

### SALES PERFORMANCE

	Q1 2021	Q1 2020	
Total for TFC	Total wood volume sold (m <sup>3</sup> )	235,807	200,962
	Total charcoal sales (MDC)	46,590	52,634
	Total gross sales (USD)	6,377,248	5,604,443
Paraná (Pine and Eucalyptus)	Total wood volume sold (m <sup>3</sup> )	13,845	8,616
	Total gross sales (BRL)	365,010	238,101
	Total gross sales (USD)	66,646	51,168
Minas Gerais (Eucalyptus)	Total wood volume sold (m <sup>3</sup> )	196,881	165,884
	Total gross sales (BRL)	9,940,923	7,165,560
	Total gross sales (USD)	1,815,066	1,539,888
Minas Gerais (Charcoal)	Total charcoal sales (MDC)	46,590	52,634
	Total gross sales (BRL)	12,621,295	8,515,862
	Total gross sales (USD)	2,304,463	1,830,069
Antioquia (Pine)	Total wood volume sold (m <sup>3</sup> )	25,081	26,463
	Total gross sales ('000 COP)	3,486,889	4,182,501
	Total gross sales (USD)	979,594	1,142,344
Colombia (Forest Services)	Total gross sales ('000 COP)	4,312,288	3,811,351
	Total gross sales (USD)	1,211,479	1,040,974


- In the first quarter of the year, The Forest Company sold about 235,000 m<sup>3</sup> of wood, an increase of 17% compared to Q1 2020. The total revenues in USD were 14% higher than in Q1 2020, driven by the good performance of Brazilian operations
- The charcoal market in Minas Gerais maintained the strong performance seen in 2020. Despite lower volumes, total charcoal sales in value were 48% higher in BRL and 26% higher in USD during Q1 2021 compared to Q1 2020. After maintenance of kilns during the first quarter, we expect the production volume to recover in the second half of the year
- Average charcoal prices in Q1 2021 were 67% higher compared to Q1 2020
- Wood sales in Minas Gerais increased by 18% in BRL compared to Q1 2020. The increase is explained by an improvement in market prices and volume sold
- Wood sales increased in Paraná by 61% in volume compared to Q1 2020. Total value increased by 53% in BRL and 30% in USD
- In Antioquia, Q1 2021 total sales were 5% lower than in the same period last year. In 2021, sales are planned to be lower than in 2020 as there is less volume available for harvest due to the age class of the forest
- Total sales from Forest Services in Colombia increased by 13% in COP and 16% in USD

### IMPACT KPIs

The Forest Company's impact strategy contains five themes, contributing to five of the SDGs, and ten defined impact goals. Here we report on three of these goals. Please contact us if you are interested in knowing more about our impact performance this quarter.

- **Natural forest:** The Forest Company took all safeguards to avoid the invasion of exotic species in our natural forests with a strict monitoring of these areas
- **Employee training:** Due to COVID-19 restrictions and social distancing, we had to restructure some of the scheduled activities. The Forest Company promotes online training for employees through web-based systems, in addition to in-person training with social distancing
- **Carbon sequestration:** The carbon sequestration for Q1 has been achieved and The Forest Company continues to implement the best silvicultural practices to boost the productivity of our plantations


Impact theme	Impact goal	Target Q1 2021	Actual Q1 2021	2021 goal achievement
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**Natural forest**  
Increase the area of natural forest under The Forest Company's protection to 22,400ha by 2022

Total protected area  
25,335 ha

Total protected area  
25,335 ha

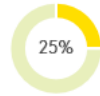





**Employee training**  
100% of employees will receive training every year by 2022

Percentage of employees receiving training  
Women: 25%  
Men: 25%

Percentage of employees receiving training  
100% of the workforce (men and women) were trained in Q1

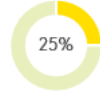




**Carbon sequestration**  
7.8 million tCO<sub>2e</sub> through The Forest Company's forest plantations by 2022

304,000 tCO<sub>2e</sub>

304,000 tCO<sub>2e</sub>





## COVID-19 UPDATE

As of the end of Q1 2021, we have had nine people in Brazil, and sixteen in Colombia infected with COVID-19, all of whom recovered.

As already observed at the end of 2020, the pandemic worsened in Latin America, especially after Christmas and New Year celebrations.

In Brazil, the daily death toll increased substantially during Q1 2021, closing the quarter with around 4,000 deaths per day due to COVID-19. Since then, the situation improved considerably, with vaccination rollout advances. In May, while the death rate remains high it is half of that observed in late March and early April.

The vaccination campaign is moving forward in the country, with 18% of the general population getting at least one dose. That share reached 76% among those aged over 60 years. The vaccination development is leading to the partial flexibilization of social isolation measures, which were stricter throughout the first quarter of 2021.

A rebound in cases and hospitalizations, delays on the arrival of vaccines from abroad and the emergence of virus variants are the main risks to be monitored in the following months.

In Colombia, after a significant decrease in active cases during Q1 2021, a third wave of infections started after Easter, with a strong impact in the northern region and Antioquia. Another wave of infection after the mid-year holidays and subsequent new restrictive measures cannot be ruled out given the pattern of the virus in the country.

Vaccination is facing logistical difficulties and is progressing at a slower than expected rate. There are issues with the availability of doses and only about 5% of the general population have received at least one dose. However, it is expected that the country will reach the target for vaccinating vulnerable populations in Q3 2021.

## MARKET UPDATE - BRAZIL

Following the trend observed in all agribusiness sector, Forestry continues to perform well in 2021. The depreciation of BRL against the USD and an overall increase in commodities prices, two factors that sustained the sector's performance during 2020, are still present. This scenario is likely to remain during the rest of year.

The charcoal market in Minas Gerais remains strong due to increasing pig iron exports sustaining the high demand for charcoal. Industry players expect that pig iron exports will remain high until the year-end, at least, which will keep driving up charcoal and wood prices.

In the pulp market, the expectation for the year is very positive owing to the substantial increase in Eucalyptus pulp prices seen in Q1 2021 (+44% in the CIF price delivered in China). Regarding pulp mill projects, the market expects Suzano to announce a new mill in Mato Grosso do Sul, with additional capacity of 2.2 Mtpa.

The outlook for wood prices is positive, with new investments in the industry driving up prices.



**MARKET UPDATE - COLOMBIA**

The wood market in Colombia shows signals of recovery after a challenging 2020. The construction sector, one of the most affected in the economy, leads the economic and social reactivation in the country and has resumed its usual wood consumption. After new home sales reached a historical high in 2020, the first quarter of 2021 showed even stronger results, with an increase of 14% compared to Q1 2020.

It is already possible to verify scarcity of wood supply in the country, which has led to an increase in the wood imports, especially from Chile. As long as the country does not increase the number of commercial plantations, the trade balance will continue to be negative, driving wood prices up.

The Forest Company sees a unique opportunity to lead the growth of the Colombian forest market. We are currently negotiating with our customers to change the established method of sale in tons to cubic meters, as in developed markets.

We believe this will generate more value to our customers, who will have confidence and predictability about the volume of wood they are buying.



**COUNTRY MACRO HIGHLIGHTS**

Macro Indicators	Brazil	Colombia
Benchmark interest rate <sup>1,2</sup>	2.8%	1.8%
Central Bank target inflation	3.8% (+/-1.5%)	3.0% (+/-1.0%)
12-month inflation rate <sup>1</sup>	6.1%	1.5%
USD/local currency FX rate <sup>1</sup>	5.63	3,732

1- Figures from 31/03/2021 2- SELIC for Brazil and BanRep rate for Colombia

**BRAZIL**

- Brazil's GDP expanded faster than expected in Q1 2021 with a growth of 1.2%, returning to where it was before the COVID-19 outbreak
- Regarding monetary policy, the benchmark interest rate increased to 2.8% at the end of Q1. At the May meeting, the rate increased again to 3.5% (75-bp). A similar move is expected to June with the possibility of another hike before year-end
- Inflation is higher than expected due to increasing food prices and re-mode 1 tariff flags on electricity bills, which makes them more expensive for consumers. There isn't, however, a significant risk of demand-led inflation in the short term
- The BRL remains under pressure against the USD. However, rising commodity prices and higher SELIC rate make room for the appreciation of the BRL in the short term given the favourable trade and financial flows
- During Q1 2021, the BRL depreciated by about 8% against the USD

**COLOMBIA**

- The Colombian economy is expected to rebound significantly during 2021, driven by better oil prices, a progressive recovery in domestic demand and external stimulus given the strong support for growth from greater expansion in the US
- However, since the end of April the Colombian government is under pressure due to violent anti-government protests in opposition to the tax reform announced in 2021. The worsening of this situation represents a downside risk for the Colombian economic recovery
- Given the large fiscal deficit due to increased spending to tackle the pandemic, the Colombian government is in the process of discussing with Congress a fiscal plan that should outline an income and expenditure plan to stabilize the public debt. The fiscal plan is likely to go hand in hand with a structural social support plan
- During Q1 2021, the COP depreciated by about 8% against the USD. The Colombian currency is anticipated to remain under pressure due to the effects of the fiscal discussion on sovereign rating decisions