period presenting liquidity similar to the pre-crisis. As for the exchange rate, the results of exchange variation have been presented quarterly showing that the Company's exposure is appropriate to its position as an exporter.

(i) Interest rate risk

Refers to the potential for economic losses that the Company and its subsidiaries may incur due to fluctuations in interest rates. The Company has assets and, mainly, liabilities exposed to this risk, such as operations linked to indexes such as Interbank Deposit Certificate (CDI), Long Term Interest Rate (TJLP), and LIBOR (London Interbank Offer Rate). A fundamental review and reform of the main benchmarks of interest rates are being carried out globally. There is uncertainty as to the timing and transition methods to replace existing interbank reference rates (IBORs) with alternative rates.

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In addition, the Company maintains contact with counterparties that have their operations tied to Libor and understands that the contracts include the possibility of changing this rate to what the market sees as a substitute, such as SOFR (Secured Overnight Financing Rate). The Company has not identified significant impacts on its financial instruments.

Finally, the Company seeks to mitigate the risk of the interest rate by diversifying the contracted indices and, eventually, using the contracting of derivatives.

The risk of exposure to the Company's interest rate is on loans and borrowings. The balances as of June 30, 2021 and December 31, 2020 are presented as follows:

Financial category	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Loans and borrowings	6,952,471	5,846,513	6,962,654	7,726,957
Loans and borrowings with related parties	1,105,836	1,887,692	-	-
Cash and cash equivalents	(350,644)	(183,292)	(688,600)	(888,014)
Financial investments	(127,460)	-	(397,548)	(62,392)
	7,580,203	7,550,913	5,876,506	6,776,551

Sensitivity analysis

Information on the interest rate risk to which the company is exposed and the possible impacts on the outcome are presented below. The likely scenario is based on market indicators projected for December 2021 and possible variations are presented classified as possible and remote, being 25% and 50% respectively in relation to the probable scenario. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

The Company's practice is to use the percentages of 25% and 50% due to the high volatility that emerging economies are normally exposed, either in the volatility of foreign currencies or in the variation of local and international interest rates.

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The net results between the results of the exposures are presented below:

<u>Individual</u>	<u>06/30/2021</u>	<u>Balance (R\$)</u>	<u>Probable</u>	<u>Possible (25%)</u>	<u>Remote (50%)</u>
Net exposure to interest rates		<u>(7,580,203)</u>	<u>(25,429)</u>	<u>(17,064)</u>	<u>(34,127)</u>

<u>Consolidated</u>	<u>06/30/2021</u>	<u>Balance (R\$)</u>	<u>Probable</u>	<u>Possible (25%)</u>	<u>Remote (50%)</u>
Net exposure to interest rates		<u>(5,876,506)</u>	<u>(23,618)</u>	<u>(15,983)</u>	<u>(31,965)</u>

(ii) Foreign exchange risk

The Company is exposed to foreign exchange risk to the extent that there is an incompatibility between the currencies in which sales, purchases and loans are denominated and the functional currency of the Company.

The main exposures to which the Company is subject, with respect to exchange rate variations, refer to the fluctuation of the US Dollar in relation with the Real.

As of June 30, 2021, and December 31, 2020, the exchange rate risk is concentrated in: Cash and cash equivalents, financial investments, trade accounts receivables, trade accounts payable and loans and borrowings.

The Company, in order to prevent the risk of fluctuations in exchange rate variations, seeks to balance its assets and liabilities in foreign currency. The Company evaluates and eventually contracts derivative financial instruments in order to eliminate any residual difference.

The Company's assets and liabilities, exposed to the risks of exchange variation, expressed in thousands of Reais are presented as follows:

Individual and consolidated

<u>Exposure</u>	<u>US\$</u>		<u>R\$</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
Cash and cash equivalents	3,130	6,405	15,656	33,284
Short and long term investments	5,911	-	29,568	-
Trade receivables	161,680	69,373	808,753	360,513
Advance to suppliers	53	-	265	-
Trade payables	(1,475)	(2,050)	(7,375)	(10,653)
Loans and borrowings - related parties	(221,070)	(363,248)	(1,105,836)	(1,887,692)
Loans and borrowings	(1,081,591)	(946,813)	(5,410,335)	(4,920,304)
Net exposure to foreign exchange fluctuation	<u>(1,133,362)</u>	<u>(1,236,333)</u>	<u>(5,669,304)</u>	<u>(6,424,852)</u>

As of June 30, 2021, the price of the U.S. Dollar was R\$ 5.0022 (as of December 31, 2020 the price of the U.S. Dollar was R\$ 5.1967).

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Sensitivity analysis

The information on the foreign exchange risk to which the company is exposed and the possible impacts on the result are presented below. The likely scenario is based on the consensus of the Focus report of June 28, 2021 with the exchange rate of 5.10 considered for December 31, 2021 and possible changes are presented classified as possible and remote, being 25% and 50% respectively in relation to those of the probable scenario. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of planned sales and purchases.

Individual and consolidated

06/30/2021	Balance(US\$)	Balance(R\$)	Probable	Possible (25%)	Remote (50%)
Net exposure to exchange rate gains (losses)	<u>(1,133,362)</u>	<u>(5,669,304)</u>	<u>(110,843)</u>	<u>(1,555,879)</u>	<u>(3,000,916)</u>

(iii) Price risk

The Company is exposed to the volatility of wood prices only for new contracts, the variation of which results from external factors beyond its control, such as climatic factors, volume of supply, transportation costs, silvicultural policies and others. In order to guarantee raw material for the operation of its plant, the Company has been purchasing wood for future delivery, with partial advance payments, not being exposed to price volatility for contracts already signed.

Individual and Consolidated	06/30/2021	12/31/2020
Estimated value of contracts signed	1,647,241	1,685,873
Payments / prepayments done	<u>(561,574)</u>	<u>(436,233)</u>
	<u>1,085,667</u>	<u>1,249,640</u>

The risks of not receiving wood are mitigated by the constant monitoring of forest development by the Company specialists.

b. 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. Basically it is the risk arising from the default of accounts receivable from customers.

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The credit risk in the Company's operating activities is managed based on specific rules for the acceptance of customers and the establishment of their respective credit limits, consistently carried out through credit analyzes periodically reviewed and discussed with the credit committee and guarantees presented by customers. The Company works to guarantee the realization of overdue credits through frequent monitoring of defaulting customers and also the use of a credit lines and other financial instruments that guarantee the respective receivables.

As of June 30, 2020, the book value of accounts receivable from the Company's two most relevant clients (located in Asia and Europe) is R\$ 156,100 (R\$ 155,708 as of December 31, 2020).

Credit risk exposure

The carrying value of financial assets represents the maximum credit risk exposure. The maximum credit risk exposure at the end of the period is as follows:

	Individual		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Cash and cash equivalents	350,644	183,292	688,600	888,014
Financial investments	127,460	-	397,548	62,392
Trade receivables	1,022,596	490,832	869,938	712,377
Total	1,500,700	674,124	1,956,086	1,662,783

c. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure cash and financial investments in order to meet its financial and operating commitments. The amount held in cash is intended to meet the liabilities of the normal course of its operations, while the surplus is invested in highly liquid financial investments contracted with highly rated institutions.

The Company's long-term debt is in the CCB modalities, with an average maturity of 1.1 years, CDB with an average maturity of 1.2 years, NCE with an average maturity of 1.3 years, Leasing with an average maturity of 1.6 years, BNDES and its subsidiaries - average maturity of 1.9 years.

The cash flows presented consider that financial and non-financial covenants are not and will not be broken. In the event of non-compliance, payments may be accelerated at creditors' discretion.

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The table below shows the amounts of the Company's financial liabilities according to contractual maturities. These amounts are expected cash outflows:

<u>Individual</u>	<u>1 year or less</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>More than 3 years</u>	<u>Total</u>
As of June 30, 2021					
Loans and borrowings	3,894,888	2,158,843	1,178,248	103,412	7,335,391
Trade payables	260,754	-	-	-	260,754
Loans and borrowings with related parties	52,436	52,436	1,152,920	-	1,257,792
Accounts payable to related parties	1,404	-	-	-	1,404
Other current liabilities	7,267	-	-	-	7,267
	<u>4,216,749</u>	<u>2,211,279</u>	<u>2,331,168</u>	<u>103,412</u>	<u>8,862,608</u>

<u>Consolidated</u>	<u>1 year or less</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>More than 3 years</u>	<u>Total</u>
As of June 30, 2021					
Loans and borrowings	3,905,270	2,158,843	1,178,248	103,412	7,345,773
Trade payables	253,941	-	-	-	253,941
Accounts payable to related parties	1,404	-	-	-	1,404
Other current liabilities	24,393	-	-	-	24,393
	<u>4,185,008</u>	<u>2,158,843</u>	<u>1,178,248</u>	<u>103,412</u>	<u>7,625,511</u>

d. Operational risks

Right-of-use on port concession

Rishis operations are exposed to operational and environmental risks, such as fire, loss of concession, non-adherence to the international security plan (ISPS Code) and the environmental protocol and unforeseeable circumstances.

Because of the exposure to these risks, Rishis has insurance policies that include coverage for operational risks (Property) and civil liability (Directors and Officers and General Civil Liability) in addition to the permanent inspection of authorities such as: Santos Port Authority - SPA (ex-CODESP), Federal Regulatory Agency "ANTAQ", State Environmental Agency "CETESB", ISPS Code Security Commission, Santos City Hall (business license) and São Paulo Military Police Fire Department (AVCB), always in compliance with the conditions and current legal requirements.

Natural disasters and other risks

The Company has a very diversified logistics operation, where Rishis is responsible for 30% of the total volume.

To mitigate the risk of unforeseeable circumstances or force majeure in Santos, the Company also counts with the operation of breakbulk at the public port in São Francisco do Sul / SC and in the port of Imbituba/SC, in addition to having a container shipment operation in the Ports of Santos / SP, Itajaí / SC, Navegantes / SC, Itapoá / SC and Paranaguá / PR.

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25.2. Fair values of financial instruments

Assets and liabilities measured at fair value in the statements of financial position are classified based on the following hierarchy levels of fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) using valuation techniques that use data from active markets;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Hierarchy Level	06/30/2021		12/31/2020	
		Book value	Fair value	Book value	Fair value
Individual					
<u>Assets</u>					
<u>Assets at amortized cost</u>					
Cash and cash equivalents		350,644	350,644	183,292	183,292
Trade receivables		1,022,596	1,022,596	490,832	490,832
		<u>1,373,240</u>	<u>1,373,240</u>	<u>674,124</u>	<u>674,124</u>
<u>Assets at fair value through income (loss)</u>					
Short and long term investments	Level 2	127,460	127,460	-	-
		<u>1,500,700</u>	<u>1,500,700</u>	<u>674,124</u>	<u>674,124</u>
<u>Liabilities</u>					
<u>Liabilities at amortized cost</u>					
Loans and borrowings	Level 2	6,952,471	6,868,037	5,846,513	5,904,693
Trade payables		260,754	260,754	281,823	281,823
Lease liabilities		761,735	761,735	741,860	741,860
Loans and borrowings - related parties		1,105,836	1,054,805	1,887,692	2,171,922
Accounts payable - related parties		1,404	1,404	2,968	2,968
Other current liabilities		7,267	7,267	11,432	11,432
		<u>9,089,467</u>	<u>8,954,002</u>	<u>8,772,288</u>	<u>9,114,698</u>
<u>Consolidated</u>					
<u>Assets</u>					
<u>Assets at amortized cost</u>					
Cash and cash equivalents		688,600	688,600	888,014	888,014
Trade receivables		869,938	869,938	712,377	712,377
		<u>1,558,538</u>	<u>1,558,538</u>	<u>1,600,391</u>	<u>1,600,391</u>
<u>Assets at fair value through income (loss)</u>					
Short and long term investments	Level 2	397,548	397,548	62,392	62,392
		<u>1,956,086</u>	<u>1,956,086</u>	<u>1,662,783</u>	<u>1,662,783</u>
<u>Liabilities</u>					
<u>Liabilities at amortized cost</u>					
Loans and borrowings	Level 2	6,962,654	6,868,037	7,726,957	7,823,970
Trade payables		253,941	253,941	267,126	267,126
Lease liabilities		941,263	941,263	921,286	921,286
Accounts payable - related parties		1,404	1,404	1,716	1,716
Other current liabilities		24,393	24,393	55,560	55,560
		<u>8,183,655</u>	<u>8,089,038</u>	<u>8,972,645</u>	<u>9,069,658</u>

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The fair value of financial assets and liabilities refers to the amount for which the instrument can be exchanged in a current transaction between willing parties and not in a forced sale or settlement transaction. The methods and assumptions used to estimate the fair value are described below.

The fair value of amounts due to / from related parties is close to their book values, mainly due to the short-term maturity of these instruments.

The fair value of loans and financing was measured at market price, calculated at present value of future flows estimated based on the interest curves adopted by the market, using the discount rate verified in the average term of loans and financing. The value ascertained aims to clarify its replacement or replacement cost, and its measurement occurs at each balance sheet date.

26. Take or pay agreements

26.1. Chemical and oxygen plant and natural gas distribution pipeline

The Company has entered to take-or-pay contracts for two chemical plants and a natural gas distribution pipeline to support the operational supply needs for pulp production.

The 15-year term take-or-pay contract for Chlorine Dioxide plant, effective since December 2012, has a price composition consisting of fixed and variable production costs and price review terms generally applied to this type of contract.

The 15-year term take-or-pay contract for the Oxygen plant, effective since October 2012, is denominated in US dollars and paid in fixed monthly installments, adjusted by the PPI - Producer Price Index, on the first day of every December.

The 12-year take-or-pay contract for natural gas, effective since May 2016, and the price, calculated per cubic meter of natural gas consumed, is based on three elements:

- a) natural gas prices quarterly adjusted based on the arithmetic averages of the natural gas daily prices in the Spot Price Assessments table, published in the Platt's Oilgram Price Report;
- b) pipeline transport fare, adjusted on May each year, based on General Price Index - IGPM, variance;
- c) distributor's fixed margin, adjusted on the first day of each year, based on Extended National Consumer Price Index - IPCA Ampla.

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As of June 30, 2021, the non-cancellable future minimum payments are as follows:

<u>Individual and Consolidated</u>	<u>06/30/2021</u>
2021	36,270
2022	72,082
2023	72,082
2024	72,082
2025	72,082
2026 and thereafter	175,040
	<u><u>499,638</u></u>

The amounts recognized in the profit or loss are as follows:

<u>Individual and Consolidated</u>	<u>04/01/2021 to 06/30/2021</u>	<u>04/01/2020 to 06/30/2020</u>	<u>01/01/2021 to 06/30/2021</u>	<u>01/01/2020 to 06/30/2020</u>
Expenses	<u>46,339</u>	<u>46,819</u>	<u>86,204</u>	<u>85,112</u>

26.2. Thermoelectric power plant

In 2016, the Company won the ANEEL Auction 01/2016, modality A-5, and was authorized by law (Portaria MME nº 477/2016), to operate as an Independent Electric Energy Producer through the implementation of a thermoelectric power plant with a nominal capacity of 50MW of electric energy from biomass. The electric energy produced by the called Usina Termelétrica de Onça Pintada is being negotiated under 7 (seven) purchase power agreements - *Contratos de Comercialização de Energia no Ambiente Regulado (CCEAR)*, with a 25 year term starting in April 23, 2021 for a total of 38,1 MWh produced monthly.

27. Share Purchase and Sale Agreement

On September 2, 2017, J&F entered into a share purchase and sale agreement for the sale of the totality of its direct and **indirect** shareholding interest in the company to CA Investment (Brazil) SA, a company in the Paper Excellence group (“CA Investment”).

The Share Purchase and Sale Agreement states that the transfer of control of Eldorado, from J&F to CA, could occur during a period of up to 12 (twelve) months, if certain precedent conditions were met, which did not occur.

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The parties discuss the reasons for the non-realization of the transfer of control of Eldorado as provided for in the Share Purchase and Sale Agreement, and a judicial and arbitration dispute was initiated in the second half of 2018.

On February 3, 2021, a decision was issued in the arbitration proceedings, giving CA Investment the right to close the transaction, provided that the seller's guarantees are effectively released and the price payment is made.

On March 19, 2021, J&F filed a declaratory action against the arbitration award in the face of the Company and CA Investment, with an injunction to partially suspend the effects of that award.

On April 5, 2021, an injunction was issued by the 2nd Business and Conflicts Related to Arbitration Court of the Judicial District of São Paulo, in the context of the declaratory action of the nullity of the arbitration award, determining that the acts referring to the release of guarantees by J&F Investimentos SA and the transfer of the Company's shareholding control could not take place until a reconsideration of the matter in a decision to redress the aforementioned action, after new manifestations by the Parties and presentation of requests for the production of evidence.

28. Subsequent Events

Share Purchase and Sale Agreement

On July 12, 2021, in an injunction, the previous decision suspending the effects of the arbitration award was revoked. The new decision authorizes the beginning of the process to comply with the arbitration award, with release of guarantees from J&F for the subsequent transfer of the Company's shareholding control to CA Investment. The new decision also provides for the judgment of the merits of the lawsuit, with the delivery of a sentence, within 120 days from June 17, 2021.

On July 21, 2021, Eldorado and J&F filed an Interlocutory Appeal against the decision rendered on July 12, 2021, which is awaiting consideration by the Court of Justice of the State of São Paulo.

On July 30, 2021, the Court of Justice of the State of São Paulo, in a collegiate decision, granted the preliminary injunction required in the Interlocutory Appeal and determined the suspension of the acts aimed at transferring the shareholding control of Eldorado until the final judgment of the action annulment.

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Statutory Board

Carmine de Siervi Neto
President Director

Germano Aguiar Vieira
Forest Director

Carlos Roberto de Paiva Monteiro
Industrial Technical Director

Rodrigo Libaber
Commercial Director and Investor Relations

Fernando Storchi
Financial Director

Board of Directors

Aguinaldo Gomes Ramos Filho
Board of Directors President

João Adalberto Elek Júnior
Counselor

Sérgio Longo
Counselor

Mauro Eduardo Guizeline
Counselor

Francisco de Assis e Silva
Counselor

Marcio Antonio Teixeira Linares
Counselor

Raul Rosenthal Ladeira de Matos
Counselor

Accountant

Angela Midori Shimotsu do Nascimento
CRC SP 227742/O-7