(Convenience translation into English from the original previously issued in Portuguese)

ELDORADO BRASIL CELULOSE S.A.

Independent auditor's report

Financial statements
As at December 31, 2017 and 2016

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Contents

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

Qualified Opinion

We have audited the individual and consolidated financial statements of **Eldorado Brasil Celulose S.A.** (**"Company"**), identified as company and consolidated, respectively, which comprise the individual and consolidated statement of financial position as at December 31, 2017 and the respective individual and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the matters mentioned in the section "Basis for qualified opinion", the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of **Eldorado Brasil Celulose S.A.** as at December 31, 2017, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for qualified opinion

Plea Bargain Agreement, Leniency Deal and Independent Investigation

As described in Note 31 to the individual and consolidated financial statements, in May 2017, some executives and former executives of the Group J&F Investimentos S.A. (J&F), entered into Plea Bargain Agreements with the Attorney General's Office (PGR), later blessed by the Supreme Court of Brazil (STF). The agreements establish, among other things, cooperation with the Federal Public Prosecution Office (MPF) relating to all facts reported to that authority. Also, in June 2017, J&F entered into a Leniency Deal with MPF. On August 24, 2017, MPF 5th Chamber blessed the Leniency Deal entered into and on October 11, 2017 the federal regular judge of the 10^{th} Federal Court of Distrito Federal, on a justification hearing, also approved in court the mentioned deal. The Deal refers to the operations "*Cui Bono*", "Carne Fraca," "*Sepsis*" and "*Greenfield*". On September 21, 2017, the Company joined the Leniency Deal, therefore avoiding the financial impacts of the Deal fully assumed by J&F.

The conduction of an internal investigation on the facts reported in the Plea Bargain Agreements related to the Company is one of the obligations established in the Leniency Deal. The Independent Supervision Committee (CSI) of the Leniency Deal has, among other functions, the responsibility of approving the service providers conducting the internal investigations at the Company, as well as adjusting the respective work plans. The expert professionals started the investigation process in September 2017, and they are external and independent from the Company. So far, those professionals have substantially developed with the investigations, corroborating in large part the irregularities in the Annexes of the Collaboration, including an evaluation of the information of the people signing the representation letter made available to the independent auditor, and we are not aware of any irregular points or that required further analysis.

As mentioned in Note 3.f to the individual and consolidated financial statements, the Cooperation Agreements were analyzed and their effects recorded in the individual and consolidated financial statements and in the comparative financial information.

In addition to the matters previously referred to, we highlight the following issues pending solution, and not fully under control of the Company, whose possible effects may result in significant changes to the individual and consolidated financial statements, as well as to the comparative financial information, including aspects related to insufficient disclosure of certain information in the notes:

- There is complementary information presented by J&F to MPF, provided for in the Collaboration and the Plea Bargain Agreement, which, although considered in the scope of the investigation, not yet made public;

- The independent investigation required in the Leniency Deal with MPF was started and is monitored by the Independent Supervision Committee, with the availability of the preliminary report and remaining certain investigative procedures, so that the investigation is completed;

- Because of its decision to join the Leniency Deal between J&F and MPF previously mentioned, the Company has no ongoing negotiations of deals with other Federal, State or Municipal authorities or entities, in relation to similar deals with those bodies related to the existence of other responsibilities or obligations not previously assumed.

Therefore, although it is expected that the Company will not have any significant effects to its individual and consolidated financial statements, seeing the limitations referred to above, we are not able to assure, until this date, that no significant effects will exist, including tax ones.

Reclassification of loans and financing

As mentioned in Note 17 to the individual and consolidated financial statements, the Company has not complied with certain covenants of loan and financing agreements entered into with financial institutions as at December 31, 2017, and has not obtained waiver from those financial institutions until the present date. In accordance with the Brazilian accounting practices and the IFRS, considering that the Company and its controlled companies did not have the unconditional right to postpone the settlement of the obligations recorded in the individual and consolidated statements of financial position in the amounts of R$ 6,651,517 thousand and R$ 8,052,070 thousand, respectively, for at least twelve months after December 31, 2017, the amounts of R$ 4,332,103 thousand and R$ 5,659,698 classified in individual and consolidated non-current liabilities, respectively, should had been fully classified in current liabilities. Consequently, the individual and consolidated current liabilities, as at December 31, 2017, are understated by R$ 4,332,103 thousand and R$ 5,659,698 thousand, respectively, and the individual and consolidated non-current liabilities are overstated by those amounts.

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its controlled companies in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis

Restatement of prior financial statements

As described in Note 3.f to the individual and consolidated financial statements, the disclosure and amounts corresponding to the financial statements for the year ended December 31, 2016 and to the opening balance at January 1, 2016 were amended and are being restated to reflect the correction of errors and improve its disclosure through notes, in order to show the comparison and consistency of the accounting information of the Company. Our opinion is not modified in respect of this matter.

ICMS to be recovered

As described in Note 9 to the individual and consolidated financial statements, which describes the actions that the Company has prioritized in order to maximize the realization of ICMS credits that are conditioned mainly in the expectation of increased sales of pulp to the market and the granting of incentives by the government of the State of Mato Grosso do Sul to pay suppliers to be hired under the project to expand production. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the section "Basis for qualified opinion", we determined that the matters described below are the key audit matters to be communicated in our report.

Revenue recognition

The Company's revenues arising from sales of pulp are recognized when the respective risks and benefits are substantially transferred to the buyer. In view of the diversity and variety of contractual terms, relevance of the amounts and judgment involved in determining the timing for the transfer to the counterparty of the risks and benefits of the goods sold, which may affect the amount recognized in the individual and consolidated financial statements and the amount of the investment recorded according to the equity method in the individual financial statements, we considered this a key audit matter.

Audit response

Our audit procedures included, among others:

- Conducting tests on documents, based on samples, on the existence and accounting of revenues in the proper period, evaluating the moment of recognition of sales revenues according to the transfer of ownership of the good from the Company to the customer, considering the supporting documentation on shipment and delivery of the goods sold;
- Analyzing internal and external indicators of the Company, such as volume of goods sold and variation in prices to identify unusual trends that may indicate material errors in revenue recognition;
- Evaluating and testing relevant Information Technology systems;
- Reviewing the appropriate disclosure in the financial statements.

Based on the result of the audit procedures described above, we considered that the recognition of revenue and the disclosures made are adequate, in all material respects, in the context of the financial statements taken as a whole.

Evaluating the recovery of state and federal tax credits (current and deferred)	Audit response
As mentioned in Notes 09 and 19 to the individual and consolidated financial statements, the Company has in its assets a balance of recoverable taxes related to ICMS (State VAT), in addition to deferred income and social contribution taxes arising from temporary differences and income and social contribution tax losses in the last years. The realization of recoverable taxes is based on a technical study and on the projection of purchases and sales in future years, considering facts not fully under the control of the Company in regard to obtaining tax incentives in the state of Mato Grosso do Sul and deferred taxes considering the expected generation future taxable income. The Company uses business and accounting estimates in the calculation of these projections which include, among others, assumptions regarding estimated purchases and sales, growth rates in operations and expected profit margins. Due to the high level of judgment involved to determine such projections and to the impact that possible changes in these assumptions could have on the individual and consolidated financial statements and on the investment amount recorded according to the equity method in the parent company's financial statements, we considered this a significant matter in our audit.	Our audit procedures included, among others: ▪ Using our internal experts in corporate financing to evaluate the assumptions used in the estimates of sales and purchases and projections of future taxable income comparing those, when available, with data from external sources, such as projected economic growth and cost inflation; ▪ Evaluating the consistency of the assumptions with the business plans approved by the Board of Directors; ▪ Involving our internal tax experts in the analysis of the alternatives presented by the Company's management for the use of recoverable taxes to pay future Federal and State taxes by means of request for refund and/or offset and, for deferred taxes, based on tests, in the verification of compliance with Brazilian tax laws, in regard to deductible expenses or taxable revenues forming the balance of temporary differences; ▪ Checking, with the assistance of our internal tax experts, if the tax basis used in the calculation of the deferred taxes was appropriate considering the effective tax legislation; ▪ Analyzing the adequacy of the amount accounted for by means of recalculation of temporary differences and tax losses; ▪ Reviewing the appropriate disclosure in the financial statements. Based on the result of the audit procedures described above, except for the matters mentioned in the section "Basis for qualified opinion", we considered that the book value of the deferred income and social contribution taxes recorded can be recovered in the future and meet the requirements described in Accounting Pronouncement CPC 32/IAS 12, other Federal and State current taxes can be recovered in the future, considering the need to obtain a tax incentive in the State of Mato Grosso do Sul as a relevant factor. The disclosures made are adequate, in all material respects, in the context of the financial statements taken as a whole.

Measurement of fair value of biological assets – eucalyptus forests	Audit response
As mentioned in Note 12 to the individual and consolidated financial statements, biological assets are measured at fair value based on the present value of discounted cash flows. The measurement of these assets at fair value, deducting estimated sales costs at the time of harvest, involves a significant level of judgment and is based on business assumptions that include, among other items, the average cycle of forests development per planting regions, planted areas, the asset conditions and discount rates for the calculation of the fair value of the biological asset less selling costs. Due to the relevance and high level of judgment from Management in determining those estimates, the discount rates used, and to the impact that possible changes in those assumptions could have on the individual and consolidated financial statements, we considered this a significant matter in our audit.	Our audit procedures included, among others: ▪ Involving our internal experts in corporate financing to evaluate the assumptions adopted in the calculation methodology and in the tests of recalculation of projections and cash flows prepared by the Company; ▪ Involving our agribusiness experts to evaluate the controls and assumptions used in the formation of eucalyptus forests, considering the aspects of valuation of the biological asset according to the planting time; ▪ Comparing those data, when available, with information from the sector market, production indexes and estimated selling costs; ▪ Evaluating the integrity of the information used, as well as the mathematical accuracy of the calculations of fair value of biological assets; ▪ Reviewing the appropriate disclosure in the financial statements. Based on the result of the audit procedures described above, we considered that the book value of biological assets meets the requirements established in CPC 29/IAS 41, and that the disclosures made are adequate, in all material respects, in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added, prepared under the responsibility of the Company's management for the year ended December 31, 2017, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, except for the matters mentioned in the section "Basis for qualified opinion", the statements of value added were properly prepared, in all material respects, in accordance with the criteria established in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Audit of corresponding amounts

The amounts corresponding to the financial statements as at December 31, 2016, presented for comparison purposes, and now restated as a result of the matters described in Note 3.f to the individual and consolidated financial statements, were audited by other independent auditors whose report thereon, dated March 28, 2018, was modified regarding the same matters mentioned in the section "Basis for qualified opinion".

Other information accompanying the individual and consolidated financial statements and auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. As a result of the matters described in the section "Basis for qualified opinion", this other information is also misstated in respect of the values described in mentioned section.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its controlled companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its controlled companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its controlled companies to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 28, 2018.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Paulo Sérgio Tufani
Accountant CRC 1SP 124504/O-9

Eldorado Brasil Celulose S.A.

Statements of financial position as at December 31, 2017 and December 31, 2016

(In thousands of Brazilian Reais)

		Parent company			Consolidated		
Assets	**Note**	**12/31/2017**	**12/31/2016 (Restated)**	**01/01/2016 (Restated)**	**12/31/2017**	**12/31/2016 (Restated)**	**01/01/2016 (Restated)**
Current							
Cash and cash equivalents	5.1	161,013	829,602	1,058,790	377,507	1,044,637	1,264,151
Trade accounts receivable	6	1,155,280	954,120	1,128,532	647,709	525,453	540,860
Inventories	8	301,046	349,840	255,080	493,109	506,186	530,106
Recoverable taxes	9	432,373	168,177	369,717	432,717	168,913	371,640
Advances to suppliers	10	32,976	30,459	40,517	33,063	30,577	46,288
Derivatives receivable	29 (i.b)	-	12,846	89,871	-	12,846	89,871
Intercompany receivables	7	2,783	27,241	-	-	24,500	-
Assets available for sale	11	2,113	-	-	2,113	-	-
Other current assets		38,969	31,445	19,587	39,469	31,835	20,553
Total current		**2,126,553**	**2,403,730**	**2,962,094**	**2,025,687**	**2,344,947**	**2,863,469**
Noncurrent							
Trade accounts receivable	6	683	-	-	683	-	-
Financial investments	5.2	168,038	161,399	114,524	219,336	161,399	114,524
Recoverable taxes	9	629,934	740,815	578,158	629,939	743,648	580,827
Advances to suppliers	10	83,873	76,948	59,511	83,873	76,948	59,511
Deferred Income and Social Contribution Taxe	19	391,044	543,859	536,791	391,044	543,859	536,791
Deposit, guarantees and others		6,821	5,343	2,746	7,164	5,554	2,936
Other noncurrent assets		14,993	15,026	14,909	14,996	15,028	14,909
		1,295,386	**1,543,390**	**1,306,639**	**1,347,035**	**1,546,436**	**1,309,498**
Biological assets	12	2,499,996	2,050,789	1,736,309	2,499,996	2,050,789	1,736,309
Investments	13	105,121	108,074	108,061	-	-	-
Fixed assets	14	4,578,125	4,760,269	4,764,993	4,644,597	4,831,642	4,834,979
Intangible assets	15	7,337	6,450	7,279	33,242	36,860	39,290
Total noncurrent		**8,485,965**	**8,468,972**	**7,923,281**	**8,524,870**	**8,465,727**	**7,920,076**
Total assets		**10,612,518**	**10,872,702**	**10,885,375**	**10,550,557**	**10,810,674**	**10,783,545**

		Parent company			Consolidated		
Liabilities	**Note**	**12/31/2017**	**12/31/2016 (Restated)**	**01/01/2016 (Restated)**	**12/31/2017**	**12/31/2016 (Restated)**	**01/01/2016 (Restated)**
Current							
Loans and financing	17	2,319,414	2,291,414	2,286,481	2,392,372	2,364,186	2,286,481
Trade accounts payable	16	210,378	229,311	203,773	223,380	239,050	212,962
Intercompany payables	7	135,977	115,404	45,153	31,257	36,205	45,153
Tax liabilities, payroll and social charges	18	185,912	147,035	124,025	190,719	149,944	125,880
Other current liabilities		9,312	7,266	15,132	10,514	17,766	29,187
Total current		**2,860,993**	**2,790,430**	**2,674,564**	**2,848,242**	**2,807,151**	**2,699,663**
Noncurrent							
Loans and financing	17	4,332,103	5,328,757	7,080,152	5,659,698	6,702,349	7,080,152
Trade accounts payable	16	6,629	-	-	6,629	-	-
Intercompany payables	7	1,298,834	1,364,929	-	-	-	-
Provision for procedural risks	20	12,608	7,484	5,006	12,608	7,484	5,006
Provision for losses on controlled companie	13	77,971	87,412	126,929	-	-	-
Total noncurrent		**5,728,145**	**6,788,582**	**7,212,087**	**5,678,935**	**6,709,833**	**7,085,158**
Equity	21						
Capital stock		1,788,792	1,788,792	1,788,792	1,788,792	1,788,792	1,788,792
Tax incentive reserve		849,487	-	-	849,487	-	-
Cumulative translation adjustments		12,334	(3,989)	(12,418)	12,334	(3,989)	(12,418)
Accumulated losses		(627,233)	(491,113)	(777,650)	(627,233)	(491,113)	(777,650)
Total equity		**2,023,380**	**1,293,690**	**998,724**	**2,023,380**	**1,293,690**	**998,724**
Total liabilities		**8,589,138**	**9,579,012**	**9,886,651**	**8,527,177**	**9,516,984**	**9,784,821**
Total liabilities and equity		**10,612,518**	**10,872,702**	**10,885,375**	**10,550,557**	**10,810,674**	**10,783,545**

The accompanying notes are an integral part of these financial statements.

Eldorado Brasil Celulose S.A.

Statements of income

For the years ended December 31, 2017 and 2016

(In thousands of Brazilian Reais)

	Note	Parent company		Consolidated	
		12/31/2017	12/31/2016 (Restated)	12/31/2017	12/31/2016 (Restated)
Net revenue	22	3,170,465	2,641,865	3,345,943	2,962,316
Cost of goods sold	24	(1,554,598)	(1,535,494)	(1,536,482)	(1,567,452)
Gross profit		**1,615,867**	**1,106,371**	**1,809,461**	**1,394,864**
Operating revenues (expenses)					
Administrative and general	24	(137,736)	(101,269)	(150,582)	(133,819)
Selling and logistics	24	(168,258)	(142,353)	(355,569)	(355,295)
Fair value of biological assets		373,016	1,348	373,016	1,348
Equity in earnings of controlled companies	13	(6,887)	31,102	-	-
Other revenues, net	26	113,086	317,500	112,913	318,033
Income before financial revenues (expenses) and taxes		**1,789,088**	**1,212,699**	**1,789,239**	**1,225,131**
Net financial income (loss)	25				
Financial expenses		(839,484)	(1,835,046)	(837,545)	(1,846,952)
Financial revenues		76,763	85,034	77,780	85,662
Exchange rate gains (losses), net		(60,231)	838,247	(60,348)	838,016
Income before provision for income and social contribution taxes		**966,136**	**300,934**	**969,126**	**301,857**
Income and social contribution taxes	19				
Current		(99,954)	(21,465)	(102,944)	(22,388)
Deferred		(152,815)	7,068	(152,815)	7,068
Income for the period		**713,367**	**286,537**	**713,367**	**286,537**
Earnings per thousand shares		**0.47**	**0.19**	**0.47**	**0.19**

The accompanying notes are an integral part of these financial statements.

Eldorado Brasil Celulose S.A.

Statements of comprehensive income

For the years ended December 31, 2017 and 2016

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2017	**12/31/2016 (Restated)**	**12/31/2017**	**12/31/2016 (Restated)**
Income for the period	713,367	286,537	713,367	286,537
Exchange rate gains (losses) on investments	16,323	8,429	16,323	8,429
Total comprehensive income (loss)	**729,690**	**294,966**	**729,690**	**294,966**

The accompanying notes are an integral part of these financial statements.

Eldorado Brasil Celulose S.A.

Statements of changes in equity

For the years ended December 31, 2017 and 2016

(In thousands of Brazilian Reais)

	Capital stock	Retained earnings/ Accumulated losses	Tax incentive reserve	Cumulative translation adjustments	Total
Balances as at January 01, 2016 (Restated)	1,788,792	(777,650)	-	(12,418)	998,724
Net income for the period	-	286,537	-	-	286,537
Exchange rate gains (losses) on investments	-	-	-	8,429	8,429
Balances as at December 31, 2016 (Restated)	**1,788,792**	**(491,113)**	-	**(3,989)**	**1,293,690**
Net income for the period	-	713,367	-	-	713,367
Tax incentive reserve	-	(849,487)	849,487	-	-
Exchange rate gains (losses) on investments	-	-	-	16,323	16,323
Balances as at December 31, 2017	**1,788,792**	**(627,233)**	**849,487**	**12,334**	**2,023,380**

The accompanying notes are an integral part of these financial statements.

Eldorado Brasil Celulose S.A.

Statements of cash flows

For the years ended December 31, 2017 and 2016

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2017	**12/31/2016 (Restated)**	**12/31/2017**	**12/31/2016 (Restated)**
Cash flows from operating activities				
Income before Income and Social Contribution Taxes	966,136	300,934	969,126	301,857
Adjustments to reconcile income (loss) to cash and cash equivalents from operating activities:				
Depreciation and amortization	238,889	250,289	248,407	256,864
Depletion	181,858	-	183,320	-
Appreciation amortization	2,948	-	2,948	-
Residual value of assets written off of fixed assets	10,662	34,541	10,663	34,541
Fair value of biological assets	(373,016)	(1,348)	(373,016)	(1,348)
Finance charges – interest and exchange rate gains (losses)	636,845	(226,914)	780,921	(292,912)
Finance charges – interest and exchange rate gains (losses) – related partie	149,721	(4,138)	(4,920)	(74,948)
Provision for procedural risks	5,124	2,478	5,124	2,478
Derivatives	-	(12,846)	-	(12,846)
Trade accounts receivable –exchange rate gains (losses)	(14,998)	5,599	(14,998)	5,599
Equity in earnings of controlled companies	6,887	(31,102)	-	-
	1,811,056	**317,493**	**1,807,575**	**219,286**
Decrease (increase) in assets				
Trade accounts receivable	(200,822)	168,813	1,206	(83,506)
Inventories	158,478	8,727	63,553	79,073
Recoverable taxes	(153,315)	38,883	(150,157)	39,425
Advances to suppliers	(9,442)	(7,379)	(9,411)	(1,731)
Other current and non-current assets	8,592	75,300	8,353	75,802
Increase (decrease) in liabilities				
Trade accounts payable	(12,304)	25,538	(27,279)	189,143
Intercompany payables	(4,948)	(8,948)	(4,948)	(8,948)
Tax liabilities, payroll and social charges	(61,077)	1,545	(62,273)	1,880
Other current and noncurrent liabilities	2,046	(7,866)	(20,717)	(6,201)
Asset and liability valuation adjustments and cumulative translation adjustme	-	-	(5,570)	57,180
Net cash from operating activities	**1,538,264**	**612,106**	**1,600,334**	**561,404**
Cash flows from investing activities				
Increase in biological assets	(348,172)	(416,619)	(348,172)	(416,619)
Additions to fixed and intangible assets	(94,683)	(279,277)	(95,171)	(285,738)
Sale of fixed assets	13,977	-	13,977	-
Financial investments	(6,639)	(46,875)	(57,937)	(46,875)
Intercompany receivables	29,207	(27,241)	29,207	(24,500)
Net cash from investing activities	**(406,310)**	**(770,012)**	**(458,096)**	**(773,732)**
Cash flows from financing activities				
Loans and financing raised	1,082,247	1,376,644	1,082,247	2,948,694
Amortization of loans and financing - principal	(2,017,393)	(1,828,600)	(2,095,263)	(1,828,600)
Amortization of loans and financing - interest	(538,237)	(664,922)	(667,269)	(724,067)
Amortization of loans and financing – exchange rate gains (losses)	(132,116)	(402,670)	(129,083)	(403,213)
Loans and financing raised - related parties	-	1,512,753	-	-
Amortization of intercompany loans - principal	(79,276)	-	-	
Amortization of intercompany loans - interest	(121,594)	(62,606)	-	-
Amortization of intercompany loans – exchange rate gains (losses)	5,826	(1,881)	-	-
Net cash from financing activities	**(1,800,543)**	**(71,282)**	**(1,809,368)**	**(7,186)**
Effects of exchange rate gains (losses) on cash	-	-	4,952	(36,629)
Change in cash and cash equivalents, net	**(668,589)**	**(229,188)**	**(672,082)**	**(182,885)**
Cash and cash equivalents at beginning of year	**829,602**	**1,058,790**	**1,044,637**	**1,264,151**
Cash and cash equivalents at end of period	**161,013**	**829,602**	**377,507**	**1,044,637**

The accompanying notes are an integral part of these financial statements.

Eldorado Brasil Celulose S.A.

Statements of value added

For the years ended December 31, 2017 and 2016

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2017	**12/31/2016 (Restated)**	**12/31/2017**	**12/31/2016 (Restated)**
Revenues				
Sales of merchandise, products and services	3,208,050	2,672,581	3,384,540	2,996,140
Other operating revenues (expenses), net	360,430	152,782	360,294	153,351
Transfers related to the construction of own assets	8,817	19,034	8,817	19,038
	3,577,297	**2,844,397**	**3,753,651**	**3,168,529**
Inputs acquired from third parties				
Costs of goods sold, materials, energy, third-party services and others	(989,308)	(963,553)	(1,142,228)	(1,218,313)
Gross value added	**2,587,989**	**1,880,844**	**2,611,423**	**1,950,216**
Depreciation, amortization and depletion	(420,747)	(250,289)	(431,727)	(256,862)
Net value added generated by the entity	**2,167,242**	**1,630,555**	**2,179,696**	**1,693,354**
Value added received in transfer				
Equity in earnings (losses) of controlled companies	(6,887)	31,102	-	-
Financial revenues	46,011	97,915	39,835	98,196
Total value added to be distributed	**2,206,366**	**1,759,572**	**2,219,531**	**1,791,550**
Value added distribution				
Personnel				
Direct compensation	200,495	275,227	209,299	285,816
Benefits	103,919	190,553	108,754	194,064
FGTS (Severance Pay Fund)	19,370	24,497	20,315	24,806
	323,784	**490,277**	**338,368**	**504,686**
Taxes, fees and contributions				
Federal	339,597	64,251	344,053	67,327
State	(137,367)	(174,152)	(137,339)	(173,895)
Municipal	-	1	1,012	699
	202,230	**(109,900)**	**207,726**	**(105,869)**
Return on debt capital				
Interest	873,609	778,645	864,031	776,622
Rents	102,330	88,199	104,430	89,589
Others	(8,954)	225,814	(8,391)	239,985
	966,985	**1,092,658**	**960,070**	**1,106,196**
Return on equity capital				
Net income for the period	713,367	286,537	713,367	286,537
Total value added distributed	**2,206,366**	**1,759,572**	**2,219,531**	**1,791,550**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

(In thousands of Brazilian reais - R$)

1 Operations

Eldorado Brasil Celulose S.A. (the “Company” or “Eldorado”) is a closely held corporation, whose register with the Brazilian Securities and Exchange Commission (CVM) was obtained on June 6, 2012 in the category shares traded over the counter, established under Brazilian laws, located in the municipality of São Paulo, State of São Paulo (Brazil).

The Company’s individual and consolidated financial statements for the year ended December 31, 2017 include the Company and its subsidiaries. The Company and its subsidiaries are primarily engaged in the production and sale of bleached short fiber eucalyptus pulp and the processing of biomass to generate power. The Company completed the construction of its plant in the municipality of Três Lagoas, State of Mato Grosso do Sul, and started production in December 2012.

The Company’s annual production capacity is approximately 1.7 million tons of bleached eucalyptus pulp. We have and operate the largest pulp plant in a single line in the world, located in the City of Três Lagoas, in the State of Mato Grosso do Sul. 98.6% of wood we use to produce pulp is derived from the State of Mato Grosso do Sul and the remaining from the state of Mato Grosso, in a climate area topographically well adapted for the growth of eucalyptus.

2 List of subsidiaries

Subsidiaries

		Equity Interest	
Subsidiaries	**Country**	**12/31/2017**	**12/31/2016**
Cellulose Eldorado Austria GmbH	Austria	100%	100%
Rishis Empreendimentos e Participações S.A.	Brazil	100%	100%
Indirect Subsidiaries			
Eldorado USA Inc.	United States	100%	100%
Eldorado Intl. Finance GmbH	Austria	100%	100%
Cellulose Eldorado Asia	China	100%	100%

3 Preparation and presentation of the financial statements

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

The individual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with the pronouncements, interpretations and guidance issued by the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Association of Accountants (CFC) and rules of the Brazilian Securities and Exchange Commission (CVM).

After appreciation of the Individual and Consolidated Financial Statements by the Board of Directors at the meeting held on March 28, 2017, they were authorized for issue by the Company.

b. Basis of measurement

The individual and consolidated financial statements have been prepared on the historical cost basis except for the following material items recognized in the statements of financial position:

- derivative financial instruments are measured at fair value;
- non-derivative financial instruments are measured at fair value through profit or loss; and
- biological assets measured at fair value are recognized in the statement of profit or loss in line item "Fair value of biological assets".

c. Use of estimates and judgments

The preparation of the individual and consolidated financial statements in accordance with IFRS and CPC standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these 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.

(i) Judgments

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

- **Note 30 –** operating leases.

(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 year ended December 31, 2017 is included in the following notes:

- **Note 8 –** Inventory valuation allowance;
- **Note 12** – biological assets;
- **Note 14 –** impairment test;
- **Note 19** – recognition of deferred tax assets: availability of future taxable profits against which tax losses can be utilized; and
- **Note 20** – recognition and measurement of provisions and procedural risks: main assumptions on the probability and magnitude of the cash outflows.

d. **Fair value measurement**

When measuring the fair value of an asset or a liability, the Company uses as much as possible observable market inputs. Additional information on the assumptions used in the fair value measurement is included in the following notes:

- **Note 12** – biological assets; and
- **Note 29** – financial instruments.

e. **Functional and presentation currency**

The individual and consolidated financial statements are presented in Brazilian reais, which is the Company's functional currency. All financial information presented in Brazilian reais has been rounded to the nearest thousand, unless otherwise indicated.

f. **Restatement of corresponding amounts**

Due to the identification of errors and corrections to the corresponding amounts, the Company, in accordance with Technical Pronouncement CPC 23 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors and CPC 26 - Presentation of Financial Statements, made the adjustments retrospectively up to the earliest date, taking into account the initial adjustments at January 01, 2016, as at December 31, 2016. Below is the list of corrections made and their impacts:

Recognition of the provision related to the infraction received by prosecutors to reflect the tax impacts of research related to "operation Sepsis" referring to the years 2012 to 2016 and updating during the period ended September 30, 2016. (i)

Additionally, the result used in the statement of cash flows was changed from net income (loss) to income (loss) before income and social contribution taxes, and the reclassifications affecting only the line items of operating activities were made (ii).

Based on the result of this process, adjustments and reclassification are stated as follows:

Parent Company

a. Statement of financial position	**Balances as at 12/31/2016**			
	Disclosed	**Adjustments (i)**	**Adjustments (ii)**	**Restated**
Deferred Income and Social Contribution Taxes	528,374	15,485	-	543,859
Total noncurrent assets	**8,453,487**	**15,485**	-	**8,468,972**
Total assets	**10,857,217**	**15,485**	-	**10,872,702**
Tax liabilities, payroll and social charges	101,494	45,541	-	147,035
Total current liabilities	**2,744,889**	**45,541**	-	**2,790,430**
Accumulated losses	(461,057)	(30,056)	-	(491,113)
Total equity	**1,323,746**	**(30,056)**	-	**1,293,690**
Total liabilities	**9,533,471**	**45,541**	-	**9,579,012**
Total liabilities and equity	**10,857,217**	**15,485**	-	**10,872,702**

a. Statement of financial position	**Balances as at 01/01/2016**			
	Disclosed	**Adjustments (i)**	**Adjustments (ii)**	**Restated**
Deferred Income and Social Contribution Taxes	522,260	14,531	-	536,791

Total noncurrent assets	**7,908,750**	**14,531**	-	**7,923,281**
Total assets	**10,870,844**	**14,531**	-	**10,885,375**
Tax liabilities, payroll and social charges	81,288	42,737	-	124,025
Total current liabilities	**2,631,827**	**42,737**	-	**2,674,564**
Accumulated losses	(749,444)	(28,206)	-	(777,650)
Total equity	**1,026,930**	**(28,206)**	-	**998,724**
Total liabilities	**9,843,914**	**42,737**	-	**9,886,651**
Total liabilities and equity	**10,870,844**	**14,531**	-	**10,885,375**

b. Statement of income **Balances as at 12/31/2016**

	Disclosed	**Adjustments**		**Restated**
		(i)	**(ii)**	
Net financial income (loss)	(908,961)	(2,804)	-	(911,765)
Income before provision for Income and Social Contribution Taxes	**303,738**	**(2,804)**	-	**300,934**
Deferred	6,114	954	-	7,068
Income (loss) for the period	**288,387**	**(1,850)**	-	**286,537**

c. Statements of comprehensive income **Balances as at 12/31/2016**

	Disclosed	**Adjustments**		**Restated**
		(i)	**(ii)**	
Income (loss) for the period	288,387	(1,850)	-	286,537
Total comprehensive income	**296,816**	**(1,850)**	**-**	**294,966**

d. Statement of changes in equity **Balances as at 12/31/2016**

	Disclosed	Adjustments (i)	(ii)	Restated
Accumulated losses	(461,057)	(30,056)	-	(491,113)
Total	**1,323,746**	**(30,056)**	**-**	**1,293,690**

d. Statement of changes in equity — **Balances as at 01/01/2016**

	Disclosed	Adjustments (i)	(ii)	Restated
Accumulated losses	(749,444)	(28,206)	-	(777,650)
Total	**1,026,930**	**(28,206)**	**-**	**998,724**

e. Statements of cash flows — **Balances as at 12/31/2016**

	Disclosed	Adjustments (i)	(ii)	Restated
Income for the period for income (loss) before Income and Social Contribution Taxes	288,387	(2,804)	15,351	300,934
Deferred Income and Social Contribution Taxes	(6,114)	-	6,114	-
Tax liabilities, payroll and social charges	20,206	2,804	(21,465)	1,545

f. Statement of value added — **Balances as at 12/31/2016**

	Disclosed	Adjustments (i)	(ii)	Restated
Federal	65,205	(954)	-	64,251
Interest	775,841	2,804	-	778,645
Net income	288,387	(1,850)	-	286,537

Consolidated

a. Statement of financial position	Balances as at 12/31/2016			
	Disclosed	Adjustments (i)	Adjustments (ii)	Restated
Deferred Income and Social Contribution Taxes	528,374	15,485	-	543,859
Total noncurrent assets	**8,450,242**	**15,485**	-	**8,465,727**
Total assets	**10,795,189**	**15,485**	-	**10,810,674**
Tax liabilities, payroll and social charges	104,403	45,541	-	149,944
Total current liabilities	**2,761,610**	**45,541**	-	**2,807,151**
Accumulated losses	(461,057)	(30,056)	-	(491,113)
Total equity	**1,323,746**	**(30,056)**	-	**1,293,690**
Total liabilities	**9,471,443**	**45,541**	-	**9,516,984**
Total liabilities and equity	**10,795,189**	**15,485**	-	**10,810,674**

a. Statement of financial position	Balances as at 01/01/2016			
	Disclosed	Adjustments (i)	Adjustments (ii)	Restated
Deferred Income and Social Contribution Taxes	522,260	14,531	-	536,791
Total noncurrent assets	**7,905,545**	**14,531**	**-**	**7,920,076**
Total assets	**10,769,014**	**14,531**	**-**	**10,783,545**
Tax liabilities, payroll and social charges	83,143	42,737	-	125,880
Total current liabilities	**2,656,926**	**42,737**	**-**	**2,699,663**
Accumulated losses	(749,444)	(28,206)	-	(777,650)
Total equity	**1,026,930**	**(28,206)**	**-**	**998,724**

Total liabilities	**9,742,084**	**42,737**	**-**	**9,784,821**
Total liabilities and equity	**10,769,014**	**14,531**	**-**	**10,783,545**

b. Statement of income

	Balances as at 12/31/2016			
	Disclosed	**Adjustments**		**Restated**
		(i)	**(ii)**	
Net financial income (loss)	(920,470)	(2,804)	-	(923,274)
Income/ (loss) before provision for Income and social contribution taxes	**304,661**	**(2,804)**	**-**	**301,857**
Deferred	6,114	954	-	7,068
Income (loss) for the period	**288,387**	**(1,850)**	**-**	**286,537**

c. Statements of comprehensive income

	Balances as at 12/31/2016			
	Disclosed	**Adjustments**		**Restated**
		(i)	**(ii)**	
Income (loss) for the period	288,387	(1,850)	-	286,537
Total comprehensive income	**296,816**	**(1,850)**	**-**	**294,966**

d. Statement of changes in equity

	Balances as at 12/31/2016			
	Disclosed	**Adjustments**		**Restated**
		(i)	**(ii)**	
Accumulated losses	(461,057)	(30,056)	-	(491,113)
Total	**1,323,746**	**(30,056)**	**-**	**1,293,690**

d. Statement of changes in equity

	Balances as at 01/01/2016			
	Disclosed	**Adjustments**		**Restated**
		(i)	**(ii)**	
Accumulated losses	(749,444)	(28,206)	-	(777,650)

Total	**1,026,930**	**(28,206)**	**-**	**998,724**

e. Statements of cash flows — **Balances as at 12/31/2016**

	Disclosed	Adjustments (i)	Adjustments (ii)	Restated
Income for the period for income (loss) before Income and Social Contribution Taxes	288,387	(2,804)	16,274	301,857
Deferred Income and Social Contribution Taxes	(6,114)	-	6,114	-
Tax liabilities, payroll and social charges	21,464	2,804	(22,388)	1,880

f. Statement of value added — **Balances as at 12/31/2016**

	Disclosed	Adjustments (i)	Adjustments (ii)	Restated
Federal	68,281	(954)	-	67,327
Interest	773,818	2,804	-	776,622
Net income (loss)	288,387	(1,850)	-	286,537

4 Summary of significant accounting policies

The significant accounting policies applied in the preparation of this financial statements are set out below. These policies have been applied consistently to all periods presented.

a. Basis of consolidation

(i) Subsidiaries

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

b. Revenue

Revenue is recognized on an accrual basis. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of the Company and its subsidiaries.

Revenues are measured net of sales taxes, returns, trade discounts and rebates.

In accordance with Pronouncement 30, issued by the Accounting Pronouncements Committee - CPC 30 (R1) - Revenues, the Company and its subsidiaries recognize revenue when, and only when:

(i) the amount of revenue can be reliably measured;

(ii) the Company and its subsidiaries have transferred to the buyer the significant risks and rewards of ownership;

(iii) It is probable that economic benefits flow to the Company and its subsidiaries;

(iv) The Company and its subsidiaries retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods;

(v) The expenses incurred or to be incurred in respect of the transaction can be reliably measured.

c. Functional and reporting currency

(i) Transactions in foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. The differences in foreign currencies resulting from retranslation are generally recognized in profit or loss.

Foreign operations

Assets and liabilities of foreign operations are translated into Brazilian Real (R$) at the exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into Brazilian Real (R$) at the exchange rates at the transaction dates.

The differences in foreign currencies generated on the translation to the presentation currency are recognized in other comprehensive income and in cumulative translation adjustment in equity.

d. Financial instruments

The Company recognizes loans and receivables issued at the date they were originated. All other financial instruments are recognized initially at the trading date in which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flow in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not hold the control over the transferred asset.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

- ***Financial assets at fair value through profit or loss***

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Subsequent to initial recognition, transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes in the fair value of these assets are recognized in profit or loss.

- ***Cash and cash equivalents***

Cash, banks, and financial investments are the items of the statement of financial position that are presented in the statement of cash flows as cash and cash equivalents of immediate liquidity with redemption periods of three months or less from the investment date, subject to an insignificant risk of change in value.

- ***Loans and receivables***

Such assets are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

- ***Non-derivative financial liabilities***

Financial liabilities are initially measured at fair value, less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

- ***Impairment of financial assets***

Financial assets not classified as fair value through profit or loss are assessed at the end of each reporting period to determine whether there is objective evidence of impairment.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there is no realistic perspective of recovery of the asset, the amount is amortized. If the amount of the impairment loss subsequently decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

- ***Derivative financial instruments***

Derivatives are initially recognized at fair value and any attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and any gains and losses are recognized in profit or loss.

- ***Capital stock***

Additional costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effects.

e. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of standing timber transferred from biological assets is measured at the cost and valuation determined at the date of harvest.

f. Fixed assets

Fixed assets are carried at the historical cost of acquisition or construction, less accumulated depreciation and any accumulated *impairment* losses.

Any gains or losses arising on the disposal or write-off of an item of fixed assets are recognized in profit or loss.

Financial charges on borrowings that are directly attributable to the acquisition or construction of the assets are capitalized as part of the costs of these assets. Borrowing costs that are not directly related to the assets are capitalized based on an average funding rate on the balance of construction in progress. These costs are amortized over their estimated useful lives.

Depreciation

Depreciation is calculated based on the residual value using the straight-line method over the estimated useful life of each asset and is generally recognized in profit or loss (except land and construction in progress).

The estimated useful lives, the residual values, and the depreciation methods are reviewed at the end of the reporting period, and the effects of any changes in estimates are accounted for prospectively. The annual depreciation rates are as follows:

Weighted annual depreciation rates

	12/31/2017	12/31/2016
Buildings	2.84%	3.84%
Facilities and improvements	5.57%	8.80%
Furniture and fixtures	9.19%	10.34%
Vehicles	21.88%	24.35%
Technical and scientific instruments	11.84%	15.58%
IT equipment	19.31%	22.69%
Machinery and equipment	7.05%	17.19%
Leasehold improvements	7.38%	7.31%
Eucalyptus matrices	20.00%	20.00%

g. Biological assets

Biological assets comprise renewable plantation eucalyptus forests for production of pulp used in paper manufacturing. These assets are measured at fair value less costs to sell, whose impacts are recognized in the statement of profit or loss for the year.

Depletion is measured based on the quantity of wood harvested from the forests.

h. Operating leases

Lease of land
The costs of the land operating leases are recognized in forest formation along with other related costs on an accrual basis and subsequently allocated to the cost of pulp in the production process.

Other leases
Operating lease payments (take or pay) are recognized in inventory at the acquisition of chemical products and, subsequently, allocated to cost of pulp in the production process.

i. Intangible assets

Goodwill arising on business combination
Goodwill acquired in a business combination is carried at its fair value, net of accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is indication that it may be impaired. If the recoverable amount is lower than the carrying amount, the impairment loss is recognized directly in profit or loss and is not reversed in subsequent periods.

On the disposal of a certain asset to which goodwill has been allocated, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Other intangible assets, including terminal concession and *software*, acquired by the Company have definite useful lives and are measured at cost, less accumulated amortization and any accumulated impairment losses.

Amortization

The amortization is calculated to amortize the cost of items of the intangible asset, less its estimated residual values, using the straight-line method based on the estimated useful lives of the items. The amortization is generally recognized in profit or loss. The estimated useful lives are as follows:

Software	4 years
Appreciation of right-of-use of port movement concession	14 years
Terminal concession	14 years

j. Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine where there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated.

For the purposes of impairment testing, assets are grouped at the smallest group, which generates cash inflows that are largely independent from the cash inflows of other assets or Cash Generated Units (CGUs). Goodwill resulting from a business combination is allocated to the CGU or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

k. Trade accounts payable

Refer to amounts due to suppliers in the normal course of the business of the Company and its subsidiaries.

l. Provisions

A provision is recognized as a liability when the Company has present obligations that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The finance costs incurred are recognized in profit or loss.

m. Earnings per share

Basic earnings per share are calculated based on the profit for the year and the weighted average number of shares outstanding during the year. The Company does not have instruments that could potentially dilute the number of shares.

n. Income tax and social contribution tax

Income (loss) from Income tax and social contribution tax includes current and deferred income taxes, which are recognized in profit or loss unless they are related to business combinations or items directly recognized in equity or in other comprehensive income.

Current and deferred income tax and social contribution tax are calculated based on the rates of 15%, plus a 10% surtax on taxable profit exceeding R$ 240 for income tax and 9% on taxable profit for social contribution tax on net income, and consider the offset of income tax and social contribution tax losses, limited to 30% of the taxable profit.

(iii) Current taxes

The current tax is the expected tax payable or receivable on taxable profit or loss for the year and any adjustment to taxes payable related to prior years. It is calculated at tax rates enacted or substantially enacted by the end of the reporting period.

(iv) Deferred taxes

The deferred tax is recognized on temporary differences and tax losses between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for tax purposes. Deferred taxes are not recognized for the following temporary differences:

- The initial recognition of assets and liabilities in a transaction other than a business combination, and that does not affect either the accounting or taxable profit or loss.

- Differences related to investments in subsidiaries, branches and associates, and interests in joint ventures, when it is probable that the Company will not reverse in a foreseeable future.

- A deferred tax is not recognized for taxable temporary differences resulting from the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and if they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

o. Employee benefits

Defined contribution pension plan

A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions to a separate entity (pension fund) and will not have a legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefit expenses in profit or loss in the periods in which the employees provide services.

p. New standards and interpretations not yet adopted

A number of new international standards, amendments to standards and interpretations are effective for periods beginning after January 01, 2018. The Company has not early adopted these amendments in the preparation of this interim financial information. The Company does not plan to adopt these standards early.

(i) IFRS 9 - Financial Instruments – CPC 48

IFRS 9 (CPC 48) supersedes the guidance existing in IAS 39 (CPC 38) Financial Instruments: Recognition and Measurement. IFRS 9 (CPC 48) includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard retains the existing guidance on the recognition and derecognition of financial instruments of IAS 39.

IFRS 9 (CPC 48) is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted only for financial information in accordance with IFRSs.

The Company evaluated the amendments introduced by this standard and concluded that its adoption will not result in significant impacts on its financial information, especially in the measurement of the allowance for doubtful accounts whose amounts are immaterial and, therefore, are not representative to its accounts receivable. Additionally, some aspects related to the presentation of financial instruments in the financial information will only be changed in the classification to reflect new concepts introduced in this standard and, consequently, will not have material impacts.

Disclosures
IFRS 9 (CPC 48) will require extensive new disclosures, specifically on hedge accounting, credit risk and expected credit losses.

Transition
The main issues addressed in IFRS 9 (CPC 48) to be assessed by the Company were:

- The determination of the business model within which a financial asset is held.

- The designation and revocation of prior designations of certain financial assets and liabilities.

- The designation of certain investments in equity instruments not held for trading.

- The determination of conditions which shall be established to recognize the provisions for losses.

(ii) ***IFRS 15 Revenues from Contracts with Customers – (CPC 47)***

IFRS 15 (CPC 47) introduces a comprehensive structure to determine if and when revenue is recognized, and how revenue is recognized. IFRS 15 (CPC 47) replaces the current standards for revenue recognition, including CPC 30 (IAS 18) Revenue, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation A (IFRIC 13) Customer Loyalty Programs

IFRS 15 (CPC 47) is effective for annual periods beginning on or after January 01, 2018, with early adoption permitted only for financial information in accordance with IFRSs.

The Company evaluated the amendments introduced by this standard and concluded that its adoption will not result in significant impacts on its financial information, mainly due to the fact that in its operation there are no performance obligations subsequent to the delivery of assets, therefore its performance obligation is terminated upon transfer of the mentioned asset to the buyer. Other criteria for revenue recognition mentioned in this standard are fully and regularly met by the Company.

Transition
The Company will adopt IFRS 15 (CPC 47) in its financial information for the year ending December 31, 2018 and intends to use the retrospective approach. As a result, the Company will apply all the requirements of IFRS 15 (CPC 47) to each comparative period presented, adjusting its financial information previously presented.

The Company plans to use practical expedients for completed contracts. This means that completed contracts that begin and end in the same comparative reporting period, as well as contracts that are completed contracts at the beginning of the earliest period presented, will not be restated.

(iii) IFRS 16 Leases

IFRS 16 introduces a single model for accounting of leases in the balance sheet for lessees. A lessee recognizes a right of use asset representing its right to use the leased asset and a lease liability representing its obligation to make the lease payments. Optional exemptions are available for short-term leases and low value items. The lessor accounting remains similar to the current form, that is, lessors continue to classify leases as operating or finance.

IFRS 16 replaces the existing lease standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary aspects of Lease Operations.

The standard is effective for annual periods starting on or after January 1, 2019. Early adoption is only allowed for financial information issued according to the IFRS and only for entities applying IFRS 15 Revenue from contracts with customers or before the initial date of adoption of IFRS 16.

The Company is assessing the effects that IFRS 16 will have on the financial information and its disclosures.

(iv) Other amendments

The new or revised standards below are not expected to have a material impact on the Company's financial information.

• Amendments to CPC 10 (IFRS 2) Shared-based payment related to the classification and measurement of certain share-based payment transactions.

• Amendments to CPC 36 Consolidated Financial Statements (IFRS 10) and CPC 18 Investments in Associates (IAS 28) in relation to sales or contributions of assets between an investor and its associate or its joint venture.

The Accounting Pronouncements Committee has not yet issued accounting pronouncements or amendments to existing pronouncements equivalent to all new IFRS. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial information in accordance with accounting practices adopted in Brazil.

5 Cash and cash equivalents and financial investments

5.1 Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2017	**12/31/16**	**12/31/2017**	**12/31/16**
Cash and cash equivalents	5	6	5	7
Banks - demand deposits	12,472	8,692	228,966	173,187
Banks - financial investments (a)	148,536	820,904	148,536	871,443
	161,013	829,602	377,507	1,044,637

(a) These are daily liquidity investments in Bank Certificate of Deposit ("CDB") of top-tier financial institutions with return that approximates the Interbank Certificate of Deposit (CDI) rate.

5.2 Financial investments

	Parent Company		Consolidated	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Fundo Caixa FI (a)	67,245	60,300	67,245	60,300
CDB CEF (b)	100,793	101,099	100,793	101,099
Banco do Brasil Paris (c)	-	-	51,298	-
	168,038	161,399	219,336	161,399

(a) Fixed-income investment with Caixa Econômica Federal, with gross return based on CDI variation . These funds are linked as reciprocity of financial investment to the issue of debentures in FI-FGTS, as shown in note 17.4

(b) Investment in CDB with Caixa Econômica Federal, with gross return based on CDI variation. These funds are linked as reciprocity of financial investment to the issue of NCE, as shown in note 17.2. (i) and (vi).

(c) Funds in checking account with Banco do Brasil Paris. These funds are linked as reciprocity to a Term Loan operation, as stated in Note 16.2 (ix).

6 Trade accounts Receivable

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Domestic market	138,660	139,369	138,662	139,370
Foreign market	1,017,303	814,751	509,730	386,083
	1,155,963	954,120	648,392	525,453
Breakdown				
Current assets	1,155,280	954,120	647,709	525,453
Noncurrent assets	683	-	683	-
	1,155,963	954,120	648,392	525,453

The aging list of trade receivables is as follows:

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Falling due	1,134,073	768,320	551,044	432,458
1 to 30 days past due	14,816	167,675	82,562	64,772
31 to 60 days past due	1,199	6,547	5,563	12,962
61 to 90 days past due	504	2,420	1,488	4,803
Over 90 days past due	5,371	9,158	7,735	10,458
	1,155,963	954,120	648,392	525,453

The Company did not identify the need to recognize an allowance for doubtful debts because it has financial instruments to hedge these receivables for high-risk markets and practices for constant analysis and monitoring of the credit limits granted, and active collection of pending and past-due amounts in all markets in which it operates, thus this set of good practices strongly contributes to ensure the collection of the amounts.

7 Related-party transactions

The main intercompany balances in balance sheet accounts and transactions affecting income (loss) accounts result from operations conducted at market conditions and prices agreed between the parties and showed as follows:

		Parent Company		Consolidated	
Assets	**Type**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
Current					
Cellulose Eldorado Austria GmbH (Note 6)	Pulp sale	826,478	695,907	-	-
Eldorado EUA (note 6)	Pulp sale	135,194	94,377	-	-
JBS (note 6)	Massive forest sale	-	356	-	356
Eldorado Intl. Finance GmbH	Transfer of costs	2,783	2,741	-	-
Loans to officers	Loan (viii)	-	24,500		24,500
		964,455	817,881	-	24,856

		Parent Company		Consolidated	
Liabilities	**Type**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
Current					
JBS (note 16)	Purchase of PP&E (i)	1,673	218	1,606	218
Seara Alimentos (note 16)	Consumables (vi)	258	-	258	-
Cellulose Eldorado Austria GmbH	PPE (ii)	79,904	74,041	-	-
Eldorado Intl. Finance GmbH	PPE (iv)	24,816	5,158	-	-
J&F Investimentos	Guarantee (i)	31,257	36,205	31,257	36,205
J&F Investimentos (note 16)	Checking account (vi)	-	4,500	-	4,500
J&F Investimentos (note 16)	Sundry (vii)	2,828		2,828	
Rishis Empreend. e Partic. (note 16)	Rendering of service	14,376	7,704	-	-
			-		-
		155,112	127,826	35,949	40,923
Noncurrent					
Celulose Eldorado Austria GmbH	PPE (ii)	179.578	250,317	-	-
Eldorado Intl. Finance GmbH	PPE (iii)	1,119,256	1,114,612	-	-
		1,298,834	1,364,929	-	-

Income (loss)	Type	Parent Company 12/31/2017	Parent Company 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Cellulose Eldorado Austria GmbH	Pulp sale	2,226,285	1,929,487	-	-
Eldorado EUA Inc.	Pulp sale	292,630	232,315	-	-
JBS	Chip sale	170	4,162	170	4,162
JBS	Massive forest sale	114	752	114	752
JBS	Energy sale	1,164	-	1,164	-
Enersea Comercializ. de Energia (note 6)	Energy sale	374	129	374	129
Total sales revenues		2.520.737	2,166,845	1,822	5,043
Cellulose Eldorado Austria (note 25)	PPE (ii)	(17,719)	(12,709)	-	-
Eldorado Intl. Finance GmbH (note 25)	PPE (iii)	(103,201)	(58,101)	-	-
JBS	Sundry (v)	(12,987)	(2,702)	(12,987)	(2,702)
Seara Alimentos	Consumables (vi)	(576)	-	(576)	-
J&F Investimentos (note 25)	Guarantee (i)	(64,193)	(76,939)	(64,193)	(76,939)
J&F Investimentos	Checking account (iv)	-	(4,500)	-	(4,500)
J&F Investimentos (note 25)	Checking account	2,356	23,918	2,356	23,918
Loans to managers	Loan (viii)	2,818	-	2,818	-
Rishis Empreend. e Partic.	Rendering of services	(22,054)	(23,267)	-	-
		2,305,181	2,012,545	(70,760)	(55,180)

(i) Endorsement granted by the *holding* J&F Investimentos S.A., for warranty of loans operations that Eldorado has with banks.

(ii) Export financing granted by Cellulose Eldorado Austria GmbH to Eldorado Brasil Celulose S.A with a five-year term and interest rate of 6% p.a. + exchange differences.

(iii) Export financing granted by Eldorado Intl. Finance GmbH to Eldorado Brasil Celulose S.A with a five-year term, with interest rate of 9.8% p.a. + exchange differences.

(iv) Checking account with the parent company J&F Investimentos S.A. relating to the indemnity for delivery of eucalyptus forest budding area smaller than the area agreed in the "Bonito" Farm purchase and sale commitment.

(v) Refers to amounts payable relating to various transactions, among them: freight on pulp transportation, purchase of consumables for use in the cafeteria, rental of administrative building and data center, etc.

(vi) These refer to acquisition of consumables for use in the cafeteria and Christmas kits.

(vii) This refers to reimbursements related to rents and corporate expenses.

(viii) Return to loans to the CEO at the rate of 100% of the CDI, with maturity on December 31, 2017, settled in advance on September 28, 2017.

7.1 Management compensation

The expense on key management personnel compensation includes directors and officers, in the following amounts for the periods ended:

	12/31/2017	12/31/2016
Benefits (a)	29,114	23,334

(a) Benefits include fixed compensation (salaries, vacation pay and year-end bonus), social security contributions (INSS), severance pay fund (FGTS), bonus and others. All officers are parties to employment contracts governed by the Consolidated Labor Laws (CLT) and follow all legal requirements related to compensation and benefits.

8 Inventories

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Seedlings	2,570	3,404	2,570	3,404
Raw materials (wood for production)	127,311	165,232	127,311	165,232
Pulp	41,629	42,829	233,470	199,055
Inputs	19,254	23,539	19,254	23,539
Storeroom supplies	110,282	114,836	110,504	114,956
	301,046	349,840	493,109	506,186

During the period the amount of R$ 271,981 (R$ 103,487 as at December 31, 2016) was added to inventories due to the harvest of the biological asset, as shown in note 12.

9 Taxes recoverable

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
State VAT (ICMS) (i)	1,008,245	825,284	1,008,485	828,768
Taxes on sales (PIS e COFINS) (ii)	14,328	18,153	14,328	18,227
Federal VAT (IPI)	105	68	105	68
Services tax (ISS)	224	111	224	111
REINTEGRA (iii)	29,986	11,269	29,986	11,269
Withholding income tax (IRRF) (iv)	8,329	30,184	8,329	30,195
Corporate income tax (IRPJ) to offset (v)	796	-	796	-
Social contribution tax (CSLL) to offset (v)	294	-	294	-
Prepayment IRPJ (vi)	-	11,267	75	11,267
Prepayment CSLL (vi)	-	12,656	34	12,656
	1,062,307	908,992	1,062,656	912,561
Breakdown				
Current assets	432,373	168,177	432,717	168,913
Noncurrent assets	629,934	740,815	629,939	743,648
	1,062,307	908,992	1,062,656	912,561

(i) ICMS

The Company has an ICMS balance accumulated over the last years derived from credits on the purchase of inputs used in the production process, assets classified as fixed assets for implementation of its plant in Três Lagoas, MS.

The Company has prioritized a series of actions to maximize the utilization of such credits and currently no losses on their realization are expected. Among the actions taken by the Company, we highlight the increase in sales of pulp to the domestic market, which would allow the realization of part of those credits, and obtaining from the state government of Mato Grosso do Sul authorization to use the ICMS credits to pay suppliers who will be hired to expand its production capacity in the Vanguard Project 2.0.

(ii) PIS and COFINS

Refers basically to noncumulative PIS and COFINS credits on the purchase of fixed asset items, related to the completion of construction of the plant, which went into operation at the end of 2012. This amount refers to credits on equipment purchases and provision of services, which are realizable through offset against debts of these taxes levied on sales in the domestic market and income tax and social contribution tax payable, and requests for refund to the Federal Revenue.

(iii) REINTEGRA

In October 2014, the Company adopted Decree 7.633, of December 1, 2011, which regulated the REINTEGRA.

Reintegra establishes the possibility of the producer legal entity, which carries out export of manufactured goods in the country, determining a value for purposes of partial or full refund of the residual tax amount existing in its production chain. The Reintegra regulation establishes that the amount will be calculated by applying the percentage in effect at the time of the transaction to the revenue from export of goods produced by the legal entity.

(iv) **IRRF**
Refers to withholding income tax on short-term investments, realizable through offset against income tax and social contribution tax.

(v) **IRPJ and CSLL to offset**
Related to IRPJ and CSLL in 2017, collected in advanced in compliance with the rules for Actual Profit taxation regime, which by the end of the year totaled more than the amount actually due by the Company. Based on Legal Legislation the company has the right to offset these taxes against federal taxes in 2018.

(vi) **IRPJ and CSLL - Prepayment**
Refer to corporate income tax and social contribution paid in advance based on the taxable profit, in compliance with the rules for Actual Profit taxation regime. At the end of each year, the prepaid balance is realized through offset against the calculated amount of income tax and social contribution due.

10 Advances to suppliers

	Parent Company		Consolidated	
	12/31/2017	**31/12/16**	**12/31/2017**	**31/12/16**
Purchase of wood (i)	101,059	89,665	101,059	89,665
Others	15,790	17,742	15,877	17,860
	116,849	107,407	116,936	107,525
Breakdown				
Current assets	32,976	30,459	33,063	30,577
Noncurrent assets	83,873	76,948	83,873	76,948
	116,849	107,407	116,936	107,525

(i) Refer to advances made to wood suppliers, under purchase for future delivery contracts, which will be settled upon the physical delivery of the wood. Company specialists value and monitor forest development to mitigate risks associated to the compliance of each contract.

11 Assets available for sale

The amount of R$ 2,113 thousand refers to equipment of intermodal transportation made available for sale, due to the change of the logistics strategy plan bringing the Company better competitiveness and operating security.

12 Biological assets

The Company's biological assets are represented by eucalyptus forests under development, intended for the supply of wood to produce pulp, 98.6% in areas located in the State of Mato Grosso do Sul and the remaining in the state of Mato Grosso.

The opening and closing balances are broken down as follows:

	Parent Company and Consolidated	
	12/31/2017	12/31/2016
At the beginning of the year	2,050,789	1,736,309
Change in the fair value of biological assets net of costs to sell	373,016	1,348
Tree felling for inventory	(271,981)	(103,487)
Forest development cost	348,172	416,619
	2,499,996	2,050,789

Currently the Company holds a production area of 224,197 hectares (226,528 hectares at December 31, 2016), not including other areas such as the permanent preservation and legal reserve areas, in compliance with prevailing environmental laws.

Assumptions for the recognition of biological assets at fair value

In accordance with the hierarchy established in CPC 46 (equivalent to IFRS 13) "Fair value measurement", the measurement of biological assets is classified as level 3, due to its complexity and calculation structure.

The Company used the Discounted Cash Flows method to recognize its biological assets at fair value. In general lines, the methodology can be summarized by the projection of forest growth and its subsequent depletion, with felling age between six and eight years, considering operating restrictions and annual demand.

The volume of trees to be fallen was estimated considering the average productivity in cubic meters of wood of each plantation per hectare at the time of the harvest. This growth is represented by the Average Annual Increase (IMA) expressed in cubic meters per hectare/year. The crop handling costs include expenditures with the fertilization, weed control, control of ants and other pests, maintenance of roads and firebreaks, and other services required for the maintenance of the planted forests.

Some assumptions were changed as from the first quarter of 2017. They were: the average selling price for eucalyptus wood considered was estimated for the domestic market, adjusted to reflect the price of standing timber by region, which is affected by the distance between the farm and the production unit; the estimated productivity of forests that do not have at least two measurements of inventory was considered, taking into account the average productivity of planted forests in the last three years with inventory (2013, 2014 and 2015); the actual discount rate used was 6.1% (Weighted Average Cost of Capital – WACC); and the average annual cost per hectare of the land lease paid to third parties was considered for the purpose of remuneration of the own land.

The Company assesses its biological assets on a quarterly basis because it understands that this procedure is sufficient to show the evolution of the fair value of the forests.

The main points considered in estimating the fair value of biological assets were:

	12/31/2017	**12/31/2016**
Current productive area (hectare)	224,197	226,528
Average Annual Increase (IMA) - m^3/ hectare	37.77	38.46
Discount rate (WACC without consumer price index) - %	6.1	4.5
Non-Financial Estimative of hc quantities	5,309	13,059

13 Investments

Significant information about investiments on subsidiaries for the year ended December 31, 2017

Investments in subsidiaries

Relevant information about the investments in the year ended December 31, 2017

In subsidiaries:	% Ownership interest	Total assets	Capital stock	Equity	Net revenue	Net income (loss)
Cellulose Eldorado Austria Gmbh	100%	185,753	29,570	10,667	2,357,946	15,318
Rishis Empreendimentos e Participações S.A.	100%	78,500	108,979	91,068	21,326	(5)

In Parent Company:

	Balance as at 12/31/2016	Amortization	Cumulative translation adjustment	Unrealized profit in inventories	Equity in earnings (losses)	Balance as at 12/31/2017
Cellulose Eldorado Austria Gmbh	(87,412)	-	16,323	(22,200)	15,318	(77,971)
Rishis Empreendimentos e Participações S.A.	91,073	-	-	-	(5)	91,068
Appreciation of right to use granting of port movements	17,001	(2,948)	-	-	-	14,053
Total	20,662	(2,948)	16,323	(22,200)	15,313	27,150
Provision for losses on investments	87,412					77,971

Subsidiaries

Cellulose Eldorado Austria Gmbh
In December 2012, two units strategically located abroad, called Eldorado USA Inc. (United States) and Cellulose Eldorado Austria GmbH (Austria), were opened in order to meet the demand of the sales contracts entered into abroad and the prospecting of new sales abroad. Additionally, in 2013 a commercial office was opened in China (Shanghai), continuing the expansion of the Company's presence in the foreign market.

Eldorado Intl Finance GmbH is a company established for the issuance of bonds in the international market so as to segregate such function from the other activities carried out by the subsidiaries of Eldorado. The company was established in February 2016 and started its activities in June 2016, with the issuance of bonds.

Rishis Empreendimentos e participações S.A.
Rishis is a company engaged in, but not limited to, the operation of bonded warehouses and terminals, and the provision of port operator services, and is the lessee of external warehouses located on the right bank of the Port of Santos, totaling an area of approximately 12,000 m^2.

On August 12, 2011, the Company acquired a warrant that entitles it to subscribe to 517,647 common shares, equivalent to 46.32% of Rishis voting capital, at an issue premium of R$9,000 and fixed exercise price of R$13,500, whose right was exercised and paid in 36 installments. Of the exercised right, the Company subscribed to 279,569 Rishis shares, and as a result paid in R$7,299 in Rishis share capital.

On October 8, 2013, the Company acquired Rishis control through increase of its equity interest from 46.32% to 60%.

On August 11, 2014, the Company acquired an additional 40% interest, through payment in kind, increasing its stake from 60% to 100%.

On June 30, 2015, the Company started its operation at the Port of Santos.

With this transaction, the Company's management seeks to increase the logistics operational efficiency, adding competitiveness to pulp exports.

Appreciation of right-of-use of port movement concession
The Company has recorded, as at December 31, 2017, appreciation of the right to use the port area object of a lease agreement that is being amortized for the term of such usage right.

14 Fixed assets

	Parent Company 12/31/2017			
	Weighted annual depreciation rates	Cost	Accumulated depreciation	Net
Land	-	103,211	-	103,211
Buildings	2.84%	1,128,025	(158,585)	969,440
Leasehold improvements	10.00%	14,746	(5,985)	8,761
Facilities and improvements	5.34%	274,726	(51,147)	223,579
Furniture and fixtures	9.09%	8,554	(3,046)	5,508
Vehicles	21.87%	127,683	(74,998)	52,685
Technical and scientific instruments	11.78%	6,087	(3,327)	2,760
IT equipment	19.23%	63,266	(55,108)	8,158
Machinery and equipment	7.04%	3,771,799	(759,331)	3,012,468
Eucalyptus matrices	20.00%	79	(29)	50
Construction in progress and advances for capital expenditures	-	191,505	-	191,505
		5,689,681	(1,111,556)	4,578,125

	Parent Company 12/31/2016			
	Weighted annual depreciation rates	Costs	Accumulated depreciation	Net
Land	-	101,701	-	101,701
Buildings	3.84%	1,094,689	(126,718)	967,971
Leasehold improvements	10.00%	14,746	(4,510)	10,236
Facilities and improvements	9.66%	249,505	(39,034)	210,471
Furniture and fixtures	10.13%	7,990	(2,276)	5,714
Vehicles	24.35%	138,376	(61,104)	77,272
Technical and scientific instruments	15.49%	5,893	(2,712)	3,181
IT equipment	22.58%	62,169	(43,870)	18,299
Machinery and equipment	17.22%	3,747,928	(601,473)	3,146,455
Eucalyptus Matrices	20.00%	79	(13)	66
Construction in progress and advances for capital expenditures	-	218,903	-	218,903
		5,641,979	(881,710)	4,760,269

	Consolidated 12/31/2017			
	Weighted annual depreciation rates	**Cost**	**Accumulated depreciation**	**Net**
Land	-	103,211	-	103,211
Buildings	2.84%	1,128,025	(158,585)	969,440
Leasehold improvements	7.38%	70,679	(14,929)	55,750
Facilities and improvements	5.57%	279,893	(51,471)	228,422
Furniture and fixtures	9.19%	9,028	(3,213)	5,815
Vehicles	21.88%	127,798	(75,113)	52,685
Technical and scientific instruments	11.84%	6,087	(3,327)	2,760
IT equipment	19.31%	64,430	(55,834)	8,596
Machinery and equipment	7.05%	3,781,449	(760,798)	3,020,651
Eucalyptus Matrices	20.00%	79	(29)	50
Construction in progress and advances for capital expenditures	-	197,217	-	197,217
		5,767,896	(1,123,299)	4,644,597

	Consolidated 12/31/2016			
	Weighted annual depreciation rates	**Cost**	**Accumulated depreciation**	**Net**
Land	-	101,701	-	101,701
Buildings	3.84%	1,094,689	(126,718)	967,971
Leasehold improvements	7.31%	70,560	(9,467)	61,093
Facilities and improvements	9.71%	254,664	(39,047)	215,617
Furniture and fixtures	10.34%	8,360	(2,370)	5,990
Vehicles	24.35%	138,489	(61,194)	77,295
Technical and scientific instruments	15.58%	5,893	(2,712)	3,181
IT equipment	22.69%	63,282	(44,410)	18,872
Machinery and equipment	17.19%	3,757,283	(602,233)	3,155,050
Eucalyptus matrices	20.00%	79	(13)	66
Construction in progress and advances for capital expenditures	-	224,806	-	224,806
		5,719,806	(888,164)	4,831,642

Changes in fixed assets

Parent company

Changes	**Balance as at 12/31/2016**	**Additions**	**Write-offs**	**Available for sale**	**Transfers**	**Depreciation**	**Balance as at 12/31/2017**
Land	101,701	2,060	(550)	-	-	-	103,211
Buildings	967,971	-	-	-	33,336	(31,867)	969,440
Leasehold improvements	10,236	-	-	-	-	(1,475)	8,761
Facilities and Improvements	210,471	-	(20)	-	25,241	(12,113)	223,579
Furniture and fixtures	5,714	291	(9)	-	289	(777)	5,508
Vehicles	77,272	6,569	(3,667)	(1,419)	-	(26,070)	52,685
Technical and scientific instruments	3,181	158	-	-	36	(615)	2,760
IT equipment	18,299	542	(13)	-	596	(11,266)	8,158
Machinery and equipment	3,146,455	9,743	(6,403)	(5,409)	39,593	(171,511)	3,012,468
Eucalyptus matrices	66	-	-	-	-	(16)	50
Construction in progress and advances for fixed assets	218,903	75,171	-	-	(102,569)	-	191,505
	4,760,269	94,534	(10,662)	(6,828)	(3,478)	(255,710)	4,578,125

Changes	Balance at 12/31/2015	Additions	Write-offs	Transfers	Depreciation	Balance at 12/31/2016
Land	101,701	-	-	-	-	101,701
Buildings	964,943	-	-	34,967	(31,939)	967,971
Leasehold improvements	11,711	-	-	-	(1,475)	10,236
Facilities and improvements	206,872	427	-	14,428	(11,256)	210,471
Furniture and fixtures	5,427	797	-	143	(653)	5,714
Vehicles	91,016	33,397	(20,687)	-	(26,454)	77,272
Technical and scientific instruments	2,699	989	-	14	(521)	3,181
IT equipment	27,453	1,914	-	216	(11,284)	18,299
Machinery and equipment	3,224,771	72,764	(13,854)	26,943	(164,169)	3,146,455
Construction in progress and advances for capital expenditures	-	-	-	79	(13)	66
Land	128,400	168,572	-	(78,069)	-	218,903
	4,764,993	278,860	(34,541)	(1,279)	(247,764)	4,760,269

Consolidated

Changes	Balance as at 12/31/2016	Additions	Write-offs	Available for sale	Transfers	Depreciation	Balance as at 12/31/2017
Land	101,701	2,060	(550)	-	-	-	103,211
Buildings	967,971	-	-	-	33,336	(31,867)	969,440
Leasehold improvements	61,093	-	-	-	119	(5,462)	55,750
Facilities and Improvements	215,617	-	(20)	-	25,249	(12,424)	228,422
Furniture and fixtures	5,990	291	(9)	-	392	(849)	5,815
Vehicles	77,295	6,569	(3,667)	(1,419)	-	(26,093)	52,685
Technical and scientific instruments	3,181	158	-	-	36	(615)	2,760
IT equipment	18,872	551	(14)	-	665	(11,478)	8,596
Machinery and equipment	3,155,050	9,743	(6,403)	(5,409)	39,888	(172,218)	3,020,651
Eucalyptus matrices	66	-	-	-	-	(16)	50
Construction in progress and advances for fixed assets	224,806	75,650	-	-	(103,239)	-	197,217
	4,831,642	95,022	(10,663)	(6,828)	(3,554)	(261,022)	4,644,597

Changes	**Balance at 12/31/2015**	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Exchange rates**	**Balance at 03/31/2016**
Land	101,701	-	-	-	-	-	101,701
Buildings	964,943	-	-	34,967	(31,939)	-	967,971
Leasehold improvements	66,007	-	-	530	(5,444)	-	61,093
Facilities and improvements	212,029	427	-	14,427	(11,259)	(7)	215,617
Furniture and fixtures	5,754	825	-	148	(719)	(18)	5,990
Vehicles	91,097	33,397	(20,687)	-	(26,485)	(27)	77,295
Technical and scientific instruments	2,699	989	-	14	(521)	-	3,181
IT equipment	28,153	1,913	-	328	(11,475)	(47)	18,872
Machinery and equipment	3,233,324	72,764	(13,854)	27,671	(164,855)	-	3,155,050
Eucalyptus matrices	-	-	-	79	(13)	-	66
Construction in progress and advances for capital expenditures	129,272	175,005	-	(79,470)	-	(1)	224,806
	4,834,979	285,320	(34,541)	(1,306)	(252,710)	(100)	4,831,642

Construction in progress and advances for capital expenditures
The outstanding amounts related to construction in progress and advances for capital expenditures as at December 31, 2017 refer to structural improvements in the pulp plant and surrounding areas and expenditures on basic engineering, environmental license and infrastructure woks for the construction of Projeto Vanguarda 2.0, new production line with capacity of more than 2.3 million tons of pulp per year.

Company assets are pledged as collateral for borrowings up to the maximum limit of each of the debts assumed (note 17).

Impairment test - fixed assets
The balances of fixed assets and other assets are reviewed annually in order to identify evidence of impairment or whenever changes in events or circumstances indicate that the carrying amount may not be recoverable. In the period, no evidence of impairment was identified.

15 Intangible assets

	Parent Company 12/31/2017			
	Weighted annual amortization rates	**Costs**	**Accumulated amortization**	**Net**
Software	21.18%	18,014	(10,677)	7,337

	Parent Company 12/31/2016			
	Weighted annual amortization rates	**Costs**	**Accumulated amortization**	**Net**
Software	25.10%	14,387	(7,937)	6,450

	Consolidated 12/31/2017			
	Weighted annual amortization rates	**Costs**	**Accumulated amortization**	**Net**
Appreciation of right-of-use of port movement concession	6.94%	17,001	(2,948)	14,053
Software	21.02%	18,744	(11,008)	7,736
Terminal Concession	7.14%	20,988	(9,535)	11,453
		56,733	(23,491)	33,242

	Consolidated 12/31/2016			
	Weighted annual amortization rates	**Costs**	**Accumulated amortization**	**Net**
Goodwill	-	17,001	-	17,001
Software	25.18%	15,041	(8,134)	6,907
Terminal Concession	7.14%	20,988	(8,036)	12,952
		53,030	(16,170)	36,860

Changes in intangible assets

Parent company

Changes	**12/31/2016**	**Additions**	**Transfers**	**Amortization**	**12/31/2017**
Software	6,450	149	3,478	(2,740)	7,337

Changes	**01/01/2016**	**Additions**	**Transfers**	**Amortization**	**12/31/2016**
Software	7,279	417	1,279	(2,525)	6,450

Consolidated

Changes	**12/31/2016**	**Additions**	**Transfers**	**Amortization**	**12/31/2017**
Appreciation of right-of-use of port movement concession (a)	17,001	-	-	(2,948)	14,053
Software	6,907	149	3,554	(2,874)	7,736
Terminal concession	12,952	-	-	(1,499)	11,453
	36,860	**149**	**3,554**	**(7,321)**	**33,242**

Changes	**01/01/2016**	**Additions**	**Transfers**	**Amortization**	**12/31/2016**
Goodwill	17,001	-	-	-	17,001
Software	7,838	418	1,306	(2,655)	6,907
Terminal concession	14,451	-	-	(1,499)	12,952
	39,290	**418**	**1,306**	**(4,154)**	**36,860**

(a) These refer to the appreciation of the right-of-use of port movement concession (Note 12).

Impairment of tangible and intangible assets

As at December 31, 2017, the Company reviewed the carrying amounts of its tangible and intangible assets to determine whether there was any indication that those assets had suffered an impairment loss and concluded that there was no indication of impairment.

16 Trade payables

	Parent Company		Consolidated	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Materials and services	46,576	48,520	58,459	55,139
Inputs	151,275	141,702	151,275	141,702
Others	19,156	39,089	20,275	42,209
	217,007	229,311	230,009	239,050
Current liabilities	210,378	229,311	223,380	239,050
Noncurrent liabilities	6,629	-	6,629	-
	217,007	229,311	230,009	239,050

17 Loans and Financing

			Parent Company	
Type	**Average annual interest rate and commissions**	**Maturity**	**12/31/2017**	**12/31/2016**
Fixed assets purchase financing				
FINAME - project finance	Average interest of 3% to 8% p.a.	July/2023	40,527	62,435
ACC (advance on exchange contract) (i)	Forex + interest of 5.2% to 6.9% p.a.	June/2018	1,070,650	1,059,251
BNDES - sub loan A (ii)	TJLP + interest of 3,32% p.a.	June/2022	320,790	388,650
BNDES - sub loan B (ii)	Floating rate BNDES + interest of 3.32% p.a.	July/2022	727,671	873,196
BNDES - sub loans C, H and L (ii)	Floating rate BNDES + interest of 4.52% p.a.	July/2022	828,829	994,585
BNDES - sub loan G (ii)	TJLP + interest of 2.92% p.a.	June/2022	83,907	101,657
BNDES - sub loan K (ii)	TJLP	June/2022	15,689	19,008
BNDES - sub loan D (ii)	TJLP + interest of 1.8% p.a.	June/2022	88,398	107,098
BNDES - sub loan E (ii)	Floating rate BNDES + interest of 1.8% p.a.	July/2022	335,898	403,073
BNDES – sub loans F and J (ii)	Floating rate BNDES + interest of 3% p.a.	July/2022	187,373	224,846
BNDES - sub loan I (ii)	TJLP + interest of 1.4% p.a.	June/2022	22,702	27,504
FINEM Florestal (xii)	TJLP / selic + spread	May/2025	187,044	174,690
ECAs - Export Credit Agencies (iii)	Forex + interest of 2.8% to 5.69% p.a.	November/2022	846,305	999,609
Debentures (second issue) (iv)	IPCA + interest of 7.41% p.a.	December/2027	1,233,020	1,211,140
FCO (Center-West Financing Fund) (v)	Interest of 8.5% to 9 % p.a.	-	-	23,565
Working capital (vii)	Rate of 5.74% p.a. in US$	December/2020	25,684	33,739
PPE (viii)	LIBOR + spread.	March/2018	18,635	36,631
NCE (vi)	CDI + spread	December/2019	616,244	859,824
CCB (xi)	19.70% p.a.	-	-	16,955
Lease	Fixed rate – 12.9854% p.a.	July/2020	2,151	2,715
			6,651,517	7,620,171

	Parent Company	
Breakdown	**12/31/2017**	**12/31/2016**
Current liabilities	2,319,414	2,291,414
Noncurrent liabilities	4,332,103	5,328,757
	6,651,517	7,620,171

Noncurrent liabilities mature as follows:	**Parent Company 12/31/2017**
2019	1,062,019
2020	829,431
2021	823,935
2022	577,772
After 2023	1,038,946
	4,332,103

Type	**Average annual interest rate and commissions**	**Maturity**	**Consolidated 12/31/2017**	**Consolidated 12/31/2016**
Fixed assets purchase financing				
FINAME - project finance	Average interest of 3% to 8% p.a.	July/2023	40,527	62,435
ACC (advance on exchange contract) (i)	Forex + interest of 5.2% to 6.9% p.a.	June/2018	1,070,650	1,059,251
BNDES - sub loan A (ii)	TJLP + interest of 3.32% p.a.	June/2022	320,790	388,650
BNDES - sub loan B (ii)	Floating rate BNDES + interest of 3.32% p.a.	July/2022	727,671	873,196
BNDES - sub loans C, H and L (ii)	Floating rate BNDES + interest of 4.52% p.a.	July/2022	828,829	994,585
BNDES - sub loan G (ii)	TJLP + interest of 2.92% p.a.	June/2022	83,907	101,657
BNDES - sub loan K (ii)	TJLP	June/2022	15,689	19,008
BNDES - sub loan D (ii)	TJLP + interest of 1.8% p.a.	June/2022	88,398	107,098
BNDES - sub loan E (ii)	Floating rate BNDES + interest of 1.8% p.a.	July/2022	335,898	403,073
BNDES – sub loans F and J (ii)	Floating rate BNDES + interest of 3% p.a.	July/2022	187,373	224,846
BNDES - sub loan I (ii)	TJLP + interest of 1.4% p.a.	June/2022	22,702	27,504
FINEM Florestal (xii)	TJLP / selic + spread	May/2025	187,044	174,690
ECAs - Export Credit Agencies (iii)	Forex + interest of 2.8% to 5.69% p.a.	November/2022	846,305	999,609
Debentures (second issue) (iv)	IPCA + interest of 7.41% p.a.	December/2027	1,233,020	1,211,140
FCO (Center-West Financing Fund) (v)	Interest of 8.5% to 9 % p.a.	-	-	23,565
Working capital (vii)	Rate of 5.74% p.a. in US$	December/2020	25,684	33,739
PPE (viii)	LIBOR + spread	March/2018	18,635	36,631
NCE (vi)	CDI + spread	December/2019	616,244	859,824
CCB (xi)	19.70% p.a.	-	-	16,955
Term Loan (ix)	LIBOR + spread	April/2021	256,771	305,383
Bonds (x)	Rate of 8.625% p.a.	June/2021	1,143,782	1,140,981
Leasing	Fixed rate – 12.9854% p.a.	July/2020	2,151	2,715
			8,052,070	9,066,535

	Consolidated	
Breakdown	**12/31/2017**	**12/31/2016**
Current liabilities	2,392,372	2,364,186
Noncurrent liabilities	5,659,698	6,702,349
	8,052,070	9,066,535

	Consolidated
Noncurrent liabilities mature as follows:	**12/31/2017**
2019	1.134.769
2020	902.181
2021	2.006.030
2022	577.772
After 2023	1.038.946
	5.659.698

17.1 Changes in loans and financing

Parent Company	**12/31/2017**	**12/31/2016**
Opening Balance	**7,620,171**	**9,366,633**
Interest - accrued	589,963	759,657
Exchange differences - accrued	46,882	(986,571)
New loans and financing	1,082,247	1,376,644
Repayments		
Principal	(2,017,393)	(1,828,600)
Interest	(538,237)	(664,922)
Exchange differences	(132,116)	(402,670)
Closing balance	**6,651,517**	**7,620,171**

Consolidated	**31/12/2017**	**12/31/2016**
Opening balance	**9,066,535**	**9,366,633**
Interest - accrued	710,551	798,711
Exchange differences - accrued	70,370	(1,091,623)
New loans and financing	1,082,247	2,948,694
Repayments		
Principal	(2,095,263)	(1,828,600)
Interest	(653,287)	(724,067)
Exchange differences	(129,083)	(403,213)
Closing balance	**8,052,070**	**9,066,535**

17.2 Company credit facilities

(i) Working capital financing through ACCs (advances on exchange contracts).

(ii) BNDES (Brazilian development bank) funding: on July 22, 2011 the Company entered into a financing agreement with Banco Nacional de Desenvolvimento Social (BNDES), amended on March 5 and August 10, 2012, totaling R$2.7 billion, to build the pulp and paper plant, including the purchase of local machinery and equipment, and the implementation of the social investments program in plant neighboring areas.

(iii) ECA (Export Credit Agency) financing agreements, disbursed on December 28, 2012.

(iv) On December 1, 2012, the Company carried out the 2nd issue of simple debentures, fully subscribed by FI-FGTS. These debentures are nonconvertible, unsecured, with additional collateral and unsecured guarantee. The debentures were fully distributed on December 17, 2012.

(v) FCO (Center-West Financing Fund) financing agreement, entered into with Banco do Brasil.

(vi) Real-denominated Export Credit Notes (NCE) contracts.

(vii) Borrowings from Catterpillar Financial Services, denominated in dollars, for financing the purchase of engines.

(viii) In March 2016, the Company entered into an export prepayment contract aimed at extending the repayment profile of the working capital financing.

(ix) In May 2016, Cellulose Eldorado Austria GmbH, Company's wholly-owned subsidiary, entered into a Term Loan agreement with Banco do Brasil AG, Succursale France to extend the average term of its financing transactions.

(x) In June 2016, the Company, through its wholly-owned subsidiary Eldorado Intl. Finance GmbH, issued Senior Unsecured Bonds/Notes in the amount of USD 350,000 thousand.

(xi) Bank Credit Notes for equipment financing.

(xii) Financing granted by BNDES for the company's eucalyptus planting.

17.3 Restrictive covenants

The Company has financing agreements that contain certain covenants for compliance with financial ratios. The agreements that contain such covenant are: (i) the facility agreements entered into with Export Credit Agencies - ECAs, (ii) the Debentures subscribed by the FI-FGTS; (iii) the bank letters of guarantee issued by Banco do Brasil and Santander to secure the Company's financing agreement entered into with the National Bank for Economic and Social Development – BNDES; and (iv) the facility and arrangement agreement ("term loan") entered into with Banco do Brasil in France.

It is important to notice that Eldorado has been working hard to improve its indicators, including its total indebtedness index. 2017 was marked by the strong performance in pulp market, effect of the growing demand and of events such as interruptions and conversions for the production of other types of pulp, which ended up limiting the product offer. This combination of market foundations supported a large increase in prices during the year, marked by the continuity of consistent demand. However, 2017 was also marked by the best sales performance of the Company. The expectation for the pulp market is that the scenario of high demand continues supporting the price levels established by the industry and, consequently, allowing the Company to generate significant cash in the following years.

It is worth mentioning that Eldorado is focused in optimizing its operating efficiency, and in improving the management of its cash flows and investments in order to meet the required contractual covenants.

For cases in which the ratios obtained by the Company did not satisfy the restrictive conditions required by the agreement, waivers from banks were requested, as detailed below:

(i) *Export Credit Agencies*: Financial covenants annually measured as from December 31, 2015. For the year ended December 31, 2017, the indexes were:

Index	Limit
Debt ratio index	**≥1.15**
Net debt / EBITDA	**≤4.0x**
Net debt / Equity	**≤2.75x**
Indebtedness limit	**≤USD 1.2 billion***

* In 2016, the Company obtained authorization from creditors to increase the “Indebtedness limit” to US$ 1.2 billion, as long as the equation “Indebtedness limit (-) Cash” remains below US$ 750 million.

Based on the results projected for the end of 2017, the Company identified the possibility of non-compliance with the indebtedness limit set forth in the financial instrument. In view of that, the Company started negotiations to request the waiver of this obligation with Banco Santander (financing agent), but had no return so far.

(ii) *Debentures:* Financial Covenants annually measured as from December 31, 2015. For the year ended December 31, 2017, the indexes were:

Index	Limit
Net debt / EBITDA	$\leq 4.0x$
Net debt / Equity	$\leq 2.75x$
Indebtedness limit	$\leq USD\ 1.1\ billion$

Based on the results projected for the end of 2017, the Company identified the possibility of non-compliance with the Net debt/Equity index set forth in the financial instrument. In view of that, the Company started negotiations to request the waiver of this obligation with Caixa Econômica Federal (CEF), the financing agent, but had no return so far.

(iii) *Letters of Guarantee* – Banco do Brasil: Financial Covenants annually measured as from December 31, 2015. For 2017, the indexes were:

Index	**Limit**
Net debt/EBITDA	**≤4.0x**
Net debt / Equity	**≤2.75x**
Indebtedness limit	**≤USD 750 million**
Debt ratio index	**≥1.15**

Based on the results projected for the end of 2017, the Company identified the possibility of non-compliance with the Net debt/Equity index set forth in the Guarantee Letter. In view of that, the Company started negotiations to request the waiver of this obligation with Banco do Brasil. However the bank did not give an answer. Additionally, we point out that the Company was waived from compliance with the indebtedness limit index up to 12/31/2017.

(iv) *Letters of Guarantee – Santander:* Financial Covenants annually measured as from December 31, 2015. For 2017, the indexes were:

Index	**Limit**
Net debt/EBITDA	$\leq \mathbf{4.0}\boldsymbol{x}$
Net debt / Equity	$\leq \mathbf{2.75}\boldsymbol{x}$
Indebtedness limit	$\leq \boldsymbol{USD}\ \mathbf{1.2}\ \boldsymbol{million}$
Debt ratio index	$\geq \mathbf{1.15}$

* In 2017, the Company obtained authorization from Banco Santander to increase the "Indebtedness limit" to US$ 1.2 billion, as long as the equation "Indebtedness limit (-) Cash" remains below US$ 750 million.

Likewise, based on the results projected for the end of 2017, the Company identified the possibility of non-compliance with the indebtedness limit set forth in the Letter of Guarantee. In view of that, the Company started negotiations to request the waiver of this obligation with Banco Santander, however the bank did not give an answer.

The Company's management considers that these financial statements fairly present the financial position, the financial performance and cash flows of the Company, adopting the applicable Technical Pronouncements, Interpretations and Guidelines of CPC, except for item 74 of CPC 26, whose adoption was not made in order to make these financial statements properly present the financial position, financial performance and cash flows of the Company.

In item 74, CPC 26 establishes that "when the entity breaks a contractual arrangement (covenant) on a long-term loan (indebtedness index or interest coverage, for example) at the end or before the end of the reporting period, turning it an overdue liability payable to the creditor, the liability shall be classified as current even if the creditor agrees, after the balance sheet date and before the date of approval of issue of the financial statements, not to demand the early payment as a consequence of non-compliance with the covenant. The liability shall be classified as current because, at balance sheet date, the entity does not have the unconditional right to defer its settlement for at least twelve months after this date".

Considering that, as described above, the Company [(i) obtained authorization to renegotiate with part of its creditors] the cases in which the indexes obtained by the Company did not meet the conditions required by contract for the year ended December 31, 2016; and (ii) it is currently discussing with the other creditors the renegotiation of these obligations to new levels met by the Company related to the year ended December 31, 2017, the Company's management decided that compliance with item 74 of CPC 26 would cause the Company's financial statements to show in short term, on the date of publishing of the financial statements, debts not actually payable in short term, in the amount of R$ 2.335.175 that the Company was still negotiating those and had not been notified by any of the creditors on the possible non-compliance with the contractual arrangements.

17.4 Guarantees of the loans

All loan and financing agreements in the BNDES, FINEM Forest and ECAs modalities and part of the modalities of ACC, Finame , Working Capital, NCE and Debenture, are guaranteed by an endorsement granted by Parent Company J & F Investimentos S.A.

Debentures and certain long-term debts are also guaranteed by amounts in financial investments according to note 5.2.

18 Taxes payable, payroll and related taxes

	Parent Company		Consolidated	
	12/31/2017	12/31/16 (Restated)	12/31/2017	12/31/16 (Restated)
Payroll and related taxes	58,028	61,349	60,619	63,008
Accruals and taxes	26,342	28,366	26,951	28,848
Taxes payable	101,542	57,320	103,149	58,088
	185,912	147,035	190,719	149,944

19 Current and deferred income tax and social contribution

(a) Reconciliation of the effective tax rates:

	Parent Company		Consolidated	
	12/31/2017	12/31/2016 (Restated)	12/31/2017	12/31/2016 (Restated)
Profit before income tax and social contribution	966,136	300,934	969,126	301,857
Income tax and social contribution - statutory rate of 34%	(328,486)	(102,318)	(329,503)	(102,631)
Reconciliation for effective expenses				
Profit (loss) of investees accounted for as own capital, net of taxes	(2,342)	10,595	-	-
Nondeductible expenses	(12,511)	(724)	(14,484)	(1,328)
Government grant	90,570	78,045	90,570	78,045
Effect of taxes of foreign subsidiaries	-	-	(2,342)	10,595
Others	-	5	-	(1)
Current and deferred income tax and social contribution	(252,769)	(14,397)	(255,759)	(15,320)
Effective rate	(26.16%)	(4.78%)	(26.39%)	(5.08%)

(b) Changes in deferred income tax and social contribution:

Parent company and consolidated	12/31/2016	Additions	Deductions	12/31/2017
Tax losses (i)	586,048	-	(48,295)	537,753
Hedge - derivatives	(4,368)	4,368	-	-
Biological assets	(69,044)	(98,283)	-	(167,327)
Operational provisions	31,223	-	(10,605)	20,618
Balance in the period	**543,859**	**(93,915)**	**(58,900)**	**391,044**

(i) As at December 31, 2017, the Company had a balance of income tax and social contribution losses of R$ 1,585,626.

Deferred taxes arising from temporary differences will be reversed as they are settled or realized. Tax losses can be carried forward indefinitely; however, the utilization of accumulated losses from prior years is limited to 30% of the annual taxable profit.

When assessing the probability of realization of deferred tax assets calculated on tax losses, Management considers earning taxable profit in its budget and in the multiannual strategic plan as from 2018 and, thus, it is highly possible that the deferred asset will be realized.

20 Provision for contingent liabilities

In the normal course of its activities, the Company is subject to tax, labor, environmental and civil lawsuits and, based on the opinion of its legal counsel and, where applicable, specific opinions issued by specialists, assesses the expected outcome of ongoing lawsuits and determines the need to whether or not set up a provision for contingent liabilities. Based on this assessment, the Company provided for the following amounts:

	12/31/2016	Additions	Disposals	Adjustment	12/31/2017
Environmental	-	256	-	-	256
Civil	1,871	500	(22)	-	2,349
Labor	5,306	7,285	(3,203)	311	9,699
Tax	307	-	(3)	-	304
	7,484	**8,041**	**(3,228)**	**311**	**12,608**

	12/31/2015	Addition	Disposal	Adjustment	12/31/2016
Civil	952	1,149	(230)	-	1,871
Labor	3,776	3,916	(1,874)	(512)	5,306
Tax	278	29	-	-	307
	5,006	**5,094**	**(2,104)**	**(512)**	**7,484**

As at December 31, 2017 the Company was a defendant in environmental, civil, labor and tax lawsuits, amounting to R$ 532,757(R$ 436,697 at December 31, 2016), of which the Company accrued R$ 12,608 (R$ 7,484 as at December 31, 2016), classified by its management and legal counsel as likelihood of probable loss. The Company believes that an outflow of resources embodying economic benefits will be required to settle the obligation. Management believes the negotiations will not occur during at least twelve months. In general, the claims that originated the lawsuits involve claims for obligations, indemnity for pain and suffering and property damages, collection and prohibitory interdict.

For the lawsuits classified as possible losses in the amount of R$ 469,853 (R$ 213,624 as at December 31, 2016) , the Company believes that no provision for losses is required.

In one of the cases above, the Company is the defendant in an intellectual property dispute with Fibria Celulose SA, which alleges that the Company violated certain rights related to the use of eucalyptus clones in a small part of the Company's plantations. On April 19, 2013, Fibria filed a lawsuit for an anticipated production of evidence. As this was a mere production of evidence of Fibria, a report favorable to Fibria's claims was approved and the process terminated

On April 1, 2016, the Company was summoned to appear before a state court in the State of Mato Grosso do Sul as defendant in a lawsuit filed by Fibria in connection with the alleged infringement mentioned above, for which Fibria is seeking compensation in the amount of R$ 100 million. On May 5, 2016, the Company argued for a change of venue and, in the alternative, that the case be dismissed, 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 Fibria.

On September 26, 2016, the proceedings were conclusive and the urgent measure 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.

No provision for such action was recognized since the likelihood of loss is possible.

On December 08, 2017, CVM introduced the Administrative Sanctioning Process CVM n° 5388/2017 for object determine the purchase of derivatives contracts on behalf of the dollar of Eldorado Brasil S.A. and other members of your group companies, between the days may 05 and 17, 2017 with use of unfair practices, in alleged violation item II, item "d" of CVM Instruction n° 8/1979. Currently, the process is waiting for the presentation of defence by the accused, whose term ended in may 2018. In the current stage of the process cannot classify your probability of loss, as well as not was incorporated any provision for this process.

21 Equity

21.1 Issued capital

The subscribed and paid-in capital as at December 31, 2017 is R$ 1,788,792, comprising 1,525,558,419 common shares.

	Common Shares
Balance at December 31, 2015	**1,525,558,419**
Issuance of shares	-
Balance at December 31, 2016	**1,525,558,419**
Issuance of shares	-
Balance at December 31, 2017	**1.525.558.419**

21.2 Statutory reserve

Recognized, when applicable, at the rate of 5% of the profit for each year, as provided for by Article 193 of Law 6.404/76, up to the ceiling of 20% of the share capital.

21.3 Tax incentive reserve

The Company recognized a tax incentive reserve using part of the net income resulting from government subventions, represented by ICMS credits granted, arising from a tax incentive package offered by the government of the state of Mato Grosso do Sul to be applied in its future industrial expansion.

21.4 Dividends

Under the Company bylaws, the balance of the profit for the year remaining after the offset of accumulated losses and allocation to the statutory, tax incentive and investment reserves, is used for the payment of a mandatory minimum dividend that cannot be lower than 25% of profit for the year adjusted as prescribed by the Corporate Law.

21.5 Cumulative translation adjustments

The cumulative translation adjustments represent the foreign currency differences arising from the conversion of the financial statements of foreign operations.

21.6 Earnings per share

Basic

Basic earnings per share were calculated by dividing the profit attributable to holders of common shares by the weighted average number of common shares outstanding:

	12/31/2017	12/31/2016 (Restated)
Profit attributable to Company owners	713,367	286,537
Total shares outstanding in the period - thousands	1,525,558	1,525,558
Earnings per thousand shares	**0.47**	**0.19**

22 Net Revenue

	Parent Company		Consolidated	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Gross sales revenue				
Domestic market	564,463	428,106	564,464	428,113
Foreign market	2,668,740	2,247,654	3,502,929	3,032,070
Discounts and rebates	(2,019)	(3,179)	(671,780)	(464,043)
	3,231,184	2,672,581	3,395,613	2,996,140
Sales deductions and taxes	(60,719)	(30,716)	(49,670)	(33,824)
Net operating revenue	**3,170,465**	**2,641,865**	**3,345,943**	**2,962,316**

23 Operating segments

a. Base for segmentation

The Company's management defined three segments: pulp, energy and others based on the reports used by the Board of Directors to make strategic and operating decisions. The summary below describes the operations of each of the segments, whose performance targets for assessment purposes are defined and controlled:

Reportable segments	Operations
Energy	Generation and sale of energy.
Pulp	Plantation and management of forest resources, purchase of wood, and production of pulp.
Others	Sale of chips, scrap and waste

b. Reportable segments

Information on the results of each reportable segment is presented below.

	Consolidated Dec/17			
	Pulp	Energy	Others	Total
Net revenue				
Foreign market	2,844,539	-	-	2,844,539
Domestic market	404,985	95,018	1,401	501,404
Cost of goods sold	(1,122,170)	(2,051)	(5,023)	(1,129,244)
Gross profit (loss)	**2,127,354**	**92,967**	**(3,622)**	**2,216,699**
Operating expenses/revenues				
Administrative and general	(144,240)	-	-	(144,240)
Selling and logistics	(337,422)	-	-	(337,422)
Fair value of biological assets	373,016	-	-	373,016
Depreciation, amortization and depletion	(431,727)	-	-	(431,727)
Other revenues (expenses),net	112,913	-	-	112,913
Net financial income (loss)				
Financial expenses	(837,545)	-	-	(837,545)
Financial revenues	77,780	-	-	77,780
Exchange rate gains (losses), net	(60,348)	-	-	(60,348)
Income/ (loss) before provision for Income and social contribution taxes	**879,781**	**92,967**	**(3,622)**	**969,126**
Income and social contribution taxes	(255,759)	-	-	(255,759)
Net income (loss) for the period	**624,022**	**92,967**	**(3,622)**	**713,367**

	Consolidated Dec/16 (Restated)			
	Pulp	**Energy**	**Others**	**Total**
Net revenue				
Foreign market	2,583,561	-	-	2,583,561
Domestic market	341,942	34,262	2,551	378,755
Cost of goods sold	(1,217,792)	(13,081)	(6,428)	(1,237,301)
Gross profit (loss)	**1,707,711**	**21,181**	**(3,877)**	**1,725,015**
Operating expenses/revenues				
Administrative and general	(121,091)	-	-	(121,091)
Selling and logistics	(337,823)	-	-	(337,823)
Fair value of biological assets	1,348	-	-	1,348
Depreciation, amortization and depletion	(360,351)	-	-	(360,351)
Other revenues (expenses),net	318,033	-	-	318,033
Net financial income (loss)				
Financial expenses	(1,846,952)	-	-	(1,846,952)
Financial revenues	85,662	-	-	85,662
Exchange rate gains (losses), net	838,016	-	-	838,016
Income/ (loss) before provision for Income and social contribution taxes	**284,553**	**21,181**	**(3,877)**	**301,857**
Income and social contribution taxes	(15,320)	-	-	(15,320)
Net income (loss) for the period	**269,233**	**21,181**	**(3,877)**	**286,537**

Geographic segments

The information on the consolidated revenue based on the geographical location of customers is as follows:

Operating revenue	**12/31/2017**	**12/31/2016**
Brazil	501,404	378,755
China	1,019,944	916,387
Italy	367,247	433,914
United States	262,268	196,031
Japan	174,094	138,976
Sweden	145,927	69,456
Austria	102,406	156,865
Germany	98,084	90,495
Poland	91,737	80,258
Singapore	85,692	111,059
Canada	70,909	60,203
Mexico	68,294	65,010
France	61,936	32,634
Argentina	60,799	72,961
Others	235,202	159,312
	3,345,943	**2,962,316**

c. Information on major customers

No individual customer represents more than 10% of the Company's revenues.

d. Information on total noncurrent assets

In the presentation based on geographic segments, the segment's assets are based on the assets' geographic location.

Noncurrent assets	31/12/2017	12/31/2016 (Restated)
Brazil	8,473,398	8,462,670
Austria	51,398	2,967
United States	71	83
China	3	7
	8,524,870	**8,465,727**

24 Selling, logistics, general and administrative expenses

	Parent Company		Consolidated	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Personnel expenses	357,024	284,256	373,065	298,670
Service, material and transportation expenses	469,726	171,513	671,903	395,515
Depreciation, depletion and amortization	420,747	353,730	431,727	360,351
Raw materials and consumables	601,305	862,143	549,606	880,734
Others	11,790	107,474	16,332	121,296
	1,860,592	**1,779,116**	**2,042,633**	**2,056,566**
Breakdown				
Cost of sales	1,554,598	1,535,494	1,536,482	1,567,452
General and administrative expenses	137,736	101,269	150,582	133,819
Selling and logistics expenses	168,258	142,353	355,569	355,295
	1,860,592	**1,779,116**	**2,042,633**	**2,056,566**

25 Financial income (loss), net

	Parent company		Consolidated	
	12/31/2017	**12/31/2016** (Restated)	**12/31/2017**	**12/31/2016** (Restated)
Financial revenues				
Interest gains	4,406	1,712	4,877	2,313
Return on financial investments	39,198	81,041	39,740	81,042
Results from derivatives	28,300	-	28,300	-
Other financial revenues	4,859	2,281	4,863	2,307
	76,763	85,034	77,780	85,662
Financial expenses				
Sundry bank expenses	(192)	(166)	(638)	(515)
Interest losses	(745,143)	(817,519)	(735,558)	(812,892)
Income (loss) from derivatives	-	(910,698)	-	(910,698)
Expenses on endorsement and surety	(84,503)	(96,185)	(84,505)	(96,184)
Other financial expenses	(9,646)	(10,478)	(16,844)	(26,663)
	(839,484)	(1,835,046)	(837,545)	(1,846,952)
Exchange rate gains (losses), net	(60,231)	838,247	(60,348)	838,016
	(822,952)	(911,765)	(820,113)	(923,274)

Gains (losses) on daily adjustments of financial instruments used as a hedge of assets and liabilities in the futures market, as well as the amounts of the positions marked to market of the agreements traded on the over-the-counter market, are recognized in line item "Gains (losses) on derivatives".

26 Other income (expenses), net

	Parent company		Consolidated	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
ICMS credits (a)	151,449	166,677	151,449	166,677
PIS/COFINS credits (b)	-	107,973	-	107,973
Valuation of wood inventory	-	34,757	-	34,757
Insurance indemnity	804	701	805	701
Non-recoverable ICMS (c)	(27,711)	-	(27,711)	-
Others	(11,456)	7,392	(11,630)	7,925
	113,086	317,500	112,913	318,033

(a) This refers to Government Grants for Investments under a tax incentive package granted by the Mato Grosso do Sul Government for use in future industrial expansion (Vanguarda 2.0 Project).

(b) Untimely credits of PIS and COFINS arising from acquisitions of inputs used in the production of pulp intended to export.

(c) Reversal of tax credits resulting from (i) system of fractional calculation of ICMS (1/48 - originated from purchases of fixed assets) which considers a percentage of shipments exempt in relation to total billed; (ii) loss due to barred statute of limitations for tax bookkeeping.

27 Employee benefits

a. Defined contribution pension plan.

In July 2015, the Company joined a pension plan from Fundação Petrobras de Seguridade Social - Petros, a closed pension fund.

Under the regulations of the benefit plan, the Company’s contributions match the employees’ contributions and may range from 3% to 6% of the nominal salary. The contributions made by the Company in the period as at December 31, 2017 totaled R$ 2,616.

28 Insurance

As at December 31, 2017, the insurance coverage (coverage from 08/15/2017 to 08/15/2018) against operational risks totaled R$ 5,221,064 for property damages, R$ 2,382,530 for loss of profits, and R$ 82,700 for civil liability effective from 08/15/2017 to 08/15/2018.

The risk assumptions adopted, given their nature, are not part of the scope of an audit, therefore, they were not audited by the independent auditors.

29 Financial instruments

In the normal course of business, the Company is exposed to market risks relating mainly to interest rate and foreign exchange fluctuation, credit risk and liquidity risks.

a. Market risks

Market risk is the risk that changes in market prices (exchange rates and interest rates, inflation rates, prices of commodities and shares) affect the company's income (loss) or the amount of its interest in financial instruments.

The objective of the market risk management is to manage and control the exposure to market risk within acceptable parameters, to optimize the return. The Company uses derivatives to manage the market risk. Generally, the Company seeks to use hedge to manage the volatility in profits or losses.

(i) Interest rate risks

The interest risk refers to the potential economic losses that the Company and its subsidiaries may incur due to the adverse fluctuations in this risk factor. The Company has assets and especially liabilities exposed to this risk, in transactions pegged to indices such as the CDI (Interbank Deposit Rate), TJLP (Benchmark Long-term Interest Rate), UMBNDES (BNDES Monetary Unit), LIBOR (London Interbank Offer Rate), and occasional transactions with fixed positions that could result in losses caused by mark-to-market. The Company seeks to mitigate the interest rate risk by diversifying the contracted indices and, occasionally, entering into derivative transactions.

The Company's exposure to interest rate risk refers basically to loans and financing. The position as at December 31, 2017 and December 31, 2016:

		Parent Company	
Type	**Average annual interest rate and commissions**	**12/31/2017**	**12/31/2016**
FINAME - project finance	Average interest of 3% to 8% p.a.	40,527	62,435
ACC (advance on exchange contract)	Forex + interest of 5.2% to 6.9% p.a.	1,070,650	1,059,251
BNDES - sub loan A	TJLP + interest of 3.32% p.a.	320,790	388,650
BNDES - sub loan B	Floating rate BNDES + interest of 3.32% p.a.	727,671	873,196
BNDES - sub loans C, H and L	Floating rate BNDES + interest of 4.52% p.a.	828,829	994,585
BNDES - sub loan G	TJLP + interest of 2.92% p.a.	83,907	101,657
BNDES - sub loan K	TJLP	15,689	19,008
BNDES - sub loan D	TJLP + interest of 1.8% p.a.	88,398	107,098
BNDES - sub loan E	Floating rate BNDES + interest of 1.8% p.a.	335,898	403,073
BNDES - sub loans F and J	Floating rate BNDES + interest of 3% p.a.	187,373	224,846
BNDES - sub loan I	TJLP + interest of 1.4% p.a.	22,702	27,504
FINEM Florestal	TJLP / selic + spread	187,044	174,690
ECAs – Export Credit Agencies	Forex + interest of 2.8% to 5.69% p.a.	846,305	999,609
Debentures (second issue)	IPCA + interest of 7.41% p.a.	1,233,020	1,211,140

FCO (Center-West Financing Fund)	Interest of 8.5% to 9 % p.a.	-	23,565
Working capital	Rate of 5.74% p.a. in US$	25,684	33,739
PPE	LIBOR + spread	18,635	36,631
NCE	CDI + spread	616,244	859,824
CCB	19.70% p.a.	-	16,955
Leasing	Fixed rate – 12.9854% p.a.	2,151	2,715
Short-term investments		(316,574)	(982,303)
		6,334,943	6,637,868

		Consolidated	
Type	**Average annual interest rate and commissions**	**12/31/2017**	**12/31/2016**
FINAME - project finance	Average interest of 3% to 8% p.a.	40,527	62,435
ACC (advance on exchange contract)	Forex + interest of 5.2% to 6.9% p.a.	1,070,650	1,059,251
BNDES - sub loan A	TJLP + interest of 3.32% p.a.	320,790	388,650
BNDES - sub loan B	Floating rate BNDES + interest of 3.32% p.a.	727,671	873,196
BNDES - sub loans C, H and L	Floating rate BNDES + interest of 4.52% p.a.	828,829	994,585
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FCO (Center-West Financing Fund)	Interest of 8.5% to 9 % p.a.	-	23,565
Working capital	Rate of 5.74% p.a. in US$	25,684	33,739
PPE	LIBOR + spread	18,635	36,631
NCE	CDI + spread	616,244	859,824
CCB	19.70% p.a.	-	16,955
Term Loan	LIBOR + spread	256,771	305,383
Bonds	Rate of 8.625% p.a.	1,143,782	1,140,981
Leasing	Fixed rate – 12.9854% p.a.	2,151	2,715
Short-term investments		(367,871)	(1,032,842)
		7,684,199	8,033,693

Sensitivity analysis

Debt

For the purpose of providing information on how the market risks to which the Company is exposed as at December 31, 2017, would behave, the possible 25% and 50% changes in interest rates on the risk variables, as compared to the probable, are shown below.

Management considers that the closing interest rates used to measure Company financial assets and financial liabilities, at the reporting date, represent a probable scenario, whose effects are already recognized in profit or loss. The net results of exposures are as follows:

Parent company

Operation - 12/31/2017	**Balance (BRL)**	**Probable**	**Possible 25% (i)**	**Remote 50% (ii)**
Loans and financing	(6,651,517)	(72,356)	(1,051,345)	(2,096,159)
Financial investments (in BRL)	316,574	158	5,738	11,317
Net interest rate exposure		(72,198)	(1,045,607)	(2,084,842)

Consolidated

Operation - 12/31/2017	**Balance (BRL)**	**Probable**	**Possible 25% (i)**	**Remote 50% (ii)**
Loans and financing	(8,052,070)	(95,170)	(1,401,483)	(2,796,436)
Financial investments (in USD)	51,298	836	12,824	25,649
Financial investments (in BRL)	316,574	158	5,738	11,317
Net interest rate exposure		(94,176)	(1,382,921)	(2,759,470)

Scenarios II and II take into account a 25% and 50% increase in the interest rates, respectively.

The loan cost based on the basket of currencies is defined based on the average funding cost of the Bank in the international market and consists of the UMBNDES plus a basket of currencies that corresponds to a variable interest rate.

The long-term interest rate (TJLP) was created to be used as a benchmark of the basic cost of funding granted by BNDES and at the reporting date was 6.75% per year (7.5% per year in December 2016).

(ii) Foreign exchange rate risks

The Company is exposed to foreign exchange rate risk when there is a mismatching between the currencies in which its sales, purchases and loans are denominated and its functional currency.

The main exposures to which the Company is exposed are the fluctuations of the US dollar and Euro rates in relation to the Brazilian real.

As at December 31, 2017, the US Dollar and Euro quotations were R$ 3.3080 and R$ 3.9693, respectively.

As at December 31, 2017, the foreign exchange fluctuation risk concentrates in line items ‘Trade receivables’, ‘Trade payables’ and ‘Loans’.

In order to hedge against the foreign exchange volatility risk, the Company seeks to balance the amounts of assets and liabilities in foreign currencies.

The Company's assets and liabilities exposed to the foreign exchange risk as at December 31, 2017 are as follows:

Parent Company

	12/31/2017	12/31/2016
Operational		
Trade receivables (US Dollar)	1,017,216	814,667
Advances (Euro)	-	140
Trade payables (Euro)	(91)	(10)
Trade payables (US Dollar)	(854)	(258)
Loans and financing (US Dollar)	(4,041,045)	(4,624,931)
Operational total	(3,024,774)	(3,810,392)
Net exposure to currency risk	**(3,024,774)**	**(3,810,392)**

The foreign exchange rate risk may result in losses for the Company due to a possible devaluation of the Real.

Sensitivity analysis
For the purpose of providing information on how the market risks to which the Company is exposed at December 31, 2017, would behave, the possible 25% and 50% changes in interest rates on the risk variables, as compared to the probable scenario, are shown below. Management considers that the closing quotations used to measure Company financial assets and financial liabilities, at the reporting date, represent a probable scenario, whose effects are already recognized in profit or loss. The net results of asset and liability exposures are as follows:

Parent Company

		12/31/2017		
Operation	**Balance (BRL**	**Status**	**25%**	**50%**
Trade accounts receivable	1,017,216	16,570	254,304	508,608
Trade accounts payable	(945)	(15)	(236)	(473)
Loans and financing	(4,041,046)	(65,826)	(1,010,262)	(2,020,523)
Net exposure to exchange rate gains (losses)		(49,271)	(756,194)	(1,512,388)

(iii) Price risk

The Company is exposed to wood price volatility only for new agreements not closed, resulting from factors beyond management control, such as climate factors, offer volume, transportation costs, forestry policies and others. To ensure the supply of the raw material necessary for the operation of its plant, the Company has been entering into partially prepaid wood supply contracts for future delivery and is not exposed to the volatility of prices for the contracts already signed.

Parent Company	**12/31/2017**	**12/31/2016**
Estimated number of firm contracts	733,888	732,083
Advances/ payments made	(454,949)	(377,776)
	278,939	354,307

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

b. Credit risk

Credit risk is the risk that the Company may incur losses on a financial instrument arising from the failure of a customer or counterparty to perform contractual obligations. The risk basically refers to trade receivables and financial instruments, as described below.

The credit risk in the Company's operating activities is managed based on specific rules for customer acceptance, credit analysis and establishment of exposure limits for each customer, which are periodically reviewed. The Company works to ensure the realization of the past-due receivables by constantly monitoring its default customers and using letter of credit and other financial instruments.

Bank deposits and financial investments are contracted with first-tier financial institutions; therefore, the risk of incurring any loss with these financial institutions is minimum.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was:

	Parent Company		**Consolidated**	
	12/31/2017	**12/31/16**	**12/31/2017**	**12/31/16**
Cash and cash equivalents	161,013	829,602	377,507	1,044,637
Financial investments	168,038	161,399	219,336	161,399
Trade receivables	1,155,963	954,120	648,392	525,453
Derivatives receivable	-	12,846	-	12,846
	1,485,014	1,957,967	1,245,235	1,744,335

c. Liquidity Risk

Liquidity risk is the risk that the Company may face difficulties to fulfill its obligations associated with its financial liabilities that are settled through delivery of cash or other financial assets.

The Company's long-term debts comprise the following types: BNDES, ECAs and debentures, with maturities between 10 and 15 years, and grace period of less than one year, and also debts taken by its subsidiaries, *Term Loan*s and Bonds. The ECA and debenture debts have customized payments. In the first years, the repayment of the principal is lower than in years that approximate the total settlement.

The Company's working capital financing is made by contracting ACCs, NCEs and Prepayments credit lines.

The table below shows the fair value of the Company’s financial liabilities according to their maturities and do not include expected interest cash outflows:

Parent Company	**Less than 1 year**	**01 to 02 years**	**02 to 03 years**	**After 03 years**	**Fair Value**
At December 31, 2017					
Trade payables	210,378	2,268	2,268	2,093	217,007
Loans and financing	2,319,414	1,062,019	1,653,366	1,616,718	6,651,517
Amounts due to related parties	135,977	143,638	1,155,196	-	1,434,811
(-) Derivatives receivable	(161,013)	-	-	-	(161,013)
	2,504,756	1,207,925	2,810,830	1,618,811	8,142,322
At December 31, 2016					
Trade payables	229,311	-	-	-	229,311
Loans and financing	2,291,414	2,065,799	1,546,773	1,716,185	7,620,171
(-) Debts with related Parties	115,404	143,038	1,221,891	-	1,480,333
(-) Derivatives receivables	(12,846)	-	-	-	(12,846)
(-) Cash and cash equivalents	(829,602)	-	-	-	(829,602)
	1,793,681	2,208,837	2,768,664	1,716,185	8,487,367

Consolidated	**Less than 1 year**	**01 to 02 years**	**02 to 03 years**	**After 03 years**	**Fair Value**
At December 31, 2017					
Trade payables	223,380	2,268	2,268	2,093	230,009
Loans and financing	2,392,372	1,134,769	2,908,211	1,688,996	8,124,348
Amounts due to related parties	31,257	-	-	-	31,257
(-) Cash and cash equivalents	(377,507)	-	-	-	(377,507)
	2,269,502	1,137,037	2,910,479	1,691,089	8,008,107

	Less than 1 year	01 to 02 years	02 to 03 years	After 03 years	Fair Value
As at December 31, 2016					
Trade payables	239,050	-	-	-	239,050
Loans and financing	2,364,186	2,200,269	2,785,894	1,716,186	9,066,535
Amounts due to related parties	36,205	-	-	-	36,205
(-) Derivatives receivable	(12,846)	-	-	-	(12,846)
(-) Cash and cash equivalents	(1,044,637)	-	-	-	(1,044,637)
	1,581,958	2,200,269	2,785,894	1,716,186	8,284,307

d. Operational risks

(iv) Biological assets

The valuation of biological assets at their fair value, made quarterly by the Company, considers certain estimates, such as: wood price, discount rate, forest productivity and silvicultural costs, which are subject to uncertainties and may generate effects on future income (loss) as a result of their variations. The change in fair value is determined by the difference between fair values of biological assets at beginning and end of the period evaluated.

The forests that make up the biological assets are subject to operational and environmental risks, such as fires, pests, diseases and climatic variations.

In the Company, forest protection against fire, pests and diseases is based on a strategy of prevention, monitoring and control. Annually maintenance of firebreaks, which are an area without vegetation where the soil is cleared, causing the discontinuity of combustible vegetal material and, thus, preventing that burnings and fires are spread.

Also, constant monitoring is done through a camera system strategically positioned in the forests, with the use of alarm systems and contact with fire brigades trained to fight fire outbreaks in forest areas In cases of pest and disease occurrence, the management of Forest Research and Technology operates with physiology and phytosanitary experts who adopt procedures for diagnosis and fast measures against the possible occurrences and losses of forest production.

Additionally, there is an exposure to risks related to weather changes, which may affect the ecosystem balance and, consequently, productivity of plantings. The Company adopts measures of control and monitoring of forest productivity, such as monitoring of handling, in addition to nutrition and genetic improvement, which includes adaptation of species in different weather conditions. We have increased the number of clones planted on an operational scale to mitigate risks inherent to weather changes. With increasing genetic variability, we can affirm that we currently have forests more prepared to adapt to the oscillations of the climate.

We continually improve our forest handling plan, which contains the main guidelines and information on our silvicultural operations, harvesting, timber transportation, native vegetation conservation areas, and social and environmental responsibility initiatives. In addition, we are guardians of approximately 100 thousand hectares of preserved areas, including permanent preservation areas, legal reserve areas and other conservation areas. Sustainable and innovative initiatives together with responsible management guarantee the balanced use of natural resources essential for the continuity of our business.

Our forest operations are certified by the Forest Stewardship Council, or FSC, an independent international non-profit organization. The FSC establishes ten principles and several criteria for describing essential elements or rules of environmentally adequate, socially beneficial and economically viable forest handling, all of which must be applied in a forest handling unit before it can be FSC certified. FSC certificates are valid for five years, but certification bodies qualified by FSC conduct annual audits to check continued compliance with FSC certification requirements.

e. Fair value of financial instruments

The assets and liabilities measured at fair value in the statement of financial position are classified based on the following fair value hierarchy levels:

- **Level 1 -** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2 -** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and valuation techniques that use market inputs**.**
- **Level 3 -** Inputs for the asset or liability that are not based on observable market inputs**.** The Company and its subsidiaries do not have instruments in this measurement level.

The table below shows the classification per risk level:

	12/31/2017			12/31/2016		
Parent Company	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Derivatives Receivables	-	-	-	-	12,846	-
Financial investments	168,038	-	-	161,399	-	-
Total Assets	168,038	-	-	161,399	12,846	-

Parent Company	12/31/2017 Level 1	12/31/2017 Level 2	12/31/2017 Level 3	12/31/2016 Level 1	12/31/2016 Level 2	12/31/2016 Level 3
Liabilities						
Loans and financing	-	6,651,517	-	-	7,620,171	-
Amounts due to related parties	-	1,434,811	-	-	1,480,333	-
Total Liabilities	-	8,086,328	-	-	9,100,504	-

Consolidated	12/31/2017 Level 1	12/31/2017 Level 2	12/31/2017 Level 3	12/31/2016 Level 1	12/31/2016 Level 2	12/31/2016 Level 3
Assets						
Derivatives receivables	-	-	-	-	12,846	-
Financial investments	219,336	-	-	161,399	-	-
Total Assets	219,336	-	-	161,399	12,846	-

Consolidated	12/31/2017 Level 1	12/31/2017 Level 2	12/31/2017 Level 3	12/31/2016 Level 1	12/31/2016 Level 2	12/31/2016 Level 3
Liabilities						
Loans and financing	-	8,052,070	-	-	9,066,535	-
Amounts due to related parties	-	31,257	-	-	36,205	-
Total Liabilities	-	8,083,327	-	-	9,102,740	-

Breakdown of the balances of financial instruments per category and fair value:

Parent company	12/31/2017 Carrying amount	12/31/2017 Fair value	12/31/2016 Carrying amount	12/31/2016 Fair value
Assets				
Loans and receivables				
Trade accounts receivable	1,155,280	1,155,280	954,120	954,120
Intercompany receivables	2,783	2,783	27,241	27,241
Fair value through income (loss)				
Derivatives receivable	-	-	12,846	12,846
Financial investments	168,038	168,038	161,399	161,399
Total financial assets	1,326,101	1,326,101	1,155,606	1,155,606

	12/31/2017		12/31/2016	
Parent Company	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Liabilities				
Liabilities at amortized cost				
Loans and financing	6,651,517	6,651,517	7,620,171	7,620,171
Debts with related parties	1,434,811	1,434,811	1,480,333	1,480,333
Total financial liabilities	8,086,328	8,086,328	9,100,504	9,100,504

	12/31/2017		12/31/2016	
Consolidated	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets				
loans and receivables				
Trade accounts receivable	647,709	647,709	525,453	525,453
Intercompany receivables	-	-	24,500	24,500
Fair value through income (loss)				
Derivatives receivable	-	-	12,846	12,846
Financial investments	219,336	219,336	161,399	161,399
Total financial assets	867,045	867,045	724,198	724,198

	12/31/2017		12/31/2016	
Consolidated	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Liabilities				
Liabilities at amortized cost				
Loans and financing	8,052,070	8,124,348	9,066,535	8,925,981
Amounts due to related parties	31,257	31,257	36,205	36,205
Total financial liabilities	8,083,327	8,155,605	9,102,740	8,962,186

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

The fair value of related-party receivables/payables approximates their carrying amounts, mainly due to the short-term maturity of these instruments.

The fair value of the loans and financing, and the company's debentures are measured in two ways: 1) for debts with renegotiation in the secondary market, where the settlement value may differ from their cost, the market value on the last day available is used; 2) for debts that are not traded in the secondary market, where the settlement value is close to the cost (principal and interest accrued to the date), the carrying amount is used as the fair value. A substantial part of the company's debts is under this category, including, but not limited to, debts to BNDES, ACC, ECAs and others.

Derivatives are measured using valuation techniques based on observable market data. The valuation techniques most frequently applied include swap contract pricing models, calculating the present value of the cash flows involved in the transaction. For positions of future commodities on the BM&F, the adjustment price disclosed by this entity is used. The models comprise several data, including the credit quality of the counterparty, location and the contracted rates.

30 Operating Leases

a. Land operating leases

Land operating leases are paid as follows:

	Parent Company and Consolidated	
	12/31/2017	**12/31/2016**
2018	97,818	93,323
2019	98,700	93,817
2020	98,605	93,725
2021	97,484	92,634
After 2022	559,904	527,268
	952,511	**900,767**

The Company leases land used in its operations under operating lease agreements effective for fourteen years. Lease payments are adjusted every five years according to market rentals. Some leases provide for additional lease payments that are based on individual valuations of each farm.

The leases recorded by the Company refer basically to land where eucalyptus is planted. As no land title deed is transferred, the Company determined that the land leases are operating leases. The lease paid to the land lessor is adjusted according to market prices at regular intervals, and the Company does not participate in any residual value; it was determined that basically all the risks and rewards of the lease are of the lessor. Thus, the Company determined that the leases are operating leases.

b. Operating Lease of Chemical and Oxygen Plant and Gas Distribution Line

(i) Future minimum lease payments

As at December 31, 2017, future minimum noncancelable lease payments are as follows:

	Parent Company and Consolidated	
	12/31/2017	**12/31/2016**
2018	74,725	74,725
2019	74,725	74,725
2020	74,725	74,725
2021	74,725	74,725
After 2022	485,253	485,253
	784,153	**784,153**

(ii) Amounts recognized in income (loss)

	Parent Company and Consolidated	
	12/31/2017	**12/31/2016**
Lease expenses	104,570	76,754
	104,570	76,754

The Company has take-or-pay contracts of two chemical plants and one distribution line to meet the needs for inputs to produce pulp.

There are three take-or-pay contracts, two of them with a fifteen years term, one to meet the needs for Chlorine Dioxide that started in December 2012, whose price of Ton of Sodium Chloride shall be adjusted on the first day of each year by the IPCA (Extended Consumer Price Index) and another to meet the needs for Oxygen in its gaseous form that started in October 2012, whose debt was contracted in dollar and the monthly fixed installments shall be adjusted by the CPI (Consumer Price Index) on the first day of each year. The third contract has a twelve-year term to meet the needs for industrial natural gas, which started in May 2016, whose price of cubic meter is comprised of three factors: a) price of the natural gas adjusted quarterly according to the arithmetic averages of the daily quotations disclosed in the Spot Price Assessments list published on the Platt’s Oilgram Price Report; b) average transportation tariff divided into two installments, the first adjusted by 0.5% p.a. and another by 3.5% p.a., both on the first day of each year; c) fixed margin of the distributor adjusted on the first day of each year by the IPCA (Extended Consumer Price Index). Beginning June 30, 2020, the parties will renegotiate the commercial conditions of the natural gas supply, when the Company may terminate the present contract if there is an economic and financial imbalance or excessive burden to the Company.

c. Lease of rail cars for railway transportation

As at December 31, 2017, future minimum receipts of non-cancellable leases are as follows:

	Parent Company and Consolidated
	12/31/2017
2018	16,589
2019	16,589
2020	4,896
	38,074

The Company has lease agreement for 432 rail cars for railway transportation to load exclusively pulp.

It is a contract with a term of 33 months beginning on September 01, 2017 and ending May 31, 2020 which may be extended for the same period by means of an amendment. The installments will be adjusted at the variation of IPCA.

31. Plea Bargain Agreement, Leniency Deal and Independent Investigation

31.1 General information about the Plea Bargain Agreement of executives and former executives at J&F Investimentos S.A.

As is public knowledge, in may 2017 certain executives and former executives of J&F Investimentos S.A. ("J&F"), in its capacity as parent company of companies belonging to the Group "J&F", of which the company forms part, took some obligations in the Plea Bargain Agreement awarded the Attorney General's Office ("PGR"), aiming at the service of the public interest, in particular the deepening, across the country, the research around events contrary to the law.

31.2. Leniency Deal of J&F Investments S.A.

On 05 June 2017 J&F Investimentos S.A. ("J&F"), parent company of the company, entered into an Plea Bargain Agreement with the Federal Public Prosecution Office ("MPF"), approved by the 5th Board coordination and review of the MPF on August 24, 2017, to which the company joined on September 21, 2017 ("Deal").

In the Deal the J&F is committed, on your behalf and on behalf of the companies controlled by it, to cooperate voluntarily with the State, to carry out internal investigations and provide you with information to prove the materiality and authorship of acts irregular committed and confessed, where J&F is committed to fully repair the damage and losses resulting from infractions upon payment of R$10.3 billion over the next 25 years, being R$ 50 million in semi-annual installments maturing in December 2017, and other 22 (twenty-two) annual installments to cover the debit balance due from December 2020, to be paid exclusively by J&F by way of compensation for damage caused by the facts investigated in various operations filed by the MPF and the Federal Police (PF), such as, "Cui Bono", "Carne Fraca", "Sepsis" and "Greenfied", and by other facts mentioned in information and consequently described in annexes contained in the respective Deal.

J&F, undertook also (i) implement measures to prevent the practice of illicit acts, corruption and bribery by performing the improvement and implementation of health programmes, (ii) cooperate and collaborate effectively with the official investigations, by conducting a broad internal investigation that must obey international practices, in order to ascertain the facts already taken in good faith to the authorities ' knowledge, as well as, (iii) repair the damage arising from acts confessed and described in the respective Deal.

31.3 Internal investigation held within the Company

Under clause 15, XX, of the Deal, is the obligation to conduct internal research Collaborator, following international practices, with the scope to verify and corroborate the illicit facts described in the Deal and identify possible existence of additional documents or evidence of corroboration of the facts narrated in the agreement.

In the face of such an obligation, and as a result of the Company's adherence to the Deal, was conducted internal investigation ("internal investigation") in the company by law firm Barros Pimentel, Alcantara and Gil Rodriguez Lawyers ("BP"), having designated the PricewaterhouseCoopers Contadores Públicos Ltda. ("PwC") to provide specialized forensic services, *hosting*, data processing and analysis necessary for an investigation of this nature. In this way, BP and PwC wrote the investigation team.

We think it is important to point out that, on August 11, 2017, as part of the obligations assumed under the Deal, was made up of an Independent Supervision Committee ("CSI" or "Committee") to accompany internal investigation and yet, provide any clarifications directly to the MPF. This Committee has ratified the appointment of the investigating team, passing this to respond directly to the Committee, including with regard to your scope of practice and preliminary and final findings.

Different independent investigation commissioned by the company in July 2016, which gave for decision of your Board of Directors, the internal investigation stems from the Deal. The independent investigation of 2016 was hired by a decision of the directors of the Company, being the goal of the work make a calculation for internal purposes, having the work completed in January 2017, and their results reported in financial statements for the financial year ended December 31, 2016.

In 2017, in accordance with the Deal, the internal investigation conducted by the Investigation Team aimed to verify and corroborate the illicit facts described in the Deal and identify any documents or evidence for additional corroboration of the facts narrated in the related Deal with the Company, as well as new suits eventually found. The Company explains that there are annexes to the Deal that are still under wraps for determination of competent Judgment.

With respect to the execution of the work, we clarify that according to the Investigation Team, these followed standard methodology used internationally for this type of procedure and nature, being that the analysis had based on: (i) documents requested by the Investigation Team to the Company; (ii) documents collected from electronic equipment to employees and former employees, as well as file and network servers of the Company; (iii) conduct of interviews with relevant persons considered "key" to the process, and (iv) documents provided by J&F pertinent to the Leniency Deal.

Among the activities carried out by the Investigation Team include: a) definition of custodians, equipments, data collection in the cities of São Paulo/SP and Três Lagoas/MS and network data collection on the servers of the Company in São Paulo/SP, which reassembled approximately 6.7 terabytes of data; b) monitoring the work, in the form of *shadowing*, by auditing company BDO RCS Auditores Independentes SS, current auditing firm hired by the Company from the year 2017 and follow-up by KPMG Auditores Independentes as the audit firm hired by the Company until the year 2016; c) conducting interviews with employees and ex-employees of the Company and employees of J&F that may have something to do with the facts under review; d) definition of search expressions (*key words*) and processing of the data collected, and the result of the processing of such data, the basis for analysis purposes contained about of 2,933,313 items, which focused the search expressions. After the processing of the collected data and application of search expressions, was carried out the analysis of 145,557 documents, the number of documents scanned to the end (third level of analysis), the total of 1,186 documents.

After 218 days of work, the Investigation Team, the day February 28, 2017, issued a preliminary report, delivered to the Committee. Independent research has not been fully terminated, due to missing only 3 custodians interviews that could not be heard until this date. The initial conclusions of this preliminary report, related to facts and data analyzed so far, are in the sense that it has not been found any new fact, beyond those already publicly known and referred to in the annexes to the Deal, as well as the there were no new facts in the context of the assessment of impacts on the financial statements of the Company.

Of the subjects examined, the one who brought the Company accounting impacts was that related to the verification of the circumstances of the payments made by the Company in the scheme operated by Lucio Funaro to the release of funds by the FI-FGTS and Federal Economic Bank (CEF).

The impact would consist in the payment of R$ 37.4 million to companies linked to Lucio Funaro (Viscaya Holding Participações, Intermediações, Estruturações e Serviços S/S Ltda; Serra da Carioca Com. de Energia Elétrica Ltda and Araguaia Comercializadora de Energia Elétrica Ltda.), over the years from 2012 to 2014, not having been proven effective provision of services. In this context, the Company informs that in December 12, 2017 received infraction notice drawn up by the Federal Income from Brazil (RFB) in the amount of R$ 8.7 million, whose object was income tax at source on the paid services, but unproven in fiscal year 2012. The Company made the payment in full of the infraction, in the amount of R$ 6.6 million, with 50% reduction of the fine, and provisioned the value of R$ 38.7 million for the payment of any new assessments relating to the exercise of 2013 and 2014, as well as reworked the calculation of Income tax and social contribution of R$ 2.4 million and Deferred income tax and social contribution of R$ 14 million, impacting net income amounting to R$ 33.7 million on losses accumulated in shareholders ' equity, which are reflected in its financial statements.

Important to note that, despite having been performed by the Company payments to Companies linked to Lucio Funaro, in accordance with the annexes 04 and 06 of the Deal i) interactions with Lucio Funaro were not made by directors or employees of the Company and the executives Company had no knowledge of the setting with Lucio Funaro; ii) was a system of payment made to companies linked to Lucio Funaro through invoices issued against companies in the group, and with respect to the Company were made payments in the amount of R$ 37.4 million; iii) funding obtained by the Company did not have more advantageous conditions than other financing granted to other companies at the time. In this respect, the report brings conclusion corroborating the allegations above.

31 Share purchase and sale agreement

On September 02, 2017, J&F Investimentos S.A., the Company's parent company, entered into a purchase and sale agreement for the sale of all its direct and indirect ownership interest in the Company to CA Investment (Brazil) S.A., a company of the Paper Excellence group, at the total amount of the Company of R$ 15 billion, to be adjusted according to working capital and net debt, under the agreement terms ("Operation").

As at March 31, 2018, the Company's shareholding structure consists of 49.42% of ownership interest from CA Investment (Brazil) S.A. and 50.58% of ownership interest from J&F Investimentos S.A., sole shareholders of Eldorado, the latter being the Company's parent company.

The conclusion of the mentioned Operation with the sale of the totality of the Company's shares to CA Investment (Brazil) S.A., is subject to common condition precedents established in such type of Operation. Pursuant to the mentioned purchase and sale agreement, the Operation has a term of up to twelve (12) months to be completed.

Board of Executive Officers

Aguinaldo Gomes Ramos Filho
CEO

Germano Aguiar Vieira
Forest Director

Carlos Roberto de Paiva Monteiro
Industrial Technical Director

Rodrigo Libaber
Business and Investor Relations Director

Board of Directors

José Batista Sobrinho
Chairman of the Board of Directors

Sérgio Longo
Deputy Chairman of the Board of Directors

Humberto Junqueira de Farias
Board Member

Francisco de Assis e Silva
Board Member

José Antonio Batista Costa
Board Member

Accountant

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