(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, 2018

ELDORADO BRASIL CELULOSE S.A.

Financial statements
As at December 31, 2018

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 Parent company and consolidated, respectively, which comprise the individual and consolidated statement of financial position as at December 31, 2018 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, 2018, 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) as issued by the International Accounting Standards Board (IASB).

Basis for qualified opinion

Reclassification of loans and financing

As mentioned in Note n° 16 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 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$ 5,751,249 thousand and R$ 7,314,815 thousand, respectively, for at least twelve months after December 31, 2018, the amounts of R$ 3,619,771 thousand and R$ 5,096,496 thousand classified in individual and consolidated non-current liabilities, respectively, should had been fully classified in current liabilities as at December 31, 2018. Consequently, the individual and consolidated current liabilities, as at December 31, 2018, are understated by R$ 3,619,771 thousand and R$ 5,096,496 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

Plea Bargain Agreement, Leniency Deal and Independent Investigation

As described in Note n° 30 to the individual and consolidated interim financial information, 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 10th 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 July 2017, and they are external and independent from the Company. So far, on April 20, 2018, those professionals have concluded investigations, corroborating in large part the irregularities in the Annexes of the Collaboration. In the fourth quarter of 2018, at the request of the Federal Prosecution Office (MPF) to the investigation team, additional procedures were initiated for the investigation now concluded. The complementary scope refers exclusively to facts narrated in the Leniency Agreement and topics already addressed in the concluded investigation. As of this date, the complementary procedures are still in progress and the expected deadline for the conclusion of this work is March 31, 2019. Additionally, the J&F Group's investigations remain open. Our opinion is not modified in respect of this matter.

ICMS to be recovered

As described in Note n° 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	Audit response
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.	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)

As mentioned in Notes n° 9 and 18 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 tax credits of ICMS were formed in view of its business operations which included tax incentives granted by the tax legislation to exporters. 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 by means of specific requirement and approval from tax authorities of 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.

Audit response

Our audit procedures included, among others:

- Review of 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 Management;
- 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 specific requirement and approval from tax authorities in the State of Mato Grosso do Sul as a relevant factor, except for PIS and COFINS credits related to the ICMS deduction from calculation basis that awaits final decision, as mentioned in note 9 item (ii), considered irrelevant in the context of the audit of the financial statements as a whole. 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 n° 11 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, 2018, 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, 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 figures

The amounts corresponding to the financial statements as at December 31, 2017, presented for comparison purposes, were audited by us, and our report thereon dated January 28, 2019 was modified regarding the same matter described 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 25, 2019.

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

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

ELDORADO BRASIL CELULOSE S.A.

Statements of financial position
As at December 31, 2018 and December 31, 2017
(In thousands of Brazilian Reais)

Assets

		Parent company		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current					
Cash and cash equivalents	5.1	310,419	161,013	610,591	377,507
Trade accounts receivable	6	1,238,398	1,155,280	651,016	647,709
Inventories	8	368,265	301,046	654,030	493,109
Recoverable taxes	9	220,012	432,373	220,492	432,717
Advances to suppliers	10	12,364	32,976	12,423	33,063
Intercompany receivables	7	3,268	2,783	9	-
Assets available for sale		-	2,113	-	2,113
Other current assets		43,602	38,969	44,080	39,469
Total current		**2,196,328**	**2,126,553**	**2,192,641**	**2,025,687**
Noncurrent					
Trade accounts receivable	6	-	683	-	683
Financial investments	5.2	160,621	168,038	217,802	219,336
Recoverable taxes	9	1,039,931	629,934	1,039,944	629,939
Advances to suppliers	10	97,152	83,873	97,152	83,873
Deferred income and social contribution taxes	18	37,368	391,044	37,368	391,044
Deposit, guarantees and others		5,656	6,821	6,039	7,164
Other noncurrent assets		14,943	14,993	14,947	14,996
		1,355,671	1,295,386	1,413,252	1,347,035
Biological assets	11	2,668,744	2,499,996	2,668,744	2,499,996
Investments	12	104,018	105,121	-	-
Fixed assets	13	4,306,058	4,578,125	4,314,798	4,644,597
Intangible assets	14	5,782	7,337	82,136	33,242
Total noncurrent		**8,440,273**	**8,485,965**	**8,478,930**	**8,524,870**
Total assets		**10,636,601**	**10,612,518**	**10,671,571**	**10,550,557**

Liabilities

		Parent company		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current					
Loans and financing	16	2,131,478	2,319,414	2,218,319	2,392,372
Trade accounts payable	15	226,085	210,378	227,526	223,380
Intercompany payables	7	118,447	135,977	28,007	31,257
Tax liabilities, payroll and social charges	17	141,893	185,912	150,662	190,719
Derivatives payable		13,829	-	13,829	-
Proposed dividends		7,636	-	7,636	-
Other current liabilities		5,532	9,312	38,239	10,514
Total current		**2,644,900**	**2,860,993**	**2,684,218**	**2,848,242**
Noncurrent					
Loans and financing	16	-	-	-	-
Trade accounts payable	15	3,619,771	4,332,103	5,096,496	5,659,698
Intercompany payables	7	4,536	6,629	4,536	6,629
Provision for procedural risks	19	1,444,112	1,298,834	-	-
Provision for losses on controlled companies	12	9,167	12,608	9,167	12,608
Provision for losses on subsidiaries		36,961	77,971	-	-
Total noncurrent		**5,114,547**	**5,728,145**	**5,110,199**	**5,678,935**
Equity	20				
Capital stock		1,788,792	1,788,792	1,788,792	1,788,792
Tax incentive reserve		998,160	849,487	998,160	849,487
Legal reserve		9,432	-	9,432	-
Investment reserve		22,906	-	22,906	-
Cumulative conversion adjustments		57,864	12,334	57,864	12,334
Accumulated losses		-	(627,233)	-	(627,233)
Total equity		**2,877,154**	**2,023,380**	**2,877,154**	**2,023,380**
Total liabilities and equity		**10,636,601**	**10,612,518**	**10,671,571**	**10,550,557**

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

ELDORADO BRASIL CELULOSE S.A.

Statements of operations
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

		Parent company		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Net revenue	21	4,387,209	3,170,465	4,622,087	3,345,943
Cost of goods sold	23	(1,688,880)	(1,554,598)	(1,657,848)	(1,536,482)
Gross profit		**2,698,329**	**1,615,867**	**2,964,239**	**1,809,461**
Operating revenues/(expenses)					
Administrative and general	23	(130,331)	(137,736)	(140,198)	(150,582)
Selling and logistics	23	(208,714)	(168,258)	(455,760)	(355,569)
Fair value of biological assets	11	276,420	373,016	276,420	373,016
Equity in earnings (losses) of controlled companies	12	(4,444)	(6,887)	-	-
Other revenues, net	25	72,942	113,086	68,996	112,913
Income before financial revenues (expenses) and taxes		**2,704,202**	**1,789,088**	**2,713,697**	**1,789,239**
Net financial income (loss)	24				
Financial (expenses)		(815,101)	(839,484)	(821,025)	(837,545)
Financial revenues		27,792	76,763	29,729	77,780
Exchange rate gains (losses), net		(747,579)	(60,231)	(748,057)	(60,348)
Income before provision for income and social contribution taxes		**1,169,314**	**966,136**	**1,174,344**	**969,126**
Income and social contribution taxes	18				
Current		242	(99,954)	(4,772)	(102,944)
Deferred		(353,676)	(152,815)	(353,692)	(152,815)
Net income for the period		**815,880**	**713,367**	**815,880**	**713,367**
Earnings per thousand shares		**0.53**	**0.47**	**0.53**	**0.47**

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

ELDORADO BRASIL CELULOSE S.A.

Statements of comprehensive income (loss)
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Net income for the period	815,880	713,367	815,880	713,367
Exchange rate gains (losses) on investments	45,530	16,323	45,530	16,323
Total comprehensive income	**861,410**	**729,690**	**861,410**	**729,690**

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

ELDORADO BRASIL CELULOSE S.A.

Statements of changes in equity
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

Exchange rate gains (losses) on investments	Capital stock	Tax incentive reserve	Legal reserve	Investment reserve	Cumulative translation adjustments	Accumulated (losses)	Total
Balances as at January 01, 2017	**1,788,792**	**-**	**-**	**-**	**(3,989)**	**(491,113)**	**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**	**849,487**	**-**	**-**	**12,334**	**(627,233)**	**2,023,380**
Net income for the period	-	-	-	-	-	815,880	**815,880**
Legal reserve	-	-	9,432	-	-	(9,432)	**-**
Tax incentive reserve	-	148,673	-	-	-	(148,673)	**-**
Exchange rate gains (losses) on investments	-	-	-	-	45,530	-	**45,530**
Mandatory minimum dividends proposed	-	-	-	-	-	(7,636)	**(7,636)**
Investment reserve	-	-	-	22,906	-	(22,906)	**-**
Balances as at December 31, 2018	**1,788,792**	**998,160**	**9,432**	**22,906**	**57,864**	**-**	**2,877,154**

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

ELDORADO BRASIL CELULOSE S.A.

Statements of cash flows
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash flows from operating activities				
Income (loss) before income and social contribution taxes	1,169,314	966,136	1,174,344	969,126
Adjustments to reconcile income (loss) to cash and cash equivalents from operating activities:				
Depreciation and amortization	242,745	238,889	232,829	248,407
Depletion	184,073	181,858	166,616	183,320
Appreciation amortization	1,179	2,948	1,179	2,948
Residual value of assets written off of fixed assets	132,664	10,662	132,664	10,663
Fair value of biological assets	(276,420)	(373,016)	(276,420)	(373,016)
Finance charges – interest and exchange rate gains (losses)	1,262,390	636,845	1,641,659	780,921
Finance charges – interest and exchange rate gains (losses) – related parties	389,747	149,721	(2,382)	(4,920)
Provision for procedural risks	6,475	5,124	6,475	5,124
Derivatives	13,829	-	13,829	-
Trade accounts receivable – exchange rate gains (losses)	6,522	(14,998)	6,522	(14,998)
Equity in earnings (losses) of controlled companies	4,444	6,887	-	-
Allowance for doubtful accounts	5,700	-	6,027	-
	3,142,662	**1,811,056**	**3,103,342**	**1,807,575**
Decrease (increase) in assets				
Trade accounts receivable	(250,877)	(200,822)	(241,441)	(108,247)
Inventories	157,267	158,478	137,330	121,847
Recoverable taxes	(197,636)	(153,315)	(197,735)	(150,157)
Advances to suppliers	7,333	(9,442)	7,361	(9,411)
Other receivables	(485)	-	(9)	-
Other current and non-current assets	(1,306)	8,592	(1,257)	8,354
Increase (decrease) in liabilities				
Trade accounts payable	13,614	(12,304)	6,764	(27,279)
Other liabilities	(43,043)	(4,948)	(3,250)	(4,948)
Tax liabilities, payroll and social charges	64,584	(61,077)	63,379	(62,273)
Other current and noncurrent liabilities	(13,696)	2,046	15,328	(7,573)
Asset and liability valuation adjustments and cumulative translation adjustments	-	-	-	27,494
Net cash from operating activities	**2,878,417**	**1,538,264**	**2,889,812**	**1,595,382**
Income tax and social contribution paid	(108,361)	-	(108,458)	-
Net cash from operation activities	**2,770,056**	**1,538,264**	**2,781,354**	**1,595,382**
Cash flows from investing activities				
Increase in biological assets	(287,540)	(348,172)	(287,540)	(348,172)
Additions to fixed and intangible assets	(115,134)	(94,683)	(115,999)	(95,171)
Sale of fixed assets	156,220	13,977	156,220	13,977
Financial investments	7,417	(6,639)	9,848	(57,937)
Intercompany receivables	-	29,207	-	29,207
Net cash from investing activities	**(239,037)**	**(406,310)**	**(237,471)**	**(458,096)**
Cash flows from financing activities				
Loans and financing raised	1,495,220	1,082,247	1,495,220	1,082,247
Amortization of loans and financing - principal	(2,559,926)	(2,017,393)	(2,637,794)	(2,095,263)
Amortization of loans and financing - interest	(476,581)	(538,237)	(604,367)	(667,269)
Amortization of loans and financing – exchange rate gains (losses)	(621,371)	(132,116)	(631,974)	(129,083)
Amortization of intercompany loans - principal	(79,276)	(79,276)	-	-
Amortization of intercompany loans - interest	(132,695)	(121,594)	-	-
Amortization of intercompany loans – exchange rate gains (losses)	(6,984)	5,826	-	-
Net cash from financing activities	**(2,381,613)**	**(1,800,543)**	**(2,378,915)**	**(1,809,368)**
Effects of exchange rate gains (losses) on cash	-	-	68,116	4,952
Change in cash and cash equivalents, net	**149,406**	**(668,589)**	**233,084**	**(667,130)**
Cash and cash equivalents at beginning of year	161,013	829,602	377,507	1,044,637
Cash and cash equivalents at end of year	310,419	161,013	610,591	377,507
Change in cash and cash equivalents, net	**149,406**	**(668,589)**	**233,084**	**(667,130)**

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

ELDORADO BRASIL CELULOSE S.A.

Statements of value added
For the years ended December 31, 2018 and 2017
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Revenues				
Sales of merchandise, products and services	4,510,692	3,208,050	4,746,984	3,384,540
Other operating revenues (expenses), net	252,615	360,430	248,698	360,294
Transfers related to the construction of own assets	8,451	8,817	8,451	8,817
	4,771,758	**3,577,297**	**5,004,133**	**3,753,651**
Inputs acquired from third parties				
Costs of goods sold, materials, energy, third-party services and others	(1,118,067)	(989,308)	(1,353,939)	(1,142,228)
Gross value added	**3,653,691**	**2,587,989**	**3,650,194**	**2,611,423**
Depreciation, amortization and depletion	(427,997)	(420,747)	(400,624)	(431,727)
Net value added generated by the entity	**3,225,694**	**2,167,242**	**3,249,570**	**2,179,696**
Value added received in transfer				
Equity in earnings (losses) of controlled companies	(4,444)	(6,887)	-	-
Financial revenues	27,792	46,011	29,729	39,835
Total value added to be distributed	**3,249,042**	**2,206,366**	**3,279,299**	**2,219,531**
Value added distribution				
Personnel				
Direct compensation	211,904	200,495	220,412	209,299
Benefits	115,435	103,919	120,206	108,754
FGTS (Severance Pay Fund)	21,321	19,370	22,249	20,315
	348,660	**323,784**	**362,867**	**338,368**
Taxes, fees and contributions				
Federal	455,863	339,597	462,318	344,053
State	(34,304)	(137,367)	(34,276)	(137,339)
Municipal	-	-	1,415	1,012
	421,559	**202,230**	**429,457**	**207,726**
Return on debt capital				
Interest	785,007	873,609	774,775	864,031
Rents	102,651	102,330	104,401	104,430
Others	775,285	(8,954)	791,919	(8,391)
	1,662,943	**966,985**	**1,671,095**	**960,070**
Return on equity capital				
Net income for the period	**815,880**	**713,367**	**815,880**	**713,367**
Total value added distributed	**3,249,042**	**2,206,366**	**3,279,299**	**2,219,531**

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

1. Operations

Eldorado Brasil Celulose S.A. (the “Company” or “Eldorado”) is a closely held corporation, whose registration 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 years ended December 31, 2018 and 2017 includes 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.

As at December 31, 2018 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.

The Company reports current liabilities in excess of current assets in the amount of R$ 450,430 Parent Company and R$ 493,435 Consolidated, affected by the depreciation of 17,13% of Brazilian Real against US Dollar. Eldorado remains focused on the management of its liabilities aiming to reduce leverage. To that end, the Company intentionally allows the gradual transfer of long-term debts to short term, aiming the amortization and/or substitution of certain credit lines.

As soon as certain political and market conditions are settled, the Company intends to seek new long-term financing agreements in order to adjust its debt capital structure between short and long term. As far as these conditions do not occur, the Company uses the good operating moment along with the favorable cash position (totaling R$ 471,040 Parent Company and R$ 828,393 Consolidated) in order to maintain the continual deleveraging process.

The actions of liability management added to the operational efficiency of the Company aim to allow Eldorado to increase its liquidity indexes and consequently its net working capital.

(In thousands of Brazilian Reais)

2. List of subsidiaries

		Equity Interest	
	Country	12/31/2018	12/31/2017
Subsidiaries			
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)

Except for the matter related to covenants mentioned in Note 16, the individual and consolidated financial statements has 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 review of the Individual and Consolidated Financial statements by the Board of Directors at the meeting held on March 25, 2019, they were authorized for issue by the Company.

b. Basis of measurement

The individual and consolidated financial statements has 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;
- The financial instruments of debt 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 is included in the following notes to the financial statements:

- **Note 29** – 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 years ended December 31, 2018 and 2017 is included in the following notes:

- **Note 8** – inventory valuation allowance;
- **Note 11** – biological assets;
- **Note 13** – impairment test;
- **Note 18** – recognition of deferred tax assets: availability of future taxable profits against which tax losses can be utilized; and
- **Note 19** – 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 11** – biological assets; and
- **Note 28** – financial instruments.

e. Functional and presentation currency

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

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 Pronuncement nº 47(Revenue from Contracts with Clients) / IFRS 15 emited by Comitê de Pronunciamentos, the Company and it´s subsidiaries recognize revenue when, and only when:

- The amount of revenue can be reliably measured;
- The Company and its subsidiaries have transferred to the buyer the control of the asset, for the amount that the entity expects to be entitled to receive;
- It is probable that economic benefits flow to the Company and its subsidiaries;
- 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.

(ii) 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 average exchange rates during the period.

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 short-term 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.

- **Financial assets measured at amortized cost**

Such assets are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, financial assets 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 written off. 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.

- **Social capital**

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

(In thousands of Brazilian Reais)

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 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

	12/31/2018 (%)	12/31/2017 (%)
Buildings	3.68%	2.84%
Facilities and improvements	5.53%	5.57%
Furniture and fixtures	9.29%	9.19%
Vehicles	21.39%	21.88%
Technical and scientific instruments	10.93%	11.84%
IT equipment	19.89%	19.31%
Machinery and equipment	6.40%	7.05%
Leasehold improvements	7.48%	7.38%
Vessels and floating structures	20.00%	-
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

(i) 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.

(ii) 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, as mentioned in Note 29.

i. Intangible assets

(i) Appreciation of right-of-use of concession

Goodwill resulting from a business combination is stated by fair value, net of impaimrnet.

Goodwill impairment is anually tested, or more frequently when there is na indication that it may presente na impairment. If the recoverable is less than the accounted value the loss is recognized direccly in the income of the year and not reversed in subsequent periods.

When the disposal of na asset with the corresponding goodwill allocated, the goodwill attributable value is included in the determination of the profit or loss of the disposal.

(ii) 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.

(iii) 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:

	2018	2017
Software	4 years	4 years
Appreciation of right-of-use of port movement concession	14 years	14 years
Terminal concession	14 years	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 Generation Unit (CGU). 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.

(i) 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.

(ii) 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, 2019. The Company has not early adopted these amendments in the preparation of this financial statements. The Company does not plan to adopt these standards early.

(i) CPC 06 R2 / IFRS 16 Leases (Arrendamentos)

The International Accounting Standards Board (IASB) issued in January 2016 the standard CPC 06 R2 / IFRS 16 - Leasing, which requires tenants to recognize the majority of the leases in the balance sheet, and a liability for future payments and an asset for the right to use. Recognition waivers will be allowed for low value and short term contracts.

The lease definition covers all contracts that entitle the use and control of an identifiable asset, including lease contracts and potentially some components of service contracts.

Lease expenses will no longer be recognized on a straight-line basis. These will be accounted for as amortization of interest expense, and the total lease expense will be higher in the first years of the agreement. This means that the leases will generate operational and financial expenses.

The Company will make the transition using the simple retrospective modified approach, that is, it will apply the requirements of the lease agreement to all existing contracts on the date of initial application, of January 2019. Therefore, we will not restate information and balances on a comparative basis.

- The new standard provides practical expedients whose election is optional. The Company intends to adopt the following accounting policies in transition:
- The Company will not account contracts for which the lease term ends within 12 months from the date of initial application of the standard;
- The Company will not account for contracts in which the underlying asset is of low value when new.
- Minimum amount defined is BRL $ 20 thousand;
- The Company will apply a single discount rate to the lease portfolio with fairly similar characteristics (such as leases with similar remaining lease term for a similar class of underlying asset in a similar economic environment – “Portifolios”).

Within this context, we expect the initial adoption of CPC 06 R2 / IFRS 16 to significantly impact our financial statements and internal processes. We are in the advanced process of evaluating the effects of adoption, and we now believe that the most significant effects are:

(i) the recognition of new rights-of-use assets and lease liabilities in our balance sheet ;

(ii) provides significant new disclosures about our leasing activities.

We do not expect significant changes in our leasing activities in the period comprising the issuance of these financial statements and the date of initial application.

Currently we expect the following effects on 1st. January 2019:

- Recognition of additional operating liabilities of approximately BRL $ 715 million related to the recognition of right of use rights. The amounts reflect the presente value of the remaining minimum lease payments on existing operating leases. Included in this amount is approximately BRL $ 120 millions of contracts for the purchase of wood, wich is under discussion by IBRACON and ABRASCA on adherence to the scope of the standard;

- We will adopt recognition exemption for short term and low value contracts, wich total anual expenses of BRL $ 20 millions.

(ii) Other amendments

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

(In thousands of Brazilian Reais)

- 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 statements 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	
	31/12/2018	12/31/2017	31/12/2018	12/31/2017
Cash and cash equivalents	23	5	26	5
Banks - demand deposits	21,841	12,472	322,010	228,966
Banks - financial investments (a)	288,555	148,536	288,555	148,536
	310,419	161,013	610,591	377,507

(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 - non-current assets

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Fundo Caixa FI (a)	70,833	67,245	70,833	67,245
CDB CEF (b)	89,788	100,793	89,788	100,793
Banco do Brasil Paris (c)	-	-	57,181	51,298
	160,621	168,038	217,802	219,336

(In thousands of Brazilian Reais)

(a) Fixed-income investment with Caixa Econômica Federal, with gross return based on CDI variation. These funds are given in guarantee of financial investment to the issue of debentures in FI-FGTS, as shown in note 16.4;

(b) Investment in CDB with Caixa Econômica Federal, with gross return based on CDI variation. These funds are given in guarantee of financial investment to the issue of NCE, as shown in note 16.2. (i) and (v);

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

6. Trade accounts Receivable

	Parent Company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Domestic market	206,677	138,660	206,677	138,662
Foreign market	1,031,721	1,017,303	444,339	509,730
	1,238,398	**1,155,963**	**651,016**	**648,392**
Breakdown				
Current assets	1,238,398	1,155,280	651,016	647,709
Noncurrent assets	-	683	-	683
	1,238,398	**1,155,963**	**651,016**	**648,392**

The aging list of trade receivables is as follows:

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Falling due	1,191,069	1,134,073	559,363	551,044
1 to 30 days past due	39,492	14,816	79,683	82,562
31 to 60 days past due	6,441	1,199	8,732	5,563
61 to 90 days past due	176	504	1,506	1,488
Over 90 days past due	1,220	5,371	1,732	7,735
	1,238,398	1,155,963	651,016	648,392

The Company has firm guarantees and financial instruments to protect credit in order to mitigate possible risks of default by its clients in higher risk markets. In addition, through its policies, the credit committee constantly analyzes and monitors all credit limits granted and performs active collection of outstanding and / or overdue amounts in all the markets in which it operates. The accounts receivable are equivalent to the estimated need to establish an estimated credit loss in doubtful accounts, mainly to customers in collection or judicial recovery, with a low probability of recovering the receivables.

(In thousands of Brazilian Reais)

Expected credit loss

	Parent Company	Consolidated
	12/31/2018	12/31/2018
Beginning balanced	-	-
Additions/ reversals	(5,700)	(6,027)
Exchange rate fluctuation	-	1
Final balanced	(5,700)	(6,026)

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:

Assets and Liabilities
Receivable and (payable)

		Parent Company		Consolidated	
Balances with subsidiaries	**Type**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Cellulose Eldorado Áustria GmbH (nota 6)	Pulp sale	781,611	826,478	-	-
Cellulose Eldorado Áustria GmbH	PPE (ii)	(203,106)	(259,482)	-	-
Eldorado EUA (nota 6)	Pulp sale	218,219	135,194	-	-
Eldorado Intl. Finance GmbH	Transfer of costs	3,259	2,783	-	-
Eldorado Intl. Finance GmbH	PPE (iii)	(1,331,446)	(1,144,072)	-	-
Rishis Empreend. e Partic. (nota15)	Rendering of service	(20,100)	(14,376)	-	-
Total net payable to subsidiaries		**(551,563)**	**(453,475)**	-	-
Balances with controlling shareholders					
J&F Investimentos	Transfer of costs	9	-	9	-
J&F Investimentos	Guarantee (i)	(28,007)	(31,257)	(28,007)	(31,257)
J&F Investimentos (nota 15)	Sundry (vi)	(49)	(2,828)	(49)	(2,828)
Total net payable to shareholders		**(28,047)**	**(34,085)**	**(28,047)**	**(34,085)**
Balances with companies belonging to the Group					
JBS (note 15)	Sundry (iv)	(988)	(1,673)	(988)	(1,606)
Seara Alimentos (note 15)	Consumables (v)	(207)	(258)	(207)	(258)
Total net payable with companies belonging to the Group		**(1,195)**	**(1,931)**	**(1,195)**	**(1,864)**
Net total		**(580,805)**	**(489,491)**	**(29,242)**	**(35,949)**

(In thousands of Brazilian Reais)

		Parent Company		Consolidated	
Transactions with subsidiaries	**Type**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Cellulose Eldorado Áustria GmbH	Pulp sale	3,103,654	2,226,285	-	-
Cellulose Eldorado Áustria GmbH (nota 24)	PPE (ii)	(20,796)	(17,719)	-	-
Eldorado EUA Inc.	Pulp sale	483,546	292,630	-	-
Eldorado Intl. Finance GmbH (nota 24)	PPE (iii)	(118,130)	(103,201)	-	-
Rishis Empreend. e Partic.	Rendering of service	(23,225)	(22,054)	-	-
Revenues from subsidiaries, net		**3,425,049**	**2,375,941**	-	-
Transactions with controlling shareholders					
J&F Investimentos (nota 24)	Endorsement (i)	(57,583)	(64,193)	(57,583)	(64,193)
J&F Investimentos	Current account	-	2,356	-	2,356
Loans to officers	Loans (vii)	-	2,818	-	2,818
Expenses with controlling shareholders, net		**(57,583)**	**(59,019)**	**(57,583)**	**(59,019)**
Transactions with companies belonging to the Group					
JBS	Sale of chip	-	170	-	170
JBS	Sale of forest tract	-	114	-	114
JBS	Electricity sale	-	1,164	-	1,164
JBS	Sundry (iv)	(19,317)	(12,987)	(19,317)	(12,987)
Seara Alimentos	Consumables (v)	(362)	(576)	(362)	(576)
Enersea Comercializad. de Energia (nota 6)	Electricity sale	-	374	-	374
Expenses with companies belonging to the Group, net		**(19,679)**	**(11,741)**	**(19,679)**	**(11,741)**
Total net income		**3,347,787**	**2,305,181**	**(77,262)**	**(70,760)**

(i) Guarantee granted by the *holding* J&F Investimentos S.A., for warranty of loans operations that the Company 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) 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.;

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

(vi) This refers to reimbursements related to rents and corporate expenses;

(vii) Loans to the ex-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:

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Benefits (a)	38,912	29,114	43,471	32,665

(In thousands of Brazilian Reais)

(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	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Seedlings	-	2,570	-	2,570
Raw materials (wood for production)	194,336	127,311	194,337	127,311
Pulp	34,961	41,629	320,522	233,470
Inputs	19,256	19,254	19,256	19,254
Storeroom supplies	119,712	110,282	119,915	110,504
	368,265	301,046	654,030	493,109

During the period the amount of R$ 395,212 (R$ 271,981 as at December 31, 2017) was added to inventories due to the harvest of the biological asset, as shown in note 11.

9. Taxes recoverable

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
State VAT (ICMS) (i)	1,127,166	1,008,245	1,127,646	1,008,485
Taxes on sales (PIS e COFINS) (ii)	42,683	14,328	42,683	14,328
Federal VAT (IPI)	2	105	2	105
Services tax (ISS)	230	224	230	224
Reintegra (iii)	51,110	29,986	51,110	29,986
Withholding income tax (IRRF) (iv)	3,843	8,329	3,843	8,329
Corporate income tax (IRPJ) to offset (v)	14,652	796	14,665	796
Social contribution tax (CSLL) to offset (v)	20,257	294	20,257	294
Prepayment IRPJ (vi)	-	-	-	75
Prepayment CSLL (vi)	-	-	-	34
	1,259,943	1,062,307	1,260,436	1,062,656
Breakdown				
Current assets	220,012	432,373	220,492	432,717
Noncurrent assets	1,039,931	629,934	1,039,944	629,939
	1,259,943	1,062,307	1,260,436	1,062,656

(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 planned 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 hired in the context of the Project "Vanguarda 2.0" to expand its production capacity.

(ii) PIS and COFINS

Part of the credit corresponds to non-cumulative PIS and COFINS credits for the acquisition of fixed assets, such as equipment and services, as a result of the completion of the construction of the industrial plant put into operation at the end of 2012. The Company uses this loan by offsetting with the debts of these taxes, incident on sales in the domestic market and with income tax and social contribution payable on profits, as well as through requests for compensation from the Federal Revenue Service.

Another part of the credit is based on a favorable decision rendered by the Federal Regional Court of the 3rd Region, in a lawsuit filed by the Company to exclude the ICMS from the Social Contributions calculation base (PIS / COFINS), incident to domestic sales operations. The matter has already been definitively judged by the Federal Supreme Court, favorably to the taxpayers, with general repercussion, in RE 574,706. It is awaited the judgment of the Declaration of Embargoes, proposed by the Attorney General of the National Treasury (PGFN) to clarify some points of the STF decision, which, however, can not change the merits of the action. In view of this, the Company decided to recognize the extemporaneous credit of the amounts calculated the greater in the last five years.

(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.

(In thousands of Brazilian Reais)

10. Advances to suppliers

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Purchase of wood (i)	97,152	101,059	97,152	101,059
Others	12,364	15,790	12,423	15,877
	109,516	116,849	109,575	116,936
Breakdown				
Current assets	12,364	32,976	12,423	33,063
Noncurrent assets	97,152	83,873	97,152	83,873
	109,516	116,849	109,575	116,936

(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. 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 roll-forward as follows:

	Parent Company and Consolidated	
	12/31/2018	12/31/2017
At the beginning of the year	2,499,996	2,050,789
Change in the fair value of biological assets net of costs to sell	276,420	373,016
Tree felling for inventory	(395,212)	(271,981)
Forest development cost	287,540	348,172
	2,668,744	**2,499,996**

At December 31, 2018 holds a production area of 229,592 hectares (230.591 hectares at December 31, 2017), not including other areas such as the permanent preservation and legal reserve areas, in compliance with prevailing environmental laws.

(In thousands of Brazilian Reais)

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.

There was a change in the discount rate used (WACC) to 5.94% in December 2018.

The Company decided to assess 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:

	12/31/2018	12/31/2017
Current productive area (hectare)	229,592	230,591
Average Annual Increase (IMA) - m^3/ hectare	38.11	37.77
Discount rate (WACC without consumer price index) - %	5.94	6.10
Non-financial estimative of hc quantities	6,869	5,309

(In thousands of Brazilian Reais)

12. Investments

Significant information about investments on subsidiaries for the period ended December 31, 2018

In subsidiaries:	% Ownership interest	Total assets	Capital stock	Equity	Net revenue	Net income (loss)
Cellulose Eldorado Austria Gmbh	100%	2,995,419	111	(36,961)	3,823,240	296,805
Rishis Empreendimentos e Participações S.A.	100%	93,016	108,979	91,144	22,063	76

In parent company:	Balance as at 12/31/2017	Addition (low)	Cumulative translation adjustment	Unrealized profit in inventories	Equity in earnings (losses)	Balance as at 12/31/2018
Cellulose Eldorado Austria Gmbh	(77,971)	-	45,530	(301,325)	296,805	**(36,961)**
Rishis Empreendimentos e Participações S.A.	91,068	-	-	-	76	**91,144**
Appreciation of right to use granting of port movements	14,053	(1,179)	-	-	-	**12,874**
Total	**27,150**	**(1,179)**	**45,530**	**(301,325)**	**296,881**	**67,057**
Provision for losses on subsidiaries						
Total	**77,971**					**36,961**

Significant information about investments on subsidiaries for the period 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	(77,971)	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	Addition (low)	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 subsidiaries						
Total	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, according to note 16.2 (ix).

Rishis Empreendimentos e Participações S.A.

Rishis Empreendimentos e Participações S.A. holds the rights and obligations of the Lease Agreement No. DP-DC 01/2005 ("Lease Agreement") entered into with Companhia Docas do Estado de São Paulo – CODESP ("CODESP") on December 02, 2005, valid up to November 04, 2029.

Rishis is a port operator, certified by the port authority (Codesp) since March 05, 2015, lessee of a port facility of public use specialized in the break bulk transportation of pulp for export. It is located in the official area of the established port of Santos, in the area named Outeirinhos. Its total area is about 10,000 m^2 with capacity for static storage of 32,000 tonnes, moved by three overhead cranes with telescopic spreaders of latest generation and forklifts with clamps. Rishis has controls and processes compliant with ISO9001, ISO14001 and OHSAS18001 standards, whose certifications are assessed and issued by BRTUV.

The facilities, accesses and operating activities are ruled by customs legislation from the Brazilian Revenue Service, being its permit for operations published in the Federal Register (DOU) by means of Executive Declaratory Act No. 30 of May 20, 2013, effective up to November 05, 2029.

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, 2018, 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, valid up to November 05, 2029.

(In thousands of Brazilian Reais)

13. Fixed assets

	Parent Company - 12/31/2018			
	Weighted annual depreciation rates	Cost	Accumulated depreciation	Net
Land	-	103,211	-	103,211
Buildings	3.68%	1,150,808	(199,369)	951,439
Leasehold improvements	10.00%	3,111	(1,569)	1,542
Facilities and improvements	5.34%	288,410	(63,368)	225,042
Furniture and fixtures	9.23%	8,806	(4,145)	4,661
Vehicles	21.39%	130,842	(101,415)	29,427
Technical and scientific instruments	10.87%	6,383	(3,827)	2,556
IT equipment	19.87%	63,768	(58,531)	5,237
Machinery and equipment	6.39%	3,646,622	(901,403)	2,745,219
Vessels and floating structures	20.00%	7	-	7
Eucalyptus matrices	20.00%	79	(45)	34
Construction in progress and advances for capital expenditures	-	237,683	-	237,683
		5,639,730	(1,333,672)	4,306,058

	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

(In thousands of Brazilian Reais)

	Consolidated - 12/31/2018			
	Weighted annual depreciation rates	Cost	Accumulated depreciation	Net
Land	-	103,211	-	103,211
Buildings	3.68%	1,150,808	(199,369)	951,439
Leasehold improvements	7.48%	12,282	(10,530)	1,752
Facilities and improvements	5.53%	288,769	(63,701)	225,068
Furniture and fixtures	9.29%	9,316	(4,396)	4,920
Vehicles	21.39%	130,976	(101,549)	29,427
Technical and scientific instruments	10.93%	6,383	(3,827)	2,556
IT equipment	19.89%	64,964	(59,485)	5,479
Machinery and equipment	6.40%	3,650,252	(903,084)	2,747,168
Vessels and floating structures	20.00%	7	-	7
Eucalyptus Matrices	20.00%	79	(45)	34
Construction in progress and advances for capital expenditures	-	243,737	-	243,737
		5,660,784	(1,345,986)	4,314,798

	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

(In thousands of Brazilian Reais)

Changes in fixed assets

Parent Company

Changes	Balance at 12/31/2017	Additions	Write-off	Transfers	Depreciation	Balance at 12/31/2018
Land	103,211	-	-	-	-	103,211
Buildings	969,440	-	-	21,395	(39,396)	951,439
Leasehold improvements	8,761	-	(4,449)	(1,538)	(1,232)	1,542
Facilities and improvements	223,579	-	-	13,684	(12,221)	225,042
Furniture and fixtures	5,508	186	(1)	68	(1,100)	4,661
Vehicles	52,685	3,588	(27)	115	(26,934)	29,427
Technical and scientific instruments	2,760	183	-	113	(500)	2,556
IT equipment	8,158	270	-	233	(3,424)	5,237
Machinery and equipment	3,012,468	696	(128,187)	28,636	(168,394)	2,745,219
Vessels and floating structures	-	7	-	-	-	7
Eucalyptus matrices	50	-	-	-	(16)	34
Construction in progress and advances for capital expenditures	191,505	110,176	-	(63,998)	-	237,683
	4,578,125	115,106	(132,664)	(1,292)	(253,217)	4,306,058

Parent Company

Changes	Balance at 12/31/2016	Additions	Write-off	Available for sale	Transfers	Depreciation	Balance 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 capital expenditures	218,903	75,171	-	-	(102,569)	-	191,505
	4,760,269	94,534	(10,662)	(6,828)	(3,478)	(255,710)	4,578,125

Consolidated

Changes	Balance at 12/31/2017	Additions	Write-off	Transfers	Depreciation	Exchange rate fluctuation	Balance at 12/31/2018
Land	103,211	-	-	-	-	-	103,211
Buildings	969,440	-	-	21,395	(39,396)	-	951,439
Leasehold improvements	55,750	-	(4,449)	(48,299)	(1,250)	-	1,752
Facilities and improvements	228,422	-	-	8,869	(12,226)	3	225,068
Furniture and fixtures	5,815	203	(1)	68	(1,173)	8	4,920
Vehicles	52,685	3,588	(27)	115	(26,934)	-	29,427
Technical and scientific instruments	2,760	183	-	113	(500)	-	2,556
IT equipment	8,596	270	-	233	(3,623)	3	5,479
Machinery and equipment	3,020,651	696	(128,187)	22,615	(168,607)	-	2,747,168
Vessels and floating structures	-	7	-	-	-	-	7
Eucalyptus matrices	50	-	-	-	(16)	-	34
Construction in progress and advances for capital expenditures	197,217	111,024	-	(64,504)	-	-	243,737
	4,644,597	115,971	(132,664)	(59,395)	(253,725)	14	4,314,798

(In thousands of Brazilian Reais)

Consolidated

Changes	Balance at 12/31/2016	Additions	Write-off	Available for sale	Transfers	Depreciation	Saldo em 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 capital expenditures	224,806	75,650	-	-	(103,239)	-	197,217
	4,831,642	95,022	(10,663)	(6,828)	(3,554)	(261,022)	4,644,597

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, 2018 and 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 estimaded 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 16).

Review of useful life

In order to meet the requirements of CPC 27, the Company reviewed the technical useful life of fixed assets and found that some items should be adjusted to improve adherence to the current reality of the operation. The assumptions used by the technical area are based on the assets operation characteristics: working hours, technological obsolescence, use conditions and maintenances made.

The effects were recognized prospectively and the impact totals approximately R$ 2 million/month in 2018.

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 2018 and 2017, no evidence of impairment was identified.

(In thousands of Brazilian Reais)

14. Intangible assets

	Parent Company -12/31/2018			
	Weighted annual amortization rates	Costs	Accumulated amortization	Net
Software	20.54%	19,334	(13,552)	5,782

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

	Consolidated - 12/31/2018			
	Weighted annual amortization rates	Costs	Accumulated amortization	Net
Appreciation of right-of-use of port movement concession	6.94%	17,002	(4,128)	12,874
Software	20.46%	20,064	(14,027)	6,037
Terminal Concession	7.14%	79,091	(15,866)	63,225
		116,157	(34,021)	82,136

	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

Changes in intangible assets

Parent Company

Changes	12/31/2017	Additions	Transfers	Amortizations	12/31/2018
Software	7,337	28	1,292	(2,875)	5,782

(In thousands of Brazilian Reais)

Parent Company

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

Consolidated

Changes	12/31/2017	Additions	Transfers	Amortizations	12/31/2018
Appreciation of right-of-use of port movement concession (a)	14,053		-	(1,179)	12,874
Software	7,736	28	1,292	(3,019)	6,037
Terminal concession	11,453	-	58,103	(6,331)	63,225
	33,242	28	59,395	(10,529)	82,136

Consolidated

Movimentação	12/31/2016	Additions	Transfers	Amortizations	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

(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, 2018 and 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.

15. Trade payables

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Supplies and services	69,261	46,576	65,447	58,459
Inputs	146,099	151,275	146,100	151,275
Others	15,261	19,156	20,515	20,275
	230,621	217,007	232,062	230,009
Breakdown				
Current liabilities	226,085	210,378	227,526	223,380
Noncurrent liabilities	4,536	6,629	4,536	6,629
	230,621	217,007	232,062	230,009

(In thousands of Brazilian Reais)

16. Loans and Financing

Type	Average annual interest rate and commissions	Maturity	Parent Company 12/31/2018	Parent Company 12/31/2017
Fixed assets purchase financing				
FINAME - project finance	Average interest of 3% to 8% p.a.	July/2023	14,072	40,527
ACC (advance on exchange contract) (i)	Forex + interest	June/2019	954,153	1,070,650
BNDES (ii)	TJLP + spread	June/2022	414,659	531,486
BNDES (ii)	Floating rate BNDES + spread	July/2022	1,903,920	2,079,771
FINEM Florestal (x)	TJLP / selic + spread	May/2025	197,497	187,044
ECAs - Export Credit Agencies (iii)	Forex + interest of 2.8% to 5.69% p.a.	November/2022	805,223	846,305
Debentures (second issue) (iv)	IPCA + interest of 7.41% p.a.	December/2027	1,215,417	1,233,020
Working capital (vi)	Rate of 5.74% p.a. in US$	December/2020	20,057	25,684
PPE (vii)	LIBOR + spread.	March/2018	-	18,635
NCE (v)	CDI + spread	December/2019	224,904	616,244
Lease	Fixed rate - 12.9854% p.a.	July/2020	1,347	2,151
			5,751,249	**6,651,517**

Breakdown		
Current liabilities	2,131,478	2,319,414
Noncurrent liabilities	3,619,771	4,332,103
	5,751,249	**6,651,517**

The noncurrent portion of borrowing and financing becomes due as follows:

2020	943,227
2021	936,893
2022	658,233
2023	146,032
After 2024	935,386
	3,619,771

(In thousands of Brazilian Reais)

Type	Average annual interest rate and commissions	Maturity	Consolidated 12/31/2018	12/31/2017
Fixed assets purchase financing				
FINAME - project finance	Average interest of 3% to 19.83% p.a.	July/2023	14,072	40,527
ACC (advance on exchange contract) (i)	Forex + interest	June/2019	954,153	1,070,650
BNDES (ii)	TJLP + spread	June/2022	414,659	531,486
BNDES (ii)	Floating rate BNDES + spread	July/2022	1,903,920	2,079,771
FINEM Florestal (x)	TJLP / selic + spread	May/2025	197,497	187,044
ECAs - Export Credit Agencies (iii)	Forex + interest of 2.8% to 5.69% p.a.	November/2022	805,223	846,305
Debentures (second issue) (iv)	IPCA + interest of 7.41% p.a.	December/2027	1,215,417	1,233,020
Working capital (vi)	Rate of 5.74% p.a. in US$	December/2020	20,057	25,684
PPE (vii)	LIBOR + spread	March/2018	-	18,635
NCE (v)	CDI + spread	December/2019	224,904	616,244
Term Loan (viii)	LIBOR + spread	April/2021	215,551	256,771
Bonds (ix)	Rate of 8.625% p.a.	June/2021	1,348,015	1,143,782
Leasing	Fixed rate - 12.9854% p.a.	July/2020	1,347	2,151
			7,314,815	8,052,070
Breakdown				
Current liabilities			2,218,319	2,392,372
Noncurrent liabilities			5,096,496	5,659,698
			7,314,815	8,052,070

The noncurrent portion of borrowing and financing becomes due as follows:	
2020	1,028,609
2021	2,328,236
2022	658,233
2023	146,032
a partir de 2024	935,386
	5,096,496

16.1. Changes in loans and financing

Parent Company	12/31/2018	12/31/2017
Opening balance	**6,651,517**	**7,620,171**
Interest - accrued	553,260	589,963
Exchange differences - accrued	709,130	46,882
New loans and financing	1,495,220	1,082,247
Repayments		
Principal	(2,559,926)	(2,017,393)
Interest	(476,581)	(538,237)
Exchange differences	(621,371)	(132,116)
Closing balance	**5,751,249**	**6,651,517**

(In thousands of Brazilian Reais)

Consolidated	12/31/2018	12/31/2017
Opening balance	**8,052,070**	**9,066,535**
Interest - accrued	687,721	710,551
Exchange differences - accrued	953,939	70,370
New loans and financing	1,495,220	1,082,247
Repayments		
Principal	(2,637,794)	(2,095,263)
Interest	(604,367)	(653,287)
Exchange differences	(631,974)	(129,083)
Closing balance	**7,314,815**	**8,052,070**

16.2. 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) Real-denominated Export Credit Notes (NCE) contracts;

(vi) Borrowings from Caterpillar Financial Services, denominated in dollars, for financing the purchase of engines;

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

(viii) 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;

(ix) 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;

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

16.3. Restrictive covenants

The Company has finncing 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 importante to note that Eldorado has been working hard to improve its key indicators, including the total debt ratio.

2018 was marked by Strong performance in the pulp market, reflecting growing demand and events such as stoppages and conversions to produce other types of pulp, as well as the truck drivers' strike, which ended up limiting the product offer. This combination of market fundamentals supported strong price increases throughout the year, marked by continued strong demand. Nonetheless, 2018 was also marked by the Company's better historical sales performance. The expectation of the pulp market is that the demand scenario remains heated, supporting the price levels established by the industry and, consequently, allowing the Company to present a robust cash generation in the coming years.

Thus, it is worth mentioning that Eldorado remains focused on optimizing its operational efficiency, as well as improving the management of its cash flow and investment in order to converge to the limits of contractual covenants. This was even recognized by the recent Ba3 rating granted by Moodys Investment Services and the upgrade received by Fitch Ratings.

Corroborating with the Company's efforts to constantly improve its numbers, seeking operational excellence and reducing its indebtedness - and, consequently, its leverage, it is worth noting that Eldorado is adequate for all the covenants demanded by the aforementioned entities. Are they:

(i) *Export Credit Agencies*: Financial covenants measured annualy as of December 31, 2015. For the fiscal year ended December 31, 2018, the índices were:

(In thousands of Brazilian Reais)

Index	**Limit**
Debt Service Coverage Ratio	$\geq 1,15$
Net Debt / EBITDA	$\leq 3,5x$
Net Debt / Shareholders Equity	$\leq 2,75x$
Debt Limit	$\leq USD\ 750\ milhões*$

(ii) *Debêntures*: Financial *Covenants* measured annualy as of December 31, 2015. For the fiscal year ended December 31, 2018, the índices were:

Índex	**Limit**
Net Debt / EBITDA	$\leq 3,5x$
Net Debt / Shareholders Equity	$\leq 2,75x$
Debt Limit	≤ *USD 1 bilhão*

(iii) *Bond Letters* – Banco do Brasil: Financial *Covenants* measured annually as of December 31, 2015. In relation to 2018, the index were:

Index	**Limit**
Net Debt / EBITDA	$\leq 3,5x$
Net Debt / Shareholders Equity	$\leq 2,75x$
Debt Limit	$\leq USD\ 750\ milhões$
Debt Service Coverage Ratio	$\geq 1,15$

(iv) *Bond Letters* – Santander: Financial *Covenants* measured annually as of December 31, 2015. In relation to 2018, the index were:

(In thousands of Brazilian Reais)

Index	Limit
Net Debt / EBITDA	$\leq 3,5x$
Net Debt / Shareholders Equity	$\leq 2,75x$
Debt Limit*	$\leq USD\ 1,2\ bilhão$
Debt Service Coverage Ratio	$\geq 1,15$

* In 2017, the Company obtained authorization from Banco Santander to increase the "Debt Limit" to US $ 1.2 billion, provided that the "Indebtedness Limit (-) Cash" equation remained below US $ 750 million.

The Company's management considers that these financial statements present fairly the Company's financial and equity position, performance and cash flows, and applied the applicable Technical Pronouncements, Interpretations and Guidelines of CPC, except for the non-application of item 74 of the Technical Pronouncement CPC 26 / IAS 1 of the Accounting Pronouncements Committee, the application of which was set aside for the purpose of ensuring that these financial statements appropriately represent the Company's financial position and equity, performance and cash flows.

CPC 26 / IAS 1, in its item 74, establishes that "74. When the entity breaks a covenant of a long-term loan (debt or interest rate index, for example) at the end of or before the end of the reporting period, making the liability overdue and payable to the creditor's order , the liability should be classified as current even if the creditor has agreed, after the balance sheet date and before the date of authorization for the financial statements, not to require payment in advance as a consequence of the breach of the covenant. Liabilities should be classified as current because, at the balance sheet date, the entity does not have the unconditional right to defer its settlement for at least twelve months after that date”.

Given that, as described above, the Company obtained a rescheduling of these obligations at new levels served by the Company or the fiscal year ended December 31, 2017, the Company's Management considers that complying with item 74 of CPC 26 / IAS 1 would with the Company's financial statements showing, in the short term, debts that, at the date of publication of these financial statements, were not required in the short term, in the amount of R$ 2,335,175 thousand related to the breach of debenture covenants, since the Company is under negotiation and has not been notified by any of the creditors of potential non-compliance with contractual agreements.

16.4. Loan Guarantees

All loan and financing agreements in the modalities of BNDES, FINEM Florestal and ECAs and part of the modalities of ACC, Finame, Working Capital, NCE and Debenture, are guaranteed by an aval granted by the parent company J&F Investimentos SA Debenture and certain debts term securities are also collateralized in financial investments as described in Note 5.2.

(In thousands of Brazilian Reais)

17. Tax liabilities, payroll and social charges

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Payroll and social charges	34,295	18,196	34,900	19,184
Accruals and charges	70,720	66,174	73,232	68,386
Taxes payable	36,878	101,542	42,530	103,149
	141,893	**185,912**	**150,662**	**190,719**

18. Deferred income tax and social contribution

(a) Reconciliation of the effective tax rates:

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Profit before income tax and social contribution	1,169,314	966,136	1,174,345	969,126
Income tax and social contribution - statutory rate of 34%	(397,567)	(328,486)	(399,277)	(329,503)
Reconciliation for effective expenses				
Profit (loss) of investees accounted for as own capital, net of taxes	(1,511)	(2,342)	-	-
Nondeductible expenses	(4,911)	(10,687)	(4,911)	(12,661)
Government grant	65,747	90,570	65,747	90,570
Effect of taxes of foreign subsidiaries	-	-	(1,511)	(2,342)
Current IR adjustment - 2017	76,906	-	73,601	-
Deferred IR adjustment - 2017	(108,014)	-	(108,014)	-
Tax loss reversal 2013/2014	15,901	(1,817)	15,902	(1,817)
Others	15	(7)	(1)	(6)
Current and deferred income tax and social contribution	(353,434)	(252,769)	(358,464)	(255,759)
Effective rate	(30.23%)	(26.16%)	(30.52%)	(26.39%)

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

Party Company and Consolidated	12/31/2017	Additions	Deductions	12/31/2018
Tax losses (i)	538,493	32,615	(49,357)	521,751
Hedge derivatives	-	4,701	-	4,701
Biological assets	(167,327)	(45,586)	-	(212,913)
Operational provisions	19,878	3,335	-	23,213
Tax Depreciation x Accounting Depreciation - 2017	-	-	(108,011)	(108,011)
Tax Depreciation x Accounting Depreciation - 2018	-	-	(191,372)	(191,372)
	391,044	**(4,935)**	**(348,740)**	**37,369**

(In thousands of Brazilian Reais)

Party Company and Consolidated	12/31/2016	Additions	Deductions	12/31/2017
Tax losses (i)	583,794	-	(45,301)	538,493
Hedge derivatives	(4,368)	4,368	-	-
Biological assets	(69,044)	(98,283)	-	(167,327)
Operational provisions	33,476	-	(13,598)	19,878
	543,858	**(93,915)**	**(58,899)**	**391,044**

(i) As at December 31, 2018, the Company has a balance of accumulated tax loss, adjusted for revenues and expenses not allowed by tax law for the calculation of income and social contribution taxes, totaling R$ 1,534,560 (R$ 1,583,804 in December 31, 2017).

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.

Management, based on an approved budget, estimates that tax credits arising from temporary differences, tax losses and negative basis of social contribution are realized as shown below:

	12/31/2018
Year	**Party Company and Consolidated**
In 2019	163,590
In 2020	83,486
In2021	79,458
In 2022	82,736
In 2023	72,789
From 2024	67,606
	549,665

19. Provision for procedural risk

In the normal course of its activities, the Company is subject to tax, labor 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:

(In thousands of Brazilian Reais)

	12/31/2017	Additions	Write off	Adjustment	12/31/2018
Environmental	256	-	-	18	274
Civil	2,349	4,161	(2,197)	269	4,582
Labor	9,699	1,203	(7,464)	9	3,447
Tax	304	812	(255)	3	864
	12,608	**6,176**	**(9,916)**	**299**	**9,167**

	12/31/2016	Additions	Write off	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**

As at December 31, 2018 the Company was a defendant in environmental, civil, labor and tax lawsuits, amounting to R$ 1,050,633 (R$ 532,757 at December 31, 2017), of which the Company accrued R$ 9,167 (R$ 12,608 as at December 31, 2017), classified by its management and legal counsel as likelihood of probable loss. In general, the claims that originated the lawsuits involve claims indemnity for damages, notices of violation and others.

For the lawsuits classified as possible losses in the amount of R$ 870,843 (R$ 469,853 as at December 31, 2017), the Company believes that no provision for losses is required.

The write-off of labor claim amounts is due to the review of provisioning criteria which readjusted the recognition of provisions identified as excessive. Accordingly, until the phase of appeals is concluded, the proceedings will be considered contingent liabilities, for having the likelihood of loss classified as possible. After the phase of appeals, the proceedings are reclassified as probable loss, with the proper recognition of provision, meeting the requirements of CPC 25 / IAS 37, regarding the recognition of the present obligation, the required outflow of funds to settle the obligation and the reliable measurement of the amount of the obligation.

Nature of the main contingencies

(i) Fibria Celulose S.A.

Among the cases above, the Company is the defendant in an intellectual property dispute with Fibria Celulose S.A., which alleges that the Company violated certain rights related to the use of eucalyptus clones used in a small part of the Company's plantations. On April 19, 2013, Fibria filed a preliminary injunction with the Preliminary Proof Production. As this was a mere production of evidence from Fibria, the award favorable to Fibria's claims was approved and the process was extinguished.

On April 1, 2016, the Company was cited as a defendant in an obligation to file an action claiming the amount of R $ 100 million. On May 5, 2016, Eldorado filed a preliminary objection of incompetence and counterclaim with urgency, claiming in summary that following the legal technical criteria, the examination in 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 of Protection of Cultivars, without any damage to Fibria.

On September 26, 2016, the Judge of first instance (i) rejected the preliminary of incompetence raised by Eldorado; and (ii) granted one of the requests for injunctive relief deducted by Fibria, determining the "immediate cessation and abstention of the planting and propagation of eucalyptus clones of VT02".

Against these two points, Eldorado insurged by means of the Instrument of Appeal for the reform of the decision, in order to recognize the incompetence of the District of Três Lagoas / MS, determining the referral of the records to the District of São Paulo / SP and repealing the guardianship of urgency.

The grievance was not provided by the Court of Mato Grosso do Sul and awaits judgment of a new appeal in the Superior Tribual de Justiça. Currently this grievance is in the counter phase.

No provision was made for this action, in view of the probability of loss being possible, according to a forecast evaluated by the Company's legal counsel.

(ii) Administrative process Sancionador - CVM

On December 8, 2017, the CVM filed a CVM Sanctioning Administrative Proceeding No. 5388/2017, which seeks to determine the purchase of derivative contracts on behalf of Eldorado Brasil SA and other companies within its economic group, between the days 05 and May 17, 2017 with the use of unfair practices, in alleged violation of item II, item "d" of CVM Instruction No. 8/1979. A defense was presented in May of this year which awaits appreciation of the CVM. In the current phase the process is classified as possible loss probability in the estimated amount of R$ 84.9 million.

(iii) Exclusion of ICMS from the PIS and COFINS Basis calculation

The Company filed a writ of mandamus seeking to exclude ICMS from the PIS and COFINS calculation basis. The Federal Court of São Paulo approved the injunction in May / 2015 and, in June / 2015, ruled in merit favoring the exclusion of ICMS from the calculation base in relief. This decision was confirmed by the Federal Regional Court of the 3rd Region. The Federal Government, through the Attorney of the National Treasury, appealed the decision to the Superior Courts (STF and STJ). On March 15, 2017, in a general repercussion (decision that affects all legal proceedings in this matter), the STF determined that ICMS should be excluded from the calculation bases of PIS and COFINS, in line with the thesis pleaded for the company. Based on this decision and the legal opinions of its legal advisors, the Company has concluded that the chance of loss of the writ of mandamus is remote, which will be final and unappealable, allowing the Company to proceed with the offset of the credits established.

20. Equity

20.1. Social capital

The subscribed and paid-in capital as at December 31, 2018 is R$ 1,788,792, comprising 1,525,558,419 common shares.

20.2. 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.

20.3. 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.

20.4. Dividends

Under the Company bylaws, the balance of the profit for the year remaining after the offset of accumulated losses and allocation to the legal reserve and the contingency reserve, 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.

20.5. Cumulative translation adjustments

(In thousands of Brazilian Reais)

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

20.6. 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:

	12/31/2018	12/31/2017
Profit attributable to Company owners	815,880	713,367
Total shares outstanding in the period - thousands	1,525,558	1,525,558
Earnings per shares	0.53	0.47

21. Net Revenue

	Parent Company		Consolidated	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Gross sales revenue				
Domestic market	827,523	564,463	827,523	564,464
Foreign market	3,715,701	2,668,740	4,808,894	3,502,929
Discounts and rebates	(1,319)	(2,019)	(884,997)	(671,780)
	4,541,905	**3,231,184**	**4,751,420**	**3,395,613**
Sales deductions and taxes	(154,696)	(60,719)	(129,333)	(49,670)
Net operating revenue	**4,387,209**	**3,170,465**	**4,622,087**	**3,345,943**

22. 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:

(In thousands of Brazilian Reais)

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 - 12/31/2018			
	Pulp	Energy	Others	Total
Net revenue				
Foreign market	3,923,601	-	-	3,923,601
Domestic market	593,731	98,151	6,604	698,486
Cost of goods sold	(1,259,913)	(1,990)	(17,027)	(1,278,930)
Gross profit (loss)	**3,257,419**	**96,161**	**(10,423)**	**3,343,157**
Operating expenses/revenues				
Administrative and general	(134,004)	-	-	(134,004)
Selling and logistics	(441,429)	-	-	(441,429)
Fair value of biological assets	276,420	-	-	276,420
Depreciation, amortization and depletion	(400,622)	-	-	(400,622)
Other revenues (expenses),net	70,175	-	-	70,175
Net financial income (loss)				
Financial expenses	(821,025)	-	-	(821,025)
Financial revenues	29,729	-	-	29,729
Exchange rate gains (losses), net	(748,057)	-	-	(748,057)
Income/ (loss) before provision for Income and social contribution taxes	**1,088,606**	**96,161**	**(10,423)**	**1,174,344**
Income and social contribution taxes	(358,464)	-	-	(358,464)
Net income (loss) for the period	**730,142**	**96,161**	**(10,423)**	**815,880**

(In thousands of Brazilian Reais)

	Consolidated - 12/31/2017			
	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**

(In thousands of Brazilian Reais)

Geographic segments

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

Operating revenue	12/31/2018	12/31/2017
Brazil	698,486	501,404
China	1,471,722	1,019,944
Italy	483,724	367,247
USA	460,312	262,268
Austria	217,816	102,406
Sweden	194,906	145,927
Poland	156,745	91,737
Japan	126,863	174,094
Canadian	111,625	70,909
Germany	101,915	98,084
Spain	90,671	30,813
United Kingdom	60,670	3,168
Argentina	56,138	60,799
Others	390,494	417,143
	4,622,087	3,345,943

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	12/31/2018	12/31/2017
Brazil	8,421,560	8,473,398
Austria	57,298	51,398
United States	71	71
China	1	3
	8,478,930	8,524,870

(In thousands of Brazilian Reais)

23. Selling, logistics, general and administrative expenses

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Personnel expenses	388,841	357,024	404,471	373,065
Service, material and transportation expenses	510,061	469,726	756,314	671,903
Depreciation, depletion and amortization	426,818	420,747	399,445	431,727
Raw materials and consumables	686,242	601,305	638,447	549,606
Others	15,963	11,790	55,129	16,332
	2,027,925	**1,860,592**	**2,253,806**	**2,042,633**
Breakdown				
Cost of sales	1,688,880	1,554,598	1,657,848	1,536,482
General and administrative expenses	130,331	137,736	140,198	150,582
Selling and logistics expenses	208,714	168,258	455,760	355,569
	2,027,925	**1,860,592**	**2,253,806**	**2,042,633**

24. Financial income (loss), net

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Financial income				
Interest income	2,124	4,406	4,012	4,877
Return on financial investments	22,763	39,198	22,797	39,740
Income from derivatives	-	28,300	-	28,300
Other financial Income	2,905	4,859	2,920	4,863
	27,792	**76,763**	**29,729**	**77,780**
Financial expenses				
Sundry bank expenses	(174)	(192)	(640)	(638)
Interest expenses	(703,750)	(745,143)	(693,515)	(735,558)
Loss from derivatives	(25,257)	-	(25,257)	-
Expenses on endorsement and surety	(75,212)	(84,503)	(75,212)	(84,505)
Other financial expenses	(10,708)	(9,646)	(26,401)	(16,844)
	(815,101)	**(839,484)**	**(821,025)**	**(837,545)**
Exchange rate gains (losses), net	(747,579)	(60,231)	(748,057)	(60,348)
	(1,534,888)	**(822,952)**	**(1,539,353)**	**(820,113)**

(In thousands of Brazilian Reais)

25. Other income, net

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
ICMS credits (a)	107,352	151,449	107,352	151,449
PIS/COFINS credits (c)	29,883	-	29,883	-
Sales of fixed assets	17,856	2,990	17,856	2,988
Contingences	3,441	(5,124)	3,441	(5,123)
Allowance for doubtful accounts (d)	(5,700)	-	(6,027)	-
fees and taxes	(13,111)	-	(13,111)	-
Non-recoverable ICMS	(14,055)	(27,711)	(14,083)	(27,711)
Indemnities	(17,236)	(6,140)	(17,783)	(6,137)
FADEFE-FAI/MS (b)	(11,911)	-	(11,911)	-
Others	(23,577)	(2,378)	(26,619)	(2,553)
	72,942	113,086	68,998	112,913

(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). The co-obligations required for keeping the benefit include: average annual billings, average number of direct jobs, fixed investments and joining to FADEFE/MS. As of July 2018, with the signing of the new Agreement Agreement No. 1,171 / 2018, we no longer enjoy the tax benefit applied in the Sales of Pulp for Foreign Market;

(b) FADEFE/MS – Fund for Support of Economic Development and Fiscal Balance of the state of Mato Grosso do Sul – established through Statute No. 241/2017 – refers to a fee of 8% to 15% on the amounts of the tax benefits enjoyed by companies with benefited investment projects which joined the Legal Incentive Program created to validate with CONFAZ (National Council of Fiscal Policy) the Agreement Terms and Regulatory Acts; FAI/MS - Fund for Support of Industrialization - established through the program MS-Empreendedor (Statute No. 93/2001) – refers to a fee of 2% on the amounts of the tax benefits enjoyed by the companies entitled to the tax incentive;

(c) Credit arising from a favorable decision, issued by the Federal Regional Court of the 3rd Region, in a lawsuit filed by the Company to exclude ICMS from the social contribution calculation base (PIS / COFINS), incident to domestic sales operations. The matter has already been definitively judged by the Federal Supreme Court, favorably to the taxpayers, with general repercussion, in RE 574,706. It is awaited the judgment of the Declaration of Embargoes, proposed by the Attorney General of the National Treasury (PGFN) to clarify some points of the STF decision, which, however, can not change the merits of the action. In view of this, the Company decided to recognize the extemporaneous credit of the amounts calculated the greater in the last five years;

(d) The accounts receivable are equivalent to the estimated need to establish an estimated credit loss in doubtful accounts, mainly to customers in collection or judicial recovery, with a low probability of recovering the receivables.

26. 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, 2018 totaled R$ 2,491 (R$ 2,616 as at December 31, 2017).

27. Insurance

As at December 31, 2018, the insurance coverage (coverage from 08/15/2018 to 08/15/2019) against operating risks totaled R$ 6,903,603 (R$ 5,221,064 as at December 31, 2017) for property damages, R$ 1,907,318 (R$ 2,382,530 as at December 31, 2017) for loss of profits, and R$ 97.870 (R$ 82,700 as at December 31, 2017) for civil liability effective from 08/15/2018 to 08/15/2019.

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.

28. 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 purpose of market risk management is to manage and control exposure to market risks within acceptable limits, in order to improve the return. The Company uses derivatives to manage market risk, reducing the volatility in profit or loss.

(i) Interest rate risks

It refers to possible losses that the Company and its subsidiaries may incur due to interest rate fluctuations. The Company has assets and mainly liabilities exposed to this risk, such as operations linked to indexes as CDI (Interbank Deposit Rate), TJLP (Long-term Interest Rate), UMBNDES (Monetary unit of the National Bank for Economic and Social Development), and LIBOR (London Interbank Offer Rate), besides occasional transactions with fixed rates that may cause losses resulting from the calculation of fair market value (mark-to-market). The Company aims to reduce the risk of interest rates through the diversification of the indexes hired and, occasionally, by hiring derivatives.

The Company's exposure to interest rate risk refers basically to loans and financing. The position as at December 31, 2018 and December 31, 2017:

(In thousands of Brazilian Reais)

Type	Average annual interest rate and commissions	Parent Company 12/31/2018	Parent Company 12/31/2017
FINAME - project finance	Average interest of 3% to 19.83% p.a.	14,072	40,527
ACC (advance on exchange contract)	Forex + interest	954,153	1,070,650
BNDES	TJLP + spread	414,659	531,486
BNDES	Floating rate BNDES + spread	1,903,920	2,079,771
FINEM Florestal	TJLP / selic + spread	197,497	187,044
ECAs - Export Credit Agencies	Forex + interest of 2.8% to 5.69% p.a.	805,223	846,305
Debentures (second issue)	IPCA + interest of 7.41% p.a.	1,215,417	1,233,020
Working capital	Rate of 5.74% p.a. in US$	20,057	25,684
PPE	LIBOR + spread	-	18,635
NCE	CDI + spread	224,904	616,244
Leasing	Fixed rate - 12.9854% p.a.	1,347	2,151
PPE's Intercompanys	Interest of 6% to 9.8% p.a. + forex	1,545,290	1,392,421
Cash and cash equivalents and financial investments		(449,176)	(316,574)
		6,847,363	7,727,364

Type	Average annual interest rate and commissions	Consolidated 12/31/2018	Consolidated 12/31/2017
FINAME - project finance	Average interest of 3% to 19.83% p.a.	14,072	40,527
ACC (advance on exchange contract)	Forex + interest	954,153	1,070,650
BNDES	TJLP + spread	414,659	531,486
BNDES	Floating rate BNDES + spread	1,903,920	2,079,771
FINEM Florestal	TJLP / selic + spread	197,497	187,044
ECAs - Export Credit Agencies	Forex + interest of 2.8% to 5.69% p.a.	805,223	846,305
Debentures (second issue)	IPCA + interest of 7.41% p.a.	1,215,417	1,233,020
Working capital	Rate of 5.74% p.a. in US$	20,057	25,684
PPE	LIBOR + spread	-	18,635
NCE	CDI + spread	224,904	616,244
Term Loan	LIBOR + spread	215,551	256,771
Bonds	Rate of 8.625% p.a.	1,348,015	1,143,782
Leasing	Fixed rate - 12.9854% p.a.	1,347	2,151
Cash and cash equivalents and financial investments		(506,357)	(367,871)
		6,808,458	7,684,199

Sensitivity analysis

Debt

For the purpose of providing information on how the market risks to which the Company is exposed as at December 31, 2018 and 2017, would behave, the possible 25% and 50% changes in interest rates on the risk variables, as compared to the probable, are shown below.

(In thousands of Brazilian Reais)

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

Operational	Balance (R$)	Probable	25%	50%
Net exposure to interest rates	6,847,363	(2,790)	(52,627)	(105,254)

Consolidated

Operational	Balance (R$)	Probable	25%	50%
Net exposure to interest rates	6,808,457	(2,792)	(52,329)	(104,657)

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

The average cost of loans based on the basket of currencies is established according to the average cost of BNDES fund raising in foreign market, forming the UMBNDES and charges of the basket of currencies, which is the 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 December 31, 2018 was 6.60% per year (6.75% per year in December 2017).

(ii) Foreign exchange rate risks

The Company is exposed to foreign exchange risk as a result of a mismatch between the currencies used in its sales, purchases and loans and the respective functional currency of the Company.

The Company is mainly subject to the fluctuation of US dollar before Brazilian real when it comes to exchange rate gains and losses.

As at December 31, 2018, US dollar and Euro rates were R$ 3.8748 and R$ 4.4390, respectively.

As at December 31, 2017, US dollar and Euro rates were R$ 3.3080 and R$ R$ 3.9693, respectively.

As at December 31, 2018, the foreign exchange rate risk was concentrated on the captions Cash and cash equivalents, Financial investments, Trade accounts receivable and payable, and Loans and financing.

For the purpose of hedging against the fluctuation of foreign exchange rates, the Company seeks a balance between its assets and liabilities in foreign currency. It may hire derivative financial instruments in order to eliminate any residual difference.

(In thousands of Brazilian Reais)

The Company´s assets and liabilities exposed to the foreign exchange risk are as follows:

Parent Company

	USD		R$	
Operation	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash and cash equivalents and financial investments	4,104	-	15,902	-
Trade receivables	267,105	307,551	1,034,979	1,017,216
Trade payables	(148)	(247)	(573)	(854)
Debits with related parties	(398,805)	(420,925)	(1,545,290)	(1,392,421)
Loans and financing	(950,592)	(1,221,598)	(3,683,353)	(4,041,045)
	(1,078,336)	**(1,335,219)**	**(4,178,335)**	**(4,417,104)**
Derivatives	1,100,000	-	4,262,280	-
Net exposure to foreign exchange fluctuation	**21,664**	**(1,335,219)**	**83,945**	**(4,417,104)**

	EUR		R$	
Operation	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Trade payables	(55)	(27)	(246)	(91)

The foreign exchange rate risk may result in losses for the Company due to a possible depreciation of the Brazilian Real, reporting currency of the Company.

Sensitivity analysis

For the purpose of providing information on how the market risks to which the Company is exposed at December 31, 2018, 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

Operational	Balance (USD)	Balance (R$)	Probable	25%	50%
Net exposure to exchange rate gains (losses)	(1,078,336)	(4,178,335)	80,660	(1,044,584)	(2,089,167)

(iii) Derivative financial instruments

The Company monitors the net exposure risk (NE 28 – Financial Instruments) of business transactions receivable in comparison with its obligations (including debts) regarding foreign exchange fluctuation continually evaluating the decisions to be made.

(In thousands of Brazilian Reais)

In May 2018, the Board of Directors followed the recommendation of the Audit, Finance and Risk Management Committee ("Committee") adopting the plan for hire of derivative financial instruments for hedging against its exposure to US dollar in the Company's statement of financial position. By the end of that month, the Company started to hire currency forward contracts with no physical delivery (Non Derivable Forward - NDF), acquired from private banks, indexed to US dollars and maturing in the first business day of the following month, as shown in the table below. The notional value of the derivatives is limited to the Company's exposure to foreign exchange fluctuation, daily calculated.

The Company daily calculates mark-to-market (MtM) of its derivatives using future dollar prices negotiated at BMF Bovespa, considering that the derivative transactions hired are short term and have the same maturity of the contracts negotiated in the stock exchange.

On December 31, 2018, the Company held the notional amount of US$ 1,100,000.00 in outstanding derivatives (NDF) maturing on February 1, 2019.

Notional	Maturity	12/31/2018
1,100,000	February/2019	13,829

Derivatives	Notional (USD) 12/31/2018	Notional (R$) 12/31/2018	Probable (R$)	25% (R$)	50% (R$)
Maturity date:					
02/01/2019					
Net position	1,100,000	4,262,280	(97,792)	1,050,059	2,115,629
			(97,792)	1,050,059	2,115,629

On November 09, 2018, the board of directors reviewed and ratified NDF hirings made by the company in the last quarter until the date of this report.

(iv) 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 and Consolidated	12/31/2018	12/31/2017
Estimated number of firm contracts	968,675	733,888
Advances made	(534,716)	(454,949)
	433,959	278,939

(In thousands of Brazilian Reais)

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 of the Company incurring losses resulting from failure of a customer or counterparty in a financial instrument to meet its contractual obligations. Basically is the risk of default related to trade accounts receivable.

The credit risk in the Company's operating activities is managed based on specific rules for client acceptance and on the definition of the respective credit limits, consistently applied by means of credit analyses periodically reviewed, discussions with the credit committee, and after guarantees presented by the clients. The Company works to guarantee the realization of outstanding credits through the frequent monitoring of default receivables and also use of letters of credit and other financial instruments that guarantee the respective receivables.

The bank deposits and financial investments are hired from top-tier financial institutions, so the risk of loss from 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	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash and cash equivalents	310,419	161,013	610,591	377,507
Financial investments	160,621	168,038	217,802	219,336
Trade receivables	1,238,398	1,155,280	651,016	647,709
	1,709,438	1,484,331	1,479,409	1,244,552

c. Liquidity Risk

It results from the possibility of the Company finding difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or through other financial assets.

The Company’s long-term debts consist of BNDES, ECAs and debentures, with maturity from 10 to 15 years, and grace period of at least one year, and also of debts from its subsidiaries, Term loan and Bond. The debt resulting from the ECAs and debentures have customized payments. In the first years, the amortization of the principal is lower in comparison with the years closer to full 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:

(In thousands of Brazilian Reais)

Parent Company	Less than 1 year	01 to 02 years	02 to 03 years	After 3 years	Fair value
At December 31, 2018					
Trade payables	226,079	2,094	2,093	349	230,615
Loans and financing	2,131,478	943,227	936,893	1,739,651	5,751,249
Amounts due to related parties	118,447	79,029	1,365,083	-	1,562,559
Derivatives payable	13,829	-	-	-	13,829
(-) Cash and cash equivalents	(310,419)	-	-	-	(310,419)
	2,179,414	1,024,350	2,304,069	1,740,000	7,247,833
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
(-) Cash and cash equivalents	(161,013)	-	-	-	(161,013)
	2,504,756	1,207,925	2,810,830	1,618,811	8,142,322

Consolidated	Less than 1 year	01 to 02 years	02 to 03 years	After 3 years	Fair value
At December 31, 2018					
Trade payables	227,519	2,094	2,093	349	232,055
Loans and financing	2,218,319	1,028,609	2,328,236	(4,153,992)	1,421,172
Amounts due to related parties	28,007	-	-	-	28,007
Derivatives payable	13,829	-	-	-	13,829
(-) Cash and cash equivalents	(610,591)	-	-	-	(610,591)
	1,877,083	1,030,703	2,330,329	(4,153,643)	1,084,472
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

d. Operational risks

(i) *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.

(ii) Right-of-use of port movement concession

The operations at Rishis are subject to operating and environmental risks, such as fires, loss of the concession, non-compliance with the international security plan (ISPS Code) and with the environmental protocol, acts of God or force majeure.

In this scenario, Rishis has an insurance policy issued by FM Global including: Property, D&O and General Civil Liability in addition to the permanent inspection from intervening authorities such as: Companhia Docas - CODESP (port authority), National Agency of Waterway Transportation - ANTAQ, the Environmental Agency of the state of São Paulo - CETESB, Security Commission of ISPS Code, Municipal Government of Santos (work permit) and permit of the Fire Department of the state of São Paulo (AVCB), always in line with the legislation inherent to the mentioned authorities.

- **Mutual Assistance Plan for the Port of Santos ("Plano de Auxílio Mútuo do Porto de Santos" - PAM)**

In compliance with the PAM of the Port of Santos and in line with the Company's corporate policies, Rishis developed its "Permanent Plan on Emergency and Occupational Health and Safety" guided by "Regulatory Standard 29" (NR29) on port occupational health and safety, whose team is formed by qualified professionals such as: safety technician, nursing technician, fire brigade and representatives of the Internal Commission for Accident Prevention (CIPA).

- **ISPS Code**

Rishis meets all basic requirements of ISPS Code by controlling the access of people, vehicles and 24 hours monitoring. All records and images are shared in real time with the customs of the Port of Santos.

- **Environmental management**

Rishis updates and meets all environmental and sustainability protocols required by the Port Authority (CODESP), CETESB and by the Municipal Environment Department, whose foundations and better practices adopted by the company are recognized and ratified as per ISO14001.

- **Port lease**

The port lease is ruled by the mentioned Lease Agreement DP-DC 01/2005. It is the legal instrument of public domain, entered into with the port authority (CODESP) ratified by the competent federal regulatory bodies (SEP, ANTAQ). Rishis focus on the full compliance with all the clauses of this contract by meeting its obligations punctually, exercising the rules of good coexistence in the established port, moving the committed cargo, promoting the sustainable and social development of the region (port-city).

- **Fortuitous or force majeure case**

The Company has a quite varied logistic operation, in which Rishis is responsible for 38% of total volume. To reduce the risk of acts of God or force majeure in Santos, the Company implemented a break bulk operation in the public port of São Francisco do Sul/SC whose movements may reach 450 thousand tonnes.

(In thousands of Brazilian Reais)

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:

	12/31/2018			12/31/2017		
Parent Company	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial investments	160,621	-	-	168,038	-	-
Total assets	**160,621**	-	-	**168,038**	-	-
Liabilities						
Loans and financing	-	5,751,249	-	-	6,651,517	-
Amounts due to related parties	-	1,562,559	-	-	1,434,811	-
Derivatives payable	-	13,829	-	-	-	-
Total liabilities	-	**7,327,637**	-	-	**8,086,328**	-

	12/31/2018			12/31/2017		
Consolidated	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial investments	217,802	-	-	219,336	-	-
Total assets	**217,802**	-	-	**219,336**	-	-
Liabilities						
Loans and financing	-	7,314,815	-	-	8,052,070	-
Amounts due to related parties	-	28,007	-	-	31,257	-
Derivatives payable	-	13,829	-	-	-	-
Total liabilities	-	**7,356,651**	-	-	**8,083,327**	-

(In thousands of Brazilian Reais)

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

Parent Company	12/31/2018 Carryng amount	12/31/2018 Fair value	12/31/2017 Carryng amount	12/31/2017 Fair value
Assets				
Assets at amortized cost				
Cash and cash equivalents	310,419	310,419	161,013	161,013
Trade accounts receivables	1,238,398	1,238,398	1,155,963	1,155,963
Intercompany receivables	3,268	3,268	2,783	2,783
Total assets at amortized cost	1,552,085	1,552,085	1,319,759	1,319,759
Assets at fair value through income (loss)				
Financial investments	160,621	160,621	168,038	168,038
Total financial assets	1,712,706	1,712,706	1,487,797	1,487,797
Liabilities				
Liabilities at amortized cost				
Loans and financing	5,751,249	5,751,249	6,651,517	6,651,517
Amounts due to related parties	1,562,559	1,562,559	1,434,811	1,434,811
Total liabilities at amortized cost	7,313,808	7,313,808	8,086,328	8,086,328
Liabilities at fair value through income (loss)				
Derivatives payable	13,829	13,829	-	-
Total financial liabilities	7,327,637	7,327,637	8,086,328	8,086,328

Consolidated	12/31/2018 Carryng Amount	12/31/2018 Fair Value	31/12/2017 Carryng Amount	31/12/2017 Fair Value
Assets				
Assets at amortized cost				
Cash and cash equivalents	610,591	610,591	377,507	377,507
Trade accounts receivables	651,016	651,016	648,392	648,392
Intercompany receivables	9	9	-	-
Total assets at amortized cost	1,261,616	1,261,616	1,025,899	1,025,899
Assets at fair value through income (loss)				
Financial investments	217,802	217,802	219,336	219,336
Total financial assets	1,479,418	1,479,418	1,245,235	1,245,235
Liabilities				
Liabilities at amortized cost				
Loans and financing	7,314,815	7,387,972	8,052,070	8,124,348
Amounts due to related parties	28,007	28,007	31,257	31,257
Total liabilities at amortized cost	7,342,822	7,415,979	8,083,327	8,155,605
Liabilities at fair value through income (loss)				
Derivatives payable	13,829	13,829	-	-
Total financial liabilities	7,356,651	7,429,808	8,083,327	8,155,605

(In thousands of Brazilian Reais)

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.

The derivatives are measured using valuation techniques based on observable market inputs. The valuation techniques more frequently applied include pricing models of swap contracts, calculating the present value of the cash flows involved in the transaction. For the calculation of the over-the-counter NDF transactions, an early settlement is simulated using the exercise price and PTAX of the day.

For future commodities positions at BM&F, it is used the adjustment price disclosed by that entity. The models incorporate several data, including the counterparty's credit quality, place and rated hired.

29. Operating Leases

a. Land operating leases

Land operating leases are paid as follows:

	Parent Company and Consolidated	
	12/31/2018	12/31/2017
2018	-	97,818
2019	127,583	98,700
2020	127,484	98,605
2021	126,698	97,484
2022	119,842	96,208
2023 and thereafter	539,407	463,696
	1,041,014	**952,511**

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.

(In thousands of Brazilian Reais)

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, 2018, future minimum noncancelable lease payments are as follows:

	Parent Company and Consolidated	
	12/31/2018	12/31/2017
2018	-	74,725
2019	74,725	74,725
2020	74,725	74,725
2021	74,725	74,725
2022	74,725	74,725
2023 and thereafter	410,529	410,528
	709,429	784,153

(ii) Amounts recognized in income (loss)

	Parent Company and Consolidated	
	12/31/2018	12/31/2017
Lease expenses	123,862	104,570
	123,862	104,570

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.

30. Collaboration Agreement, Leniency Agreement and Internal Investigation

30.1. General information on the Collaboration Agreement of executives and former executives of J & F Investimentos S.A.

As it is publicly known, in May 2017 certain executives and former executives of J & F Investimentos SA ("J & F"), as the parent company of the companies belonging to the "J & F Group", of which the Company is a part, assumed certain Collaboration Agreement Awarded with the Attorney General's Office ("PGR"), aiming at meeting the public interest, in particular the deepening, throughout the country, of investigations into events contrary to the law.

On June 5, 2017, J & F entered into a Leniency Agreement with the Federal Public Ministry ("MPF"), homologated by the 5th MPF Coordination and Review Chamber on August 24, 2017, to which the Company adhered on September 21, 2017 ("Agreement").

In the Agreement, J & F undertook, on its behalf and on behalf of the companies controlled by it, to cooperate voluntarily with the company, carry out internal investigations and provide information to prove the materiality and authorship of the irregular acts committed and J & F has undertaken to repair in full the damages and losses arising from the infractions committed by paying R $ 10.3 billion over the next 25 years, of which R $ 50 million will be paid in 05 semester installments with maturity from December 22, 2017, and 22 other annual installments covering the debit balance due from December 2020, to be paid exclusively by J & F as compensation for the damages caused by the facts investigated in the various operations filed by the MPF and Federal Police, such Cui Bono, Weak Meat, Sepsis and Greenfied, and the other facts mentioned in the presentations and consequently described in the annexes Agreement.

J & F has also undertaken to (i) implement measures to prevent illicit acts, corruption and bribery by improving and implementing integrity programs, (ii) to cooperate and collaborate effectively with official investigations, through a comprehensive internal investigation, which should comply with good international practices, in order to ascertain facts already taken in good faith to the attention of the authorities, and (iii) to remedy the damage resulting from acts confessed and described in the respective Agreement.

30.2. Internal investigation carried out within the scope of the Company

Under Clause 15, XX of the Agreement, J & F is required to conduct internal investigation, following good international practice, with the purpose of verifying and corroborating the wrongful acts described in the Agreement, and also to identify possible documents or additional evidence of corroboration of the facts narrated in the Agreement.

In view of this obligation, and as a result of the Company's adhesion to the Agreement, an internal investigation was conducted in the Company by the Barros Pimentel, Alcantara Gil and Rodriguez Advogados ("BP") law firm, which was named PricewaterhouseCoopers Contadores Públicos Ltda. ("PwC" and, together with BP, "Investigation Team") to provide specialized forensic services for the collection, hosting, processing and analysis of data necessary for such an investigation ("Internal Investigation"). The Company clarifies that there are Annexes to the Agreement that are still under confidentiality by determination of the competent Court.

The Company notes that on August 11, 2017, as part of the obligations assumed under the Agreement, an Independent Oversight Committee was set up to monitor Internal Investigation and to provide any clarification directly to the MPF ("Independent Committee"). The Independent Committee ratified the hiring of the Investigation Team, which was then directly responsible to the Independent Committee, including its scope of action and preliminary and final findings.

The investigation was finalized by the Investigation Team, with a report dated April 20, 2018, submitted by the Research Team to the Independent Committee and J & F.

The conclusions of this report, related to facts and data analyzed by the Investigation Team, are that no new facts, other than those already known to the public and mentioned in the Annexes to the Agreement, have been found, as well as the absence of new relevant facts in the context of the impact assessment on the Company's financial statements.

Of the issues analyzed, the only one that brought accounting impacts to the Company was related to the verification of the circumstances of payments made by the Company in the scheme operated by Lucio Funaro for the release of funds by FI-FGTS and Caixa Econômica Federal, involving payments of R $ 37 , 4 million without cause. A fact that the Company, through an assessment of the Federal Revenue Service, made full payment of taxes and related fines, in the amount of R $ 46.3 million, with a reduction of 50% of the fine.

It is important to note that, although payments were made by the Company to companies associated with Mr. Lucio Funaro, under the terms of Exhibits 04 to 06 of the Agreement: i) interactions with Mr. Lucio Funaro were not made by officers or employees of the Company and executives of the Company were not aware of the adjustment with Lucio Funaro; ii) it was a payment system made to companies linked to Mr. Lucio Funaro through invoices issued against group companies, with payments made in the amount of R $ 37.4 million; iii) financing obtained by the Company did not have more advantageous conditions than the other loans granted to other companies at the time. In this sense, the Report concludes with corroborating the above allegations.

During 4Q2018, at the request of the Federal Public Ministry to the Investigation Team, complementary procedures were initiated to the previously completed investigation whose report was issued on April 20, 2018. The complementary scope refers exclusively to facts narrated in Leniency Agreement and topics already covered in the research completed in April 2018. By the present date, the complementary procedures are still ongoing and the deadline foreseen for conclusion of the work is March 31, 2019.

31. Purchase and Sale Agreement of Stock

On September 2, 2017, J & F entered into a purchase and sale agreement for the sale of its direct and indirect interest in the Company to CA Investment (Brazil) SA, a company of the group Paper Excellence ("CA Investment"), for the total value of the Company of R $ 15 billion, to be adjusted according to working capital and net debt, under the terms of the agreement ("Purchase and Sale Agreement").

CA Investimento filed a preliminary injunction for protection against prior no. 1083967-87.2018.8.26.0100, before the 2nd Business Court and Arbitration Conflicts of the Central Forum of the County of São Paulo, at the beginning of August 2018, which is filed in a court of secrecy. as object issues related to the Stock Purchase Agreement.

On September 4, 2018, the Company received correspondence from J & F, informing that J & F exercised its right to terminate the Share Purchase Agreement.

Also in September 2018, the Company received notification from the competent body informing the start of arbitration proceedings by CA Investment against J & F and the Company, which is subject to secrecy, having as its object issues related to the Share Purchase Agreement and related matters.

On 11/28/2018, the Court of Justice of the State of São Paulo judged two appeals arising from the aforementioned preliminary injunction, and dismissed all of CA Investment's claims. On the other hand, the Court of Justice of the State of São Paulo (i) suspended the effects of the termination of the Share Purchase Agreement until the end of the arbitration proceeding initiated by CA Investment; and (ii) confirmed a lower court decision that (ii) J & F should not sell the shares of Eldorado owned by it to third parties and (ii.b) the parties must comply with a provision of the Purchase and Sale Agreement of Actions that regulate aspects of the business management of Eldorado, in both cases until the end of the arbitration proceeding initiated by CA Investment.

On December 31, 2018, the Company's shareholding composition comprised a 49.42% interest in CA Investment and a 50.58% interest in J & F, sole shareholders of Eldorado, with J & F remaining as the Company's controlling shareholder.

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

José Antonio Batista Costa
Member

Francisco de Assis e Silva
Member

José Luis de Salles Freire
Member

Accountant

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