

(Convenience Translation into English from the
Original Previously Issued in Portuguese)

Cia de Ferro Ligas da Bahia S.A. **- FERBASA**

Report on Review of Interim
Financial Information for the
Six-month Period Ended June 30, 2021

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Board of Directors and Management of
Cia de Ferro Ligas da Bahia S.A. - FERBASA

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Cia de Ferro Ligas da Bahia S.A. - FERBASA ("Company"), included in the Interim Financial Information Form - ITR, for the quarter ended June 30, 2021, which comprises the balance sheet as at June 30, 2021 and the related statements of income and of comprehensive income for the three and six-month periods then ended, and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Reporting and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of Interim Financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

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Other matters

Statements of value added

The interim financial information referred to above includes the individual and consolidated statements of value added - DVA for the six-month period ended June 30, 2021, prepared under the responsibility of the Company's Management and presented as supplemental information for international standard IAS 34 purposes. These statements were subject to review procedures performed together with the review of Interim Financial Information - ITR to reach a conclusion on whether they were reconciled with the interim financial information and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth by technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set out in this technical pronouncement and consistently with the individual and consolidated interim financial information taken as a whole.

Convenience translation

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Salvador, August 11, 2021

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Auditores Independentes


Jônatas José Medeiros de Barcelos
Engagement Partner

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CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

BALANCE SHEETS

FOR THE PERIOD ENDED JUNE 30, 2021

(Amounts expressed in thousand of Brazilian reais - R\$)

ASSETS	Note	Parent		Consolidated		LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		06/30/2021	12/31/2020	06/30/2021	12/31/2020			06/30/2021	12/31/2020	06/30/2021	12/31/2020
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	5	85,904	67,756	164,625	90,497	Trade payables	16	75,900	70,944	78,279	73,890
Short-term investments	6	228,298	191,837	229,307	191,837	Borrowings and financing	17	63,878	104,609	89,324	132,729
Trade receivables	7	169,873	145,758	178,844	154,729	Derivative and non-derivative financial instruments	21	21,883	73,080	21,883	73,080
Inventories	8	336,981	285,987	336,981	285,987	Labor and actuarial liabilities	19	61,056	47,393	61,359	47,805
Recoverable taxes	9	83,608	27,793	86,218	30,073	Income taxes and social contributions	20	26,671	14,738	27,231	15,483
Prepaid expenses		9,090	452	9,090	452	CCEE reimbursement account	24	-	-	22,063	19,335
Advances to suppliers	10	6,680	11,856	6,680	11,856	Proposed dividends and interest on capital		-	32,826	-	32,884
Other assets		11,722	6,358	14,775	9,312	Lease payable	18	14,667	20,393	15,491	21,188
Total current assets		932,156	737,797	1,026,520	774,743	Other liabilities		8,875	7,801	8,920	7,845
						Total current liabilities		272,930	371,784	324,550	424,239
NON-CURRENT ASSETS						NON-CURRENT LIABILITIES					
Advances to suppliers	10	3,167	4,993	3,167	4,993	Borrowings and financing	17	126,268	141,211	370,871	395,930
Short-term investments	6	50,583	30,079	97,157	129,076	Derivative and non-derivative financial instruments	21	-	14,687	-	14,687
Inventories	8	4,542	4,542	4,542	4,542	Obligations with acquisition of subsidiary		4,978	4,978	4,978	4,978
Recoverable taxes	9	79,343	165,051	79,343	165,051	Labor and actuarial liabilities	19	101,144	94,928	101,144	94,928
Deferred taxes	11	-	16,192	-	14,637	Taxes and social contributions	20	-	-	87	87
Escrow deposits	12	44,571	43,056	44,667	43,152	Deferred taxes	11	17,721	-	19,202	-
Other receivables		701	701	708	708	CCEE reimbursement account	24	-	-	22,428	12,247
		182,907	264,614	229,584	362,159	Provision for contingencies	23	54,872	55,464	54,872	55,464
						Provision for environmental liabilities	22	15,932	15,354	23,426	22,848
Investments	13	554,248	567,873	124	124	Lease payable	18	5,001	9,811	15,482	19,954
Property, plant and equipment and intangibles	14	668,245	679,755	1,410,914	1,444,936	Total non-current liabilities		325,916	336,433	612,490	621,123
Right-of-use assets	14	20,400	30,531	32,672	42,003	EQUITY	26				
Biological assets	15	204,824	193,222	204,824	193,222	Capital		1,225,444	1,225,444	1,225,444	1,225,444
		1,447,717	1,471,381	1,648,534	1,680,285	Earnings reserves		602,490	602,490	602,490	602,490
Total non-current assets		1,630,624	1,735,995	1,878,118	2,042,444	Equity assessment adjustment		5,604	(36,605)	5,604	(36,605)
						Treasury shares		(25,754)	(25,754)	(25,754)	(25,754)
						Retained earnings		156,150	-	156,150	-
						Equity attributable to owners of the Company		1,963,934	1,765,575	1,963,934	1,765,575
						Non-controlling interests		-	-	3,664	6,250
						Total equity		1,963,934	1,765,575	1,967,598	1,771,825
TOTAL OF ASSETS		2,562,780	2,473,792	2,904,638	2,817,187	TOTAL OF LIABILITIES AND EQUITY		2,562,780	2,473,792	2,904,638	2,817,187

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE PERIOD ENDED JUNE 30, 2021

(Amounts expressed in thousands of Brazilian reais - R\$, except earnings per share)

	Note	Parent				Consolidated			
		01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020
NET SALES REVENUE	28	985,604	487,679	741,349	406,620	1,028,178	510,854	772,849	426,667
Cost of sales	29	(611,883)	(278,944)	(539,491)	(277,123)	(646,588)	(296,467)	(572,422)	(293,403)
GROSS PROFIT		<u>373,721</u>	<u>208,735</u>	<u>201,858</u>	<u>129,497</u>	<u>381,590</u>	<u>214,387</u>	<u>200,427</u>	<u>133,264</u>
OPERATING EXPENSES	29								
Selling expenses		(9,065)	(3,796)	(9,767)	(6,639)	(9,065)	(3,796)	(9,767)	(6,639)
General and administrative expenses		(64,711)	(34,779)	(45,962)	(24,033)	(68,941)	(37,196)	(49,374)	(25,991)
Other operating income (expenses)		(12,741)	(3,014)	(16,884)	(9,190)	(15,527)	(4,573)	(21,085)	(11,032)
		<u>(86,517)</u>	<u>(41,589)</u>	<u>(72,613)</u>	<u>(39,862)</u>	<u>(93,533)</u>	<u>(45,565)</u>	<u>(80,226)</u>	<u>(43,662)</u>
Equity	13	(11,007)	(5,535)	(20,253)	(5,846)	-	-	-	-
SHARE OF PROFIT OF INVESTEEES		<u>276,197</u>	<u>161,611</u>	<u>108,992</u>	<u>83,789</u>	<u>288,057</u>	<u>168,822</u>	<u>120,201</u>	<u>89,602</u>
FINANCE INCOME (COSTS)	30								
Finance income		16,761	7,326	31,680	18,925	18,441	8,457	33,261	19,665
Finance costs		(22,658)	(13,047)	(19,327)	(11,318)	(36,349)	(21,641)	(31,855)	(17,755)
Foreign exchange hedging instruments		(66,350)	(23,269)	(86,947)	(64,263)	(66,350)	(23,269)	(86,947)	(64,263)
		<u>(72,247)</u>	<u>(28,990)</u>	<u>(74,594)</u>	<u>(56,656)</u>	<u>(84,258)</u>	<u>(36,453)</u>	<u>(85,541)</u>	<u>(62,353)</u>
PRETAX INCOME		<u>203,950</u>	<u>132,621</u>	<u>34,398</u>	<u>27,133</u>	<u>203,799</u>	<u>132,369</u>	<u>34,660</u>	<u>27,249</u>
INCOME TAX AND SOCIAL CONTRIBUTION	11								
Exemption and reduction		37,141	22,677	6,103	6,103	37,141	22,677	6,103	6,103
Current		(55,537)	(35,753)	(13,601)	(13,601)	(55,546)	(35,707)	(13,731)	(13,656)
Deferred		(12,169)	(5,149)	(6,065)	1,837	(12,095)	(5,075)	(6,065)	1,837
		<u>(30,565)</u>	<u>(18,225)</u>	<u>(13,563)</u>	<u>(5,661)</u>	<u>(30,500)</u>	<u>(18,105)</u>	<u>(13,693)</u>	<u>(5,716)</u>
PROFIT FOR THE PERIOD		<u>173,385</u>	<u>114,396</u>	<u>20,835</u>	<u>21,472</u>	<u>173,299</u>	<u>114,264</u>	<u>20,967</u>	<u>21,533</u>
Profit attributable to owners of the Company						<u>173,385</u>	<u>114,396</u>	<u>20,835</u>	<u>21,472</u>
Profit attributable to non-controlling interests						<u>(86)</u>	<u>(132)</u>	<u>132</u>	<u>61</u>
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R\$	27					<u>1.91234</u>	<u>1.26172</u>	<u>0.22980</u>	<u>0.23683</u>
BASIC AND DILUTED EARNINGS PER PREFERRED SHARE - R\$	27					<u>2.10357</u>	<u>1.38790</u>	<u>0.25278</u>	<u>0.26051</u>

The accompanying notes are an integral part of this interim financial information.

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CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED JUNE 30, 2021

(Amounts expressed in thousands of Brazilian reais - R\$)

	Note	Parent				Consolidated			
		01/01/2021 a	04/01/2021 a	01/01/2020 a	04/01/2020 a	01/01/2021 a	04/01/2021 a	01/01/2020 a	04/01/2020 a
		06/30/2021	06/30/2021	06/30/2020	06/30/2020	06/30/2021	06/30/2021	06/30/2020	06/30/2020
PROFIT FOR THE PERIOD		173,385	114,396	20,835	21,472	173,299	114,264	20,967	21,533
Other comprehensive income:									
Derivative and non-derivative financial instruments	21	63,953	79,792	(207,552)	16,458	63,953	79,792	(207,552)	16,458
Effect of income tax and social contribution derivative and non-derivative financial instruments		(21,744)	(27,130)	70,568	(5,596)	(21,744)	(27,130)	70,568	(5,596)
Other comprehensive income for the period, net of taxes		42,209	52,662	(136,984)	10,862	42,209	52,662	(136,984)	10,862
TOTAL COMPREHENSIVE INCOME		215,594	167,058	(116,149)	32,334	215,508	166,926	(116,017)	32,395
Profit attributable to owners of the Company						215,594	167,058	(116,149)	32,334
Profit attributable to non-controlling interests						(86)	(132)	132	61

The accompanying notes are an integral part of this interim financial information.

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CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2021

(Amounts expressed in thousands of Brazilian reais - R\$)

	Note	Attributable to owners of the Company								Attributable to noncontrolling interests	Total consolidated equity	
		Capital	Earnings reserves			Profits to be realized	Equity assessment adjustment	Treasury shares	Retained earnings			Total equity
			Legal	Tax incentive	Investments							
BALANCE AS AT DECEMBER 31, 2019	26	1,225,444	116,436	152,428	290,405	49,595	23,553	(25,754)	-	1,832,107	6,066	1,838,173
Other comprehensive income		-	-	-	-	-	(136,984)	-	-	(136,984)	-	(136,984)
Loss for the period		-	-	-	-	-	-	-	20,835	20,835	132	20,967
BALANCE AS AT JUNE 30, 2020	26	<u>1,225,444</u>	<u>116,436</u>	<u>152,428</u>	<u>290,405</u>	<u>49,595</u>	<u>(113,431)</u>	<u>(25,754)</u>	<u>20,835</u>	<u>1,715,958</u>	<u>6,198</u>	<u>1,722,156</u>
BALANCE AS AT DECEMBER 31, 2020		1,225,444	119,925	159,361	273,609	49,595	(36,605)	(25,754)	-	1,765,575	6,250	1,771,825
Capitalization of reserves		-	-	-	-	-	-	-	-	-	-	-
Interest on capital		-	-	-	-	-	-	-	(17,484)	(17,484)	-	(17,484)
Additional dividends and interest on capital		-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
Forfeited dividends		-	-	-	-	-	-	-	249	249	-	249
Reversal of reserves		-	-	-	-	-	-	-	-	-	-	-
Comprehensive income		-	-	-	-	-	42,209	-	-	42,209	-	42,209
Profit for the period		-	-	-	-	-	-	-	173,385	173,385	(86)	173,299
Additional dividends and interest on capital		-	-	-	-	-	-	-	-	-	-	-
BALANCE AS AT JUNE 30, 2021	26	<u>1,225,444</u>	<u>119,925</u>	<u>159,361</u>	<u>273,609</u>	<u>49,595</u>	<u>5,604</u>	<u>(25,754)</u>	<u>156,150</u>	<u>1,963,934</u>	<u>3,664</u>	<u>1,967,598</u>

The accompanying notes are an integral part of this interim financial information.

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CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2021
(Amounts expressed in thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		06/30/2021	06/30/2020	06/30/2021	06/30/2020
CASH FLOW FROM OPERATING ACTIVITIES					
Profit for the period		173,385	20,835	173,299	20,967
Adjustments to reconcile profit to cash provided by operating activities					
Net cash provided by operating activities:					
Interest, inflation adjustments and exchange rate changes, net		6,812	(11,441)	18,890	(1,372)
Depreciation, amortization and depletion	14	37,148	38,044	57,950	58,643
Depletion of biological assets	15	7,262	16,939	7,262	16,939
Share of loss of investees	13	11,007	20,253	-	-
Deferred taxes	11	12,169	6,065	12,095	6,065
Provision for profit sharing		23,668	4,590	23,668	4,590
Adjustment to lease payable	18	1,208	816	1,277	854
Adjustment to postemployment benefit plans	19	6,216	5,869	6,216	5,869
Recognition (reversal) of provision for contingencies		(829)	2,886	(829)	2,886
Other		(4,310)	(1,382)	(1,680)	877
Decrease (increase) in assets:					
Trade receivables		(27,187)	(89,820)	(27,187)	(89,820)
Inventories		(48,428)	18,722	(48,428)	18,722
Recoverable taxes		31,713	(4,939)	31,455	(5,251)
Advances to suppliers		7,002	6,959	7,002	6,959
Escrow deposits		(91)	-	(91)	-
Other assets		(15,508)	2,976	(15,538)	2,603
Increase (decrease) in liabilities:					
Trade payables		4,655	(2,090)	4,088	(1,159)
Tax and social contribution		(1,021)	(205)	(1,207)	(221)
Income tax and contribution		18,396	9,500	18,559	9,632
Labor and actuarial liabilities		(10,005)	(12,983)	(10,115)	(12,781)
CCEE reimbursement account		-	-	8,919	21,489
Other liabilities		926	(1,509)	927	(2,050)
Income tax and social contribution paid		(5,442)	(199)	(5,675)	(468)
Interest paid		(5,218)	(1,611)	(14,938)	(12,857)
Net cash provided by operating activities		<u>223,528</u>	<u>28,275</u>	<u>245,919</u>	<u>51,116</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	14	(17,821)	(14,969)	(18,142)	(15,185)
Plantation and maintenance costs of biological assets	15	(18,864)	(7,450)	(18,864)	(7,450)
Proceeds from the sale of property, plant and equipment		67	199	67	199
Dividends received		2,690	-	(86)	-
Short-term investments and redemptions		(53,706)	(6,807)	(653)	(14,235)
Net cash used in investing activities		<u>(87,634)</u>	<u>(29,027)</u>	<u>(37,678)</u>	<u>(36,671)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Borrowings and financing	17	-	151,946	-	151,946
Amortization of borrowings and financing	17	(54,698)	(40,990)	(67,722)	(53,884)
Amortization of leases	18	(12,738)	(12,561)	(13,525)	(12,896)
Dividends and interest on capital paid		(50,310)	(5,223)	(52,866)	(5,223)
Net cash provided by (used in) financing activities		<u>(117,746)</u>	<u>93,172</u>	<u>(134,113)</u>	<u>79,943</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>18,148</u>	<u>92,420</u>	<u>74,128</u>	<u>94,388</u>
Cash and Equivalents at the beginning of the year	5	67,756	39,095	90,497	73,721
Cash and Equivalents at the end of the period	5	85,904	131,515	164,625	168,109
INCREASE IN CASH AND CASH EQUIVALENTS		<u>18,148</u>	<u>92,420</u>	<u>74,128</u>	<u>94,388</u>

The accompanying notes are an integral part of this interim financial information.

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CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED

FOR THE PERIOD ENDED JUNE 30, 2021

(Amounts expressed in thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		06/30/2021	06/30/2020	06/30/2021	06/30/2020
SALES REVENUE		1,119,948	818,258	1,164,548	851,748
Other income		7,492	11,716	7,492	12,391
		<u>1,127,440</u>	<u>829,974</u>	<u>1,172,040</u>	<u>864,139</u>
INPUTS PURCHASED FROM THIRD PARTIES					
Costs of sales and raw materials		(351,813)	(298,922)	(316,414)	(265,147)
Materials, energy, third-party services and others		(216,171)	(196,472)	(267,057)	(245,185)
		<u>559,456</u>	<u>334,580</u>	<u>588,569</u>	<u>353,807</u>
GROSS VALUE ADDED					
Depreciation, amortization and depletion	14 and 15	(44,410)	(54,983)	(65,212)	(75,582)
Realization of added value	13	-	-	(2,209)	(2,209)
		<u>515,046</u>	<u>279,597</u>	<u>521,148</u>	<u>276,016</u>
WEALTH CREATED BY THE COMPANY					
WEALTH RECEIVED IN TRANSFER					
Finance income	30	19,558	33,505	21,238	35,085
Share of profit (loss) of investees	13	(11,007)	(20,253)	-	-
		<u>523,597</u>	<u>292,849</u>	<u>542,386</u>	<u>311,101</u>
TOTAL WEALTH FOR DISTRIBUTION					
WEALTH DISTRIBUTED					
Employees:					
Salaries and wages		126,333	103,230	128,919	106,101
Benefits		20,004	19,668	20,024	19,696
Severance Pay Fund (FGTS)		8,173	7,368	8,262	7,420
		<u>154,510</u>	<u>130,266</u>	<u>157,205</u>	<u>133,217</u>
Taxes, fees and contributions:					
Federal		68,624	27,561	70,877	30,084
State		33,738	5,495	33,738	5,495
Municipal		744	859	901	862
		<u>103,106</u>	<u>33,915</u>	<u>105,516</u>	<u>36,441</u>
Lenders and lessors		<u>92,596</u>	<u>107,833</u>	<u>106,366</u>	<u>120,476</u>
Own capital					
Dividends and interest on capital		17,484	-	17,484	-
Retained earnings		155,901	20,835	155,901	20,835
Attributable to noncontrolling interests		-	-	(86)	132
		<u>173,385</u>	<u>20,835</u>	<u>173,299</u>	<u>20,967</u>
WEALTH DISTRIBUTED		<u>523,597</u>	<u>292,849</u>	<u>542,386</u>	<u>311,101</u>

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

CIA DE FERRO LIGAS DA BAHIA S.A. - FERBASA AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED JUNE 30, 2021

(In thousands of Brazilian reais - R\$, except as otherwise indicated)

1. GENERAL INFORMATION

Cia de Ferro Ligas da Bahia S.A. - FERBASA (“Ferbasa” or “Company”) is a publicly-held corporation, headquartered in Pojuca, State of Bahia (BA), registered with the Brazilian Securities and Exchange Commission (CVM) and listed on the São Paulo Stock Exchange (B3). The Company started to operate on February 23, 1961 and is engaged in a sustainable way in the exploration of chrome ore, lime and quartz deposits, in the manufacturing and sale of ferroalloys, in the renewable forest resources projects and in the wind power generation, all in the Bahia State. Its parent company is Fundação José Carvalho, a non-profit entity with an indefinite term, whose primary objective is to provide quality education to children and underprivileged youth.

This individual and consolidated interim financial information was approved by the Company’s Board of Directors on August 11.

2. COVID-19 (CORONAVIRUS)

The Social Responsibility actions unfolded into promoting a much more intense, closer physical and emotional care for the health our employees, extended to the communities surrounding our operations, from designing our own medical and hygiene protocols to the careful work of our health professionals, who monitored health conditions during appointments, by overseeing hospital admissions, or conducting rapid tests within Company facilities, in addition to continuously monitoring the progress of the disease through weekly bulletins, disseminated throughout the Organization. All these actions have helped the Company not to record any operating changes resulting from COVID-19 during the first half of 2021. The corporate office, located in Salvador, remains closed as a precaution since March 2020, with the entire workforce working in home office regime. All measures to fight the pandemic continue to be adopted at the operating units, where onsite activities are maintained, following the health and sanitation protocols adopted by the Company. At the end of the first semester of 2021, the transmission rate continued at regular levels at the Company and, by the end of July, we reached 42% of employees vaccinated with at least the first dose against the novel Coronavirus. Despite our belief that the most critical phase of the crisis has been overcome, Ferbasa maintains a Prolonged Stay Plan in place, developed in 2020, which will be put into operation if the security limit established is threatened by the spread of the disease.

The Company's Management has analyzed the impacts from the COVID-19 pandemic and has not identified any changes in circumstances that indicate impairment of its assets, operational discontinuity, or that require adjustments to its interim financial information for the quarter ended June 30, 2021.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

3.1. Statement of Compliance

This interim financial information should be read together with the Company's audited financial statements for the year ended December 31, 2020, which have been prepared and is presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), and pursuant to the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, disclosing all the relevant information material to the Financial Statements, and only this information, which is consistent with that used by Management.

- (i) Adoption of new and/or revised accounting pronouncements, guidelines and interpretations

As disclosed in note 8.1 to the financial statements for the year ended December 31, 2020, the Company analyzed the new pronouncements and noted that there was no impact on its individual and consolidated financial statements, due to their adoption.

- (ii) Interim financial information

The Company's individual and consolidated interim financial information has been prepared and is presented in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, which are intended to establish the minimum content of an interim financial statement.

The preparation of interim financial information requires the use of certain critical accounting estimates and the exercise of judgment by the Company's Management in the process of application of the Company's accounting policies. There were no significant changes in the assumptions and judgments adopted by the Company's Management regarding the use of estimates for the preparation of this interim financial information, as compared to that used in the financial statements for the year ended December 31, 2020.

The main accounting policies applied in the preparation of this interim financial information are consistent with those disclosed in note 7 to the Company's annual financial statements as at December 31, 2020, published at CVM on March 2nd, 2021, and should therefore be read in conjunction with these interim financial statements.

4. FINANCIAL INSTRUMENTS

4.1. Classification of financial instruments and fair value

The table below shows the main asset and liability financial instruments:

Accounting Measurement	Parent		Consolidated		
	06/30/2021	12/31/2020	06/30/2021	12/31/2020	
<u>Asset</u>					
Cash and cash equivalents	Amortized cost	85,904	67,756	164,625	90,497
Short-term investments (i)		228,298	191,837	229,307	191,837
Noncurrent financial investments (i)	Amortized cost	50,583	30,079	97,157	129,076
Trade receivables	Amortized cost	169,873	145,758	178,844	154,729
Escrow deposits	Amortized cost	44,571	43,056	44,667	43,152
<u>Liabilities</u>					
Trade payables	Amortized cost	75,900	70,944	78,279	73,890
Current borrowings and financing	Amortized cost	63,878	79,474	89,324	107,594
Current Advance on Foreign Exchange Contract	Fair value through other comprehensive income	-	25,135	-	25,135
Current borrowings and financing total		63,878	104,609	89,324	132,729
Noncurrent borrowings and financing	Amortized cost	126,268	141,211	370,871	395,930
Noncurrent Obligations with acquisition of subsidiary	Amortized cost	4,978	4,978	4,978	4,978
Lease payable - Current	Amortized cost	14,667	20,393	15,491	21,188
Lease payable - Noncurrent	Amortized cost	5,001	9,811	15,482	19,954
Export exchange forwards	Fair value through other comprehensive income	18,546	7,766	18,546	7,766
Sale NDFs	Fair value through profit or loss	3,890	65,314	3,890	65,314
Buy NDFs	Fair value through profit or loss	(553)	-	(553)	-
Current derivative and non-derivative financial instruments (i)		21,883	73,080	21,883	73,080
Export exchange forwards	Fair value through other comprehensive income	-	14,687	-	14,687
Noncurrent derivative and non-derivative financial instruments (i)		-	14,687	-	14,687

(i) Level 2 - used for financial instruments not traded in active markets (e.g., over-the-counter derivatives) using valuation techniques that, in addition to the quoted prices included in Level 1, use market inputs for the asset or liability either directly (as prices) or indirectly (derived from prices).

4.2. Currency Risk

Currency risk is the risk that exchange rate fluctuations affect the value of the Company's financial assets and financial liabilities or future cash flows and revenues.

For sensitivity analysis purposes, the Company adopted as scenario I (probable) the expected average exchange rate for 2021, according to the Focus Report issued on July 16, 2021.

	06/30/2021		Scenario I	
	US\$	R\$	Rate US\$	Gain/ (loss) R\$
<u>Parent and consolidated</u>				
Accounts receivable, net	6,203	31,024	5.04	238

The Company measures derivatives at their fair value, mainly based on data made available by B3. Fair values of non-derivative financial instruments, with public quotation, are based on their current purchase price. If there is no active market for a financial asset or securities that are not listed on stock exchange, their fair value is measured by the Company using valuation techniques. These techniques include use of recent transactions contracted with third parties, relating to other substantially similar instruments.

In the case of derivative and non-derivative financial instruments (NDFs and export exchange forwards), the impact of a depreciation of the Brazilian real on these instruments needs to be considered as a whole and, consequently, the changes in the exchange rate will entail fluctuations both in NDFs and in dollar-indexed revenue. Thus, this analysis should always be conducted on an integrated basis.

During the first half of 2021 the US dollar continued to show high volatility due to a highly uncertain international environment as the pandemic unfolds and also the political and economic scenario in Brazil. In light of this scenario and the appreciation of the Brazilian real in June, the Company elected to enter into buy NDF contracts in the same volumes and for the same maturities of the sales NDFs already contracted, aiming at canceling out these transactions' exposure to billable revenue.

For sensitivity analysis purposes, the Company adopted as scenario I (probable) the expected average exchange rate for 2021, according to the Focus Report issued on July 16, 2021.

	06/30/2021 – Contracted			Scenario I	
	US\$	R\$	Average contractual rate	Rate US\$	Gain/(loss) R\$
<u>Parent and consolidated</u>					
Derivative and non-derivative financial instruments:					
Sale NDFs (*)	42,000	207,160	4.93	5.04	(4,520)
Buy NDFs	(42,000)	(211,426)	5.03	5.04	254
Export exchange forwards (*)	24,934	108,903	4.37	5.04	(16,763)

(*) In the sensitivity analysis above, the US dollar fluctuation impacting the contracted portion as foreign exchange hedge simultaneously exercises an opposite impact on the Company's revenue from ferroalloys and chrome ore.

4.3. Interest rate risk

For the balance applied as at June 30, 2021, the Company and its subsidiaries consider as scenario I (probable) the benchmark interest rate for 2021 of 6.75% per year, as disclosed in the Focus Report of July 16, 2021.

Interest rate risks	Closing rate 06/30/2021 - p.a.	Scenario I Probable
Average benchmark interest rate (% p.a.)	3.5	6.75
<u>Parent</u>		
Balance of short-term investments (notes 5 and 6)	357,418	367,493
Net Effect		10,074
<u>Consolidated</u>		
Balance of short-term investments (notes 5 and 6)	479,736	494,293
Net Effect		14,557

For the balance of borrowings and financing as at June 30, 2021, the Company and its subsidiaries consider as scenario I (probable) the Long-term Interest Rate ("TJLP") of 4.88% p.a. and the CDI rate of 6.65% for 2021.

Interest rate risks	Closing rate 06/30/2021 - p.a.	Scenario I Probable
Interest rate - TJLP - (% p.a.)	4.61	4.88
<u>Parent</u>		
Borrowing balance (note 17)	25,148	25,754
Net Effect		(606)
<u>Interest rate - TJLP - (% p.a.)</u>		
<u>Consolidated:</u>		
Borrowing balance (note 17)	299,923	307,149
Net Effect		(7,231)
Interest rate - DI - (% p.a.)	4.15	6.65
<u>Parent and Consolidated</u>		
Borrowing balance (note 17)	161,595	166,883
Net Effect		(5,287)

5. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Cash and banks	7,367	18,992	11,353	23,263
Short-term investments in CDB (i)	78,537	36,348	130,240	37,524
Investment funds (ii)	-	12,416	23,032	29,710
	85,904	67,756	164,625	90,497

In June 2021, as agreed with BNDES, the Operating Threshold was discontinued and part of the funds (R\$40,440) held in the Special Reserve accounts of the Wind Power Plants were disbursed, making this amount available for use by the wind power project as needed and eliminating the imposition of future tariffs and the obligation to grant a permit from BNDES to use this tranche. This balance, previously accounted for as investment fund in line item 'Short-term investments' in non-current assets (consolidated at December 31, 2020), was recognized as cash and cash equivalents in consolidated as at June 30 2021.

- (i) Transactions with Bank Certificates of Deposit (CDB), which yield 101.5% to 103.0% of the Interbank Deposit Certificate (CDI) rate (from 101.0% to 104.7% as at December 31, 2020).
- (ii) Securities transactions through investment funds, which have a daily liquidity. The average mark-to-market interest rate range from 95% to 100% of the CDI rate (from 95.0% to 120.2% as at December 31, 2020).

6. SHORT-TERM INVESTMENTS

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Current				
Investment funds (i)	221,274	191,837	221,274	191,837
CDB (iii)	7,024	-	8,033	-
	<u>228,298</u>	<u>191,837</u>	<u>229,307</u>	<u>191,837</u>
Non-current:				
Investment funds (i)	-	-	28,152	63,491
Financial bills (ii)	50,583	20,002	69,005	32,178
CDB (iii)	-	10,077	-	33,407
	<u>50,583</u>	<u>30,079</u>	<u>97,157</u>	<u>129,076</u>
	<u>278,881</u>	<u>221,916</u>	<u>326,464</u>	<u>320,913</u>

- (i) Securities transactions whose maturities exceed 90 days and have average yield ranging from 93.2% to 194.8% of CDI (from 121.4% to 185.3% as at December 31, 2020). Even though the Company and its subsidiaries select liquid securities in the secondary market, the uncertainty surrounding market conditions and prices in a liquidity event suggests that these investments should not be considered cash equivalents.
- (ii) Financial bills yielding interest from 115% to 117.5% of CDI (between 101.5% and 116.0% as at December 31, 2020).
- (iii) Transactions in Certificates of Bank Deposit ("CDB"), at yield rates ranging from 107.0% to 112% of the interbank deposit rate ("CDI") (99.0% to 114.0% at December 31, 2020).

7. TRADE RECEIVABLES

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Domestic market	139,083	113,258	148,054	122,229
Foreign market	34,976	36,686	34,976	36,686
Allowance for doubtful debts	(4,186)	(4,186)	(4,186)	(4,186)
	<u>169,873</u>	<u>145,758</u>	<u>178,844</u>	<u>154,729</u>

Foreign trade receivables are denominated in U.S. dollars and are translated into Brazilian reais at the end of the reporting period. As at June 30, 2021 and December 31, 2020, the Company did not have any transaction that would generate a material adjustment to present value.

As at June 30, 2021 the Company recognized an allowance for doubtful debts in the amount of R\$4,186 (R\$4,186 as at December 31, 2020), the allowance is recognized based on an analysis of the risks underlying the collection of receivables, in an amount considered sufficient by Management to cover probable losses.

8. INVENTORIES (PARENT AND CONSOLIDATED)

Inventories are stated at the average cost of the purchase or production balance, lower than the replacement cost or the realizable.

	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Current</u>		
Finished goods	149,477	125,173
Raw materials	99,505	71,142
Chrome ore	29,288	42,664
Maintenance supplies (i)	58,711	47,008
	<u>336,981</u>	<u>285,987</u>
<u>Non-current</u>		
Maintenance supplies (i)	12,940	12,940
Allowance for obsolescence (ii)	(8,398)	(8,398)
	<u>4,542</u>	<u>4,542</u>
	<u>341,523</u>	<u>290,529</u>

- (i) Inventories of maintenance supplies are classified as current or noncurrent assets, based on the history of consumption.
- (ii) The Company recognizes an allowance for obsolescence relating to slow-moving items when it does not expect to use such inventories in the coming periods.

9. RECOVERABLE TAXES

	<u>Parent</u>		<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Current</u>				
Recoverable taxes (COFINS and PIS) (i)	68,559	13,002	68,559	13,002
Income tax and social contribution	12,168	11,646	14,753	13,910
Recoverable ICMS	2,392	2,712	2,392	2,712
Others	489	433	514	449
	<u>83,608</u>	<u>27,793</u>	<u>86,218</u>	<u>30,073</u>
<u>Non-current</u>				
Recoverable taxes (COFINS and PIS) (i)	75,725	160,724	75,725	160,724
Recoverable ICMS	3,535	4,252	3,535	4,252
Others	83	75	83	75
	<u>79,343</u>	<u>165,051</u>	<u>79,343</u>	<u>165,051</u>
	<u>162,951</u>	<u>192,844</u>	<u>165,561</u>	<u>195,124</u>

- (i) On 2019, the Company was informed about the final and unappealable court decision rendered, which was in progress at the Federal Regional Court of the 1st Region. Said court decision: (a) determined the deduction of the ICMS amount from the PIS and COFINS tax base - cumulative (Supplementary Laws 7/70 and 70/91 and subsequent amendments) and non-cumulative regimes (Laws 10.627/2002 and 10.833/03 and subsequent amendments); and (b) acknowledged the Company's right to offset the amounts unduly paid as PIS/COFINS on the ICMS-related portion since May 1997, adjusted for inflation.

For purposes of utilization of the credit, the Company has hired a specializing consulting company to calculate the amounts for the relevant period (from 1997 to 2018). The amounts total R\$197,104 and were recorded in this quarter, as follows: (i) R\$116,111 recorded in line item other expenses and operating income, corresponding to the historical credit amount; (ii) R\$80,993 recorded in finance income (costs), arising from its inflation adjustment. The Company recorded the inflation adjustment of the credit, calculated from the date of application for the credit through June 30, 2021, in the amount of R\$9,960, being R\$1,678 in the first half of 2021 (R\$8,282 as at December 31, 2020).

10. ADVANCE TO ENERGY SUPPLIERS (PARENT AND CONSOLIDATED)

	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Current</u>		
Advances to power suppliers - Endesa (i)	2,000	2,000
Advances to power suppliers - CHESF (ii)	<u>4,680</u>	<u>9,856</u>
	<u>6,680</u>	<u>11,856</u>
<u>Non-current</u>		
Advances to power suppliers- Endesa (i)	3,167	4,167
Advances to power suppliers - CHESF (ii)	<u>-</u>	<u>826</u>
	<u>3,167</u>	<u>4,993</u>
	<u><u>9,847</u></u>	<u><u>16,849</u></u>

(i) In the six-month period ended June 30, 2021, the amount recognized at cost was R\$1,000 (R\$1,000 as at June 30, 2020).

(ii) In the six-month period ended June 30, 2021, the appropriate cost was R\$6,002 (R\$5,959 as at June 30, 2020).

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution are calculated on the temporary differences between the tax bases and the carrying amounts of assets and liabilities disclosed in the financial statements. The tax rates of these taxes used to determine deferred taxes are 25% for the corporate income tax (IRPJ) and 9% for the social contribution (CSLL).

	<u>Parent</u>		<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Deferred tax assets</u>				
Provision for contingencies	(54,872)	(55,464)	(54,872)	(55,464)
Provision for obsolescence in inventories (i)	(8,398)	(8,398)	(8,398)	(8,398)
Provision for profit sharing (ii)	(23,668)	(15,657)	(23,668)	(15,657)
Provision for environmental liabilities	(15,657)	(15,079)	(15,657)	(15,079)
Labor and actuarial liabilities	(101,144)	(94,928)	(101,144)	(94,928)
Instruments financial, derivatives and non-derivatives	(21,883)	(87,767)	(21,883)	(87,767)
Realization of added value	(14,359)	(12,150)	(14,359)	(12,150)
Allowance for doubtful debts	(4,186)	(4,186)	(4,186)	(4,186)
Suspended-payment taxes (PIS/COFINS)	(4,229)	(4,151)	(4,229)	(4,151)
Tax loss	-	(39,406)	(216)	(39,406)
Other temporary provisions	<u>(5,247)</u>	<u>(15,963)</u>	<u>(5,247)</u>	<u>(15,963)</u>
Tax base	<u><u>(253,643)</u></u>	<u><u>(353,149)</u></u>	<u><u>(253,859)</u></u>	<u><u>(353,149)</u></u>

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Deferred income tax at the 25% tax rate	61,918	86,378	61,973	86,378
Deferred social contribution at the 9% tax rate	22,828	31,783	22,847	31,783
Deferred income tax and social contribution assets IRPJ/CSLL (A)	<u>84,746</u>	<u>118,161</u>	<u>84,820</u>	<u>118,161</u>

- (i) Allowance for obsolescence related to slow-moving maintenance items and allowance for inventory losses.
- (ii) The amount of Management profit sharing is R\$5,970 (R\$7,639 as at December 31, 2020), which is solely used as a basis for the calculation of deferred CSLL.

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
<u>Deferred tax liabilities</u>				
Property, plant and equipment - deemed cost	58,810	58,811	63,385	63,385
Biological assets	68,945	68,945	68,945	68,945
Bargain purchase	75,143	75,143	75,143	75,143
Finance income (ICMS deduction from the PIS/COFINS tax basis)	90,553	88,875	90,553	88,875
Accelerated depreciation	7,922	8,133	7,922	8,134
Tax base	<u>301,373</u>	<u>299,907</u>	<u>305,948</u>	<u>304,482</u>
Deferred income tax at the 25% tax rate	(75,343)	(74,977)	(76,487)	(76,121)
Deferred social contribution at the 9% tax rate	(27,124)	(26,992)	(27,535)	(27,403)
Deferred income tax and social contribution liabilities ^(B)	<u>(102,467)</u>	<u>(101,969)</u>	<u>(104,022)</u>	<u>(103,524)</u>
Deferred income tax and social contribution, net ^(A+B)	<u>(17,721)</u>	<u>16,192</u>	<u>(19,202)</u>	<u>14,637</u>

- (*) The balance of deferred tax liabilities in the Consolidated relating to Ferbasa is R\$17,721 (R\$16,192 as at December 31, 2020) and the balance of the subsidiaries recorded in deferred tax assets is R\$74 and in deferred tax liabilities is R\$1,555 (R\$1,555 as at December 31, 2020).

Management, based on the individual analysis of the provisions, estimates that the tax credits arising from temporary differences will be realized as follows:

Calendar year	Parent		Consolidated	
	Deferred income tax and social contribution		Deferred income tax and social contribution	
	Assets	Liabilities	Assets	Liabilities
2021	9,382	6,523	9,382	6,523
2022	10,858	624	10,932	624
2023	170	564	170	564
2024	153	504	153	504
2025	137	444	137	444
2026 and thereafter	64,046	93,808	64,047	95,363
	<u>84,746</u>	<u>102,467</u>	<u>84,820</u>	<u>104,022</u>

The income tax and social contribution that affected profit or loss for the periods are as follows:

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Pretax profit	203,950	71,380	203,799	71,865
Combined income tax and social contribution tax rate	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(69,343)	(24,269)	(69,292)	(24,434)
Interest on capital	5,945	26,015	5,945	26,015
Share of loss of subsidiaries	(3,742)	(5,620)	-	-
Endowments	(78)	(1,305)	(78)	(1,305)
Other	(488)	(2,692)	(4,216)	(8,390)
SUDENE tax incentive (i)	37,141	6,263	37,141	6,263
	<u>(30,565)</u>	<u>(1,608)</u>	<u>(30,500)</u>	<u>(1,851)</u>
Income tax and social contribution SUDENE tax incentive (i)	37,141	6,263	37,141	6,263
Current	(55,537)	(11,083)	(55,546)	(11,326)
Deferred	(12,169)	3,212	(12,095)	3,212
Income tax and social contribution expenses	<u>(30,565)</u>	<u>(1,608)</u>	<u>(30,500)</u>	<u>(1,851)</u>

(i) The portion corresponding to the income tax reduction incentive is recognized in profit or loss and is transferred from retained earnings to earnings reserve (tax incentive) at the end of each fiscal year and cannot be distributed to shareholders.

12. ESCROW DEPOSITS

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Labor	699	887	708	896
Tax	43,872	42,169	43,959	42,256
	<u>44,571</u>	<u>43,056</u>	<u>44,667</u>	<u>43,152</u>

Refer to deposits related to tax and labor lawsuits and challenges regarding the legality and constitutionality of certain taxes, which are recorded in noncurrent assets, until a final decision on the redemption of these deposits by one of the parties is handed down.

The Company was informed about the final and unappealable decision that determined the ICMS deduction from the PIS and COFINS tax basis, which inflation adjustment to the historical amount totals R\$80,993. With respect to this finance income, the Company filed a lawsuit relating to the taxed levied thereon, in the amount of R\$31,304 (of which R\$27,538 as IRPJ and CSLL and R\$3,766 as PIS and COFINS) and made the respective payments through escrow deposits.

13. INVESTMENTS

Information on investments was presented in the Company's financial statements as of December 31, 2020, in note 18. Changes in investments are as follows:

	Ownership interest %	Assets	Liabilities	Equity	Income	Expenses	Profit (loss)	Share of the subsidiaries' equity	Company's interest (share of profit (loss) of subsidiaries)
June 30, 2020									
Silbasa	51.26	12,919	198	12,721	580	(307)	273	6,521	140
Jacurici	100.00	27,098	1,438	25,660	575	(784)	(209)	25,660	(209)
Reflora	99.98	3,406	1	3,405	78	(52)	26	3,405	26
Damacal	100.00	2,583	259	2,324	43	(25)	18	2,324	18
BW Guirapá	51.26	822,549	356,832	465,717	39,955	(50,902)	(10,947)	540,223(*)	(20,228)(*)
								<u>564,133</u>	<u>(20,253)</u>
June 30, 2021									
Silbasa	51.26	7,576	51	7,525	516	(690)	(174)	3,858	(89)
Jacurici	100.00	25,717	1,449	24,268	460	(1,061)	(601)	24,268	(601)
Reflora	99.98	3,467	23	3,444	66	(52)	14	3,444	14
Damacal	100.00	2,621	261	2,360	36	(24)	12	2,360	12
Ferbasa & CO	100.00	11	-	11	-	-	-	11	-
BW Guirapá	100.00	791,032	336,483	454,549	43,826	(51,960)	(8,134)	520,229	(10,343)(*)
								<u>554,170</u>	<u>(11,007)</u>

(*) Adjusted by assets measured at fair value upon acquisition of BW Guirapá and their realization for the net amount of R\$65,680 and R\$2,209 (R\$70,097 and R\$2,209 as at June 30, 2020).

The financial information on the subsidiaries is summarized as follow:

	Silbasa	Jacurici	Reflora	Damacal	BW Guirapá	Ferbasa & CO	Others	Total
Balances as of December 31, 2019	6,381	25,869	3,379	2,306	546,451	-	78	584,464
Share of profit(loss) of subsidiaries:								
Period result	140	(209)	26	18	(18,019)	-	-	(18,044)
Realization of assets measured at their fair value	-	-	-	-	(2,209)	-	-	(2,209)
Balances as of June 30, 2020	<u>6,521</u>	<u>25,660</u>	<u>3,405</u>	<u>2,324</u>	<u>526,223</u>	<u>-</u>	<u>78</u>	<u>564,211</u>
Balances as of December 31, 2020	6,576	24,869	3,430	2,348	530,572	-	78	567,873
Share of profit(loss) of subsidiaries:								
Period result	-	-	-	-	-	11	-	11
Realization of assets measured at their fair value	(2,629)	-	-	-	-	-	-	(2,629)
Balances as of December 31, 2020	(89)	(601)	14	12	(8,134)	-	-	(8,798)
Share of profit(loss) of subsidiaries	-	-	-	-	(2,209)	-	-	(2,209)
Balances as of June 30, 2021	<u>3,858</u>	<u>24,268</u>	<u>3,444</u>	<u>2,360</u>	<u>520,229</u>	<u>11</u>	<u>78</u>	<u>554,248</u>

14. PROPERTY PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Farming land	115,419	115,419	115,571	115,571
Land	26,357	26,357	32,127	32,127
Buildings	151,465	154,905	293,400	298,120
Machinery and equipment	269,881	272,463	852,507	876,071
Vehicles and tractors	1,997	2,420	1,997	2,420
Furniture and fixtures	3,219	3,343	3,331	3,460
IT	3,834	4,135	3,888	4,189
Mine development	66,075	65,812	66,075	65,812
In progress and other	29,998	34,901	42,018	47,166
Total property, plant, equipment and intangible assets (14.1)	668,245	679,755	1,410,914	1,444,936
Right-of-use assets - lease (14.2)	20,400	30,531	32,672	42,003
	<u>688,645</u>	<u>710,286</u>	<u>1,443,586</u>	<u>1,486,939</u>

The table below shows the economic useful lives of the assets, for which the annual depreciation rates were determined on a straight-line basis (Consolidated):

	<u>Average useful life (years)</u>
<u>Property Plant and Equipment</u>	
Machinery and equipment	21
Vehicles and tractors	5
Buildings	25
Furniture and fixtures	10
IT	5
Others	5
<u>Right-of-use assets - lease</u>	
Right-of-use assets - machinery and equipment	4
Right-of-use assets - land	29
Right-of-use assets - buildings	5

14.1. Property, plant and equipment and intangible assets

	Parent									
	Farming land	Land	Buildings	Machinery and equipment	Vehicles and tractors	Furniture and fixtures	IT	Mines	Construction in progress, intangible assets, and other	Total
<u>Cost</u>										
Balances as of December 31, 2019	115,419	26,357	214,322	631,873	74,699	12,520	10,960	109,004	82,517	1,277,671
Additions and transfers	-	-	8,797	32,203	183	455	3,594	3,363	(33,626)	14,969
Write-offs/reclassifications	-	-	-	(327)	-	(5)	-	-	-	(332)
Balances as of June 30, 2020	<u>115,419</u>	<u>26,357</u>	<u>223,119</u>	<u>663,749</u>	<u>74,882</u>	<u>12,970</u>	<u>14,554</u>	<u>112,367</u>	<u>48,891</u>	<u>1,292,308</u>
Balances as of December 31, 2020	115,419	26,357	224,919	663,617	74,519	13,059	14,554	114,400	62,181	1,309,025
Additions and transfers	-	-	877	16,725	341	236	389	2,952	(3,699)	17,821
Write-offs/reclassifications	-	-	-	(1,070)	(358)	-	-	-	-	(1,428)
Balances as of June 30, 2021	<u>115,419</u>	<u>26,357</u>	<u>225,796</u>	<u>679,272</u>	<u>74,502</u>	<u>13,295</u>	<u>14,943</u>	<u>117,352</u>	<u>58,482</u>	<u>1,325,418</u>
<u>Accumulated depreciation and depletion</u>										
Balances as of December 31, 2019	-	-	(61,566)	(354,347)	(70,243)	(8,707)	(9,035)	(43,418)	(24,828)	(572,144)
Depreciation and depletion expenses	-	-	(4,181)	(19,387)	(1,186)	(639)	(642)	(2,387)	(1,200)	(29,622)
Write-offs/reclassifications	-	-	-	321	-	1	-	-	-	322
Balances as of June 30, 2020	<u>-</u>	<u>-</u>	<u>(65,747)</u>	<u>(373,413)</u>	<u>(71,429)</u>	<u>(9,345)</u>	<u>(9,677)</u>	<u>(45,805)</u>	<u>(26,028)</u>	<u>(601,444)</u>
Balances as of December 31, 2020	-	-	(70,014)	(391,154)	(72,099)	(9,716)	(10,419)	(48,588)	(27,280)	(629,270)
Depreciation and depletion expenses	-	-	(4,317)	(18,680)	(649)	(360)	(690)	(2,689)	(1,204)	(28,589)
Write-offs/reclassifications	-	-	-	443	243	-	-	-	-	686
Balances as of June 30, 2021	<u>-</u>	<u>-</u>	<u>(74,331)</u>	<u>(409,391)</u>	<u>(72,505)</u>	<u>(10,076)</u>	<u>(11,109)</u>	<u>(51,277)</u>	<u>(28,484)</u>	<u>(657,173)</u>
<u>Net balance at</u>										
06/30/2020	<u>115,419</u>	<u>26,357</u>	<u>157,372</u>	<u>290,336</u>	<u>3,453</u>	<u>3,625</u>	<u>4,877</u>	<u>66,562</u>	<u>22,863</u>	<u>690,864</u>
06/30/2021	<u>115,419</u>	<u>26,357</u>	<u>151,465</u>	<u>269,881</u>	<u>1,997</u>	<u>3,219</u>	<u>3,834</u>	<u>66,075</u>	<u>29,998</u>	<u>668,245</u>

	Consolidated									
	Farming land	Land	Buildings	Machinery and equipment	Vehicles and tractors	Furniture and fixtures	IT	Mines	Construction in progress, intangible assets, and other	Total
<u>Cost</u>										
Balances as of December 31, 2019	115,571	32,127	372,435	1,351,029	83,486	12,681	11,244	109,004	96,507	2,184,084
Additions and transfers	-	-	8,797	32,253	183	487	3,614	3,363	(33,512)	15,185
Write-offs/reclassifications	-	-	-	(377)	-	(5)	-	-	-	(382)
Balances as of June 30, 2020	<u>115,571</u>	<u>32,127</u>	<u>381,232</u>	<u>1,382,905</u>	<u>83,669</u>	<u>13,163</u>	<u>14,858</u>	<u>112,367</u>	<u>62,995</u>	<u>2,198,887</u>
Balances as of December 31, 2020	115,571	32,127	383,032	1,386,438	83,306	13,252	14,858	114,400	76,461	2,219,445
Additions and transfers	-	-	877	16,820	341	236	400	2,952	(3,484)	18,142
Write-offs/reclassifications	-	-	-	(1,083)	(358)	-	-	-	(97)	(1,538)
Balances as of June 30, 2021	<u>115,571</u>	<u>32,127</u>	<u>383,909</u>	<u>1,402,175</u>	<u>83,289</u>	<u>13,488</u>	<u>15,258</u>	<u>117,352</u>	<u>72,880</u>	<u>2,236,049</u>
<u>Accumulated depreciation and depletion</u>										
Balances as of December 31, 2019			(73,891)	(431,790)	(79,030)	(8,771)	(9,265)	(43,418)	(26,120)	(672,285)
Depreciation and depletion expenses			(5,680)	(37,886)	(1,186)	(647)	(651)	(2,387)	(1,563)	(50,000)
Write-offs/reclassifications			-	320	-	1	-	-	-	321
Realization of surplus			207	(2,416)	-	-	-	-	-	(2,209)
Balances as of June 30, 2020			<u>(79,364)</u>	<u>(471,772)</u>	<u>(80,216)</u>	<u>(9,417)</u>	<u>(9,916)</u>	<u>(45,805)</u>	<u>(27,683)</u>	<u>(724,173)</u>
Balances as of December 31, 2020			(84,912)	(510,367)	(80,886)	(9,792)	(10,669)	(48,588)	(29,295)	(774,509)
Depreciation and depletion expenses			(5,804)	(37,330)	(649)	(365)	(702)	(2,689)	(1,567)	(49,106)
Write-offs/reclassifications			-	446	243	-	-	-	-	689
Realization of surplus			207	(2,417)	-	-	1	-	-	(2,209)
Balances as of June 30, 2021			<u>(90,509)</u>	<u>(549,668)</u>	<u>(81,292)</u>	<u>(10,157)</u>	<u>(11,370)</u>	<u>(51,277)</u>	<u>(30,862)</u>	<u>(825,135)</u>
06/30/2020	<u>115,571</u>	<u>32,127</u>	<u>301,868</u>	<u>911,133</u>	<u>3,453</u>	<u>3,746</u>	<u>4,942</u>	<u>66,562</u>	<u>35,312</u>	<u>1,474,714</u>
06/30/2021	<u>115,571</u>	<u>32,127</u>	<u>293,400</u>	<u>852,507</u>	<u>1,997</u>	<u>3,331</u>	<u>3,888</u>	<u>66,075</u>	<u>42,018</u>	<u>1,410,914</u>

14.2. Right-of-use assets

The variations in right-of-use assets during the semester ended June 30, 2021 were as follows:

	Parent	Consolidated			
	Machinery and equipment	Machinery and equipment	Land	Buildings	Total
<u>Cost</u>					
Cost as at 12/31/2019	55,387	55,387	10,166	154	65,707
Additions	4,948	4,948	-	-	4,948
Remeasurement	384	384	(524)	6	(134)
Cost as at 06/30/2020	<u>60,719</u>	<u>60,719</u>	<u>9,642</u>	<u>160</u>	<u>70,521</u>
Cost as at 12/31/2020	71,155	71,155	12,153	186	83,494
Remeasurement	994	994	1,081	4	2,079
Cost as at 06/36/2021	<u>72,149</u>	<u>72,149</u>	<u>13,234</u>	<u>190</u>	<u>85,573</u>
<u>Depreciation</u>					
Depreciation as at 12/31/2019	(15,814)	(15,814)	(309)	(32)	(16,155)
Additions	(11,150)	(11,150)	(204)	(17)	(11,371)
Depreciation as at 06/30/2020	(26,964)	(26,964)	(513)	(49)	(27,526)
Depreciation as at 12/31/2020	(40,624)	(40,624)	(799)	(68)	(41,491)
Additions	(11,125)	(11,125)	(266)	(19)	(11,410)
Depreciation as at 06/30/2021	<u>(51,749)</u>	<u>(51,749)</u>	<u>(1,065)</u>	<u>(87)</u>	<u>(52,901)</u>
Balance as at December 31, 2020	30,531	30,531	11,354	118	42,003
Balance as at June 30, 2021	20,400	20,400	12,169	103	32,672

The recognized amounts of additions and remeasurement in the individual amount of R\$994 (R\$5,332 as at June 30, 2020) and consolidated amount of R\$2,079 (R\$4,814 as at June 30, 2020) did not affect the statements of cash flow and part of the depreciation of the right of use of lease in the amount of R\$2,566 (R\$2,728 as at June 30, 2020) was recognized as "Cost of inventories.

15. BIOLOGICAL ASSETS (PARENT AND CONSOLIDATED)

The biological assets are comprised of grown and growing forests, to supply wood for bio-reducer production which, in turn, is a raw material used in the production of silicon alloys. The forests are located in the State of Bahia.

The variations in the balance of biological assets are as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
At the beginning of the period/year	193,222	185,160
Plantation and maintenance	18,864	15,184
Depletion	(7,262)	(53,333)
Changes in fair value	-	46,211
At end of the period/year	<u>204,824</u>	<u>193,222</u>

The fair value measurement of biological assets is carried out in September and updated in December of each year. The growing forests with less 2 (two) years are maintained at historical cost due to Management's understanding because during this period the historical cost of growing forests is close to the fair value.

To determine the fair value of biological assets, the discounted cash flow model was used, whose projections are based on a single projection scenario, with productivity and eucalyptus plantation area for a cut cycle of approximately seven years. The period of the cash flows was projected according to the productivity cycle of the forest projects. The volume of production of "standing timber" of eucalyptus to be harvested was estimated considering the average productivity per m³ of timber of each nursery at the cut age.

The fair values of biological assets were considered as level 3 in the fair value hierarchy defined by IFRS 13/CPC 46 (information for assets or liabilities that are not based on observable market inputs, that is, unobservable assumptions).

The Company has 17,168 hectares of biological assets pledged as collateral for the financing with the National Bank for Economic and Social Development (BNDES) relating to a line of credit of R\$40,493. In 2018, there was release of R\$2,500 from this line of credit. On 2019, 2020 and in the first quarter of 2021 there were no other disbursements.

16. TRADE PAYABLES

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Electric power	19,325	15,997	19,325	15,997
Raw material and inputs	44,927	38,035	44,927	38,035
Other suppliers	11,648	16,912	14,027	19,858
	<u>75,900</u>	<u>70,944</u>	<u>78,279</u>	<u>73,890</u>

17. BORROWINGS AND FINANCING

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
<u>Current</u>				
Financing (i)	63,878	79,474	63,878	79,474
Financing BNDES BW Guirapá I (ii)	-	-	25,901	28,575
ACC	-	25,135	-	25,135
	<u>63,878</u>	<u>104,609</u>	<u>89,779</u>	<u>133,184</u>
Borrowing costs	-	-	(455)	(455)
Total current	<u>63,878</u>	<u>104,609</u>	<u>89,324</u>	<u>132,729</u>
<u>Non-current</u>				
Financing (i)	126,268	141,211	126,268	141,211
Financing BNDES BW Guirapá I (ii)	-	-	248,874	259,217
	<u>126,268</u>	<u>141,211</u>	<u>375,142</u>	<u>400,428</u>
Borrowing costs	-	-	(4,271)	(4,498)
Total non-current	<u>126,268</u>	<u>141,211</u>	<u>370,871</u>	<u>395,930</u>
Total	<u>190,146</u>	<u>245,820</u>	<u>460,195</u>	<u>528,659</u>

- (i) Refers to long-term third-party capital for investment in the forest area and acquisition of machinery and equipment allocated to metallurgy and mining.
- (ii) Financing with the National Bank for Economic and Social Development (BNDES) raised by subsidiary BW Guirapá and its subsidiaries on October 6, 2015, for the construction of the wind farms. The collaterals offered for debt payment were: pledge of shares of BW Guirapá I, pledge of receivables (O&M agreement), pledge of emerging rights (authorization of independent producer), pledge of machinery and equipment (aerogenerators), conditional assignment of receivables (electric energy sales revenue and CER revenue, and recognition of reserve accounts) and bank guarantee.

The balances, costs and maturities are as follows:

Type	Maturities	Annual changes	Amortization	Collaterals	Parent	Consolidated
FINAME	2021 to 2024	TJLP + 3.,4% to 3.9%.	Monthly	Financed assets	3,811	3,811
FINEM	2022 to 2025	TJLP + 1.52% to 2.26%	Monthly	Land mortgage	21,337	21,337
FINEM	2032	TJLP + 2.,65%	Monthly	See (ii)	-	274,775
				TJLP Subtotal (note 4.3)	25,148	299,923
NCE	2024	CDI + 0.70%	Yearly	Export history	112,140	112,140
NCE	2021	CDI + 1.90%	Yearly	Export history	9,215	9,215
CCB	2025	CDI + 3.58%	Yearly	Clean	40,240	40,240
				CDI Subtotal (note 4.3)	161,595	161,595
FINAME	2022 to 2024	2.5% to 6%	Monthly	Financed assets	3,403	3,403
				Subtotal of other borrowings	3,403	3,403
				Subtotal	190,146	464,921
				(-) Borrowing costs	-	(4,726)
				Total	190,146	460,195

Restrictive covenants

The Company recognizes financing, subject to restrictive covenants that require the compliance with periodic performance ratios, under penalty of accelerated debt maturity in case of noncompliance with the covenants.

In the periods ended June 30, 2021 and December 31, 2020, the Company complied with the index set out in the financing agreements (Finame) where the ratio between consolidated net financial debt and consolidated EBTIDA must be below or equal to 2.5x during the effective period of the agreements.

Subsidiary BW Guirapá and the Wind Power Plants must specifically maintain, during the term of the BNDES financing agreement, an annual consolidated debt service coverage ratio (DSCR) at 1.30, which was complied with as at June 30, 2021 and December 31, 2020. Also, their significant obligations include compliance with the deadlines for starting commercial operation; submission to BNDES of applicable operating licenses; be in regular standing before the environmental agencies, CCEE, ANEEL, MME, the National Electric System Operator (“ONS”) and/or any other direct or indirect government administration agencies and entities; as well as adopt measures and actions to avoid or remediate damages to the environment and relating to occupational safety and health. These covenants have been met as at June 30, 2021 and December 31, 2020.

18. LEASE PAYABLE

	Parent		Consolidated		
	Machinery and equipment	Machinery and equipment	Land	Buildings	Total
Balance as at 12/31/2019	38,783	38,783	9,491	122	48,396
Additions	4,948	4,948	-	-	4,948
Remeasurement	384	384	(524)	6	(134)
Write-offs	(12,561)	(12,561)	(316)	(19)	(12,896)
Present value adjustment	816	816	36	2	854
Balance as at 06/30/2020	<u>32,370</u>	<u>32,370</u>	<u>8,687</u>	<u>111</u>	<u>41,168</u>
Balance as at 12/31/2020	30,204	30,204	10,817	121	41,142
Remeasurement	994	994	1,081	4	2,079
Write-offs	(12,738)	(12,738)	(768)	(19)	(13,525)
Present value adjustment	1,208	1,208	66	3	1,277
Balance as at 06/30/2021	<u>19,668</u>	<u>19,668</u>	<u>11,196</u>	<u>109</u>	<u>30,973</u>
Current	14,667				15,491
Non-current	5,001				15,482

The amounts classified in noncurrent liabilities by maturity are as follows:

Maturity year	Parent	Consolidated
2022	3,986	4,233
2023	1,015	1,806
2024	-	780
2025 to 2029	-	3,303
2030 to 2034	-	2,671
2035 to 2039	-	2,072
2040 to 2044	-	536
2045 onwards	-	81
Total	<u>5,001</u>	<u>15,482</u>

The Company has potential right to recoverable PIS/COFINS embedded in the lease considerations relating to machinery and equipment. In measuring the cash flows of leases, tax credits were not separately disclosed, and the potential PIS/COFINS effects are shown in the table below:

	Parent				Consolidated			
	Nominal		Adjusted to present value		Nominal		Adjusted to present value	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Consideration	18,800	29,951	19,668	30,204	34,702	46,222	30,973	41,142
Potential PIS/COFINS (9.25%)	1,739	2,770	1,819	2,794	3,210	4,276	2,865	3,806

19. LABOR AND ACTUARIAL LIABILITIES

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
<u>Current</u>				
Payroll and related taxes	8,683	11,592	8,845	11,830
Accrued payroll and related taxes	28,705	20,144	28,846	20,318
Profit sharing (i)	23,668	15,657	23,668	15,657
	<u>61,056</u>	<u>47,393</u>	<u>61,359</u>	<u>47,805</u>
<u>Non-current</u>				
Labor and actuarial liabilities (ii)	101,144	94,928	101,144	94,928
	<u>162,200</u>	<u>142,321</u>	<u>162,503</u>	<u>142,733</u>

- (i) The Company's bylaws set forth that, of the profit for the year, up to 10% will be allocated for distribution to employees and, of this balance, up to 10% as management profit sharing. As at June 30, 2021, the Company recognized accrued profit sharing for management and employees in the amounts of R\$5,970 (R\$7,639 as at December 31, 2020), and the balance in lie item "Employees' profit sharing" is R\$17,698 relating to the first semester of 2021 (R\$8,018 as at December 31, 2020).
- (ii) The Company has a defined, supplementary defined contribution plan, managed by BRASILPREV Seguros e Previdência S.A., and a health care plan, managed by Bradesco Saúde.

The Company also grants additional postemployment benefits for employees who receive a salary below the social security ceiling and who have worked for the Company for at least ten (10) consecutive years. This is a one-time payment to the employee upon termination of employment. Additionally, the Company assures to its employees who retire or are dismissed without cause, the right to remain in the corporate health plan, as long as the relevant legal requirements are met. In this case, the healthcare coverage conditions remain the same as when the employment contract was in force, as long as the employee assumes full payment for the plan.

The Company recognized accrued post-employment benefit relating to the FGTS fine upon retirement for employees exposed to hazard (special retirement), who are eligible to the FGTS, dismissed upon their own request, and who do not remain at the Company at the time of dismissal. These special retired employees will be entitled to the benefit as if they were terminated, provided that the length of service is above five or eight years, depending on their workplace.

20. TAXES AND SOCIAL CONTRIBUTIONS

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
<u>Current</u>				
Income tax and social contribution	12,954	-	12,892	90
Federal VAT (IPI)	2,217	992	2,217	992
State VAT (ICMS)	5,365	6,655	5,368	6,661
Withholding Income Tax (IRRF)	1,414	2,608	1,605	2,798
PIS and COFINS	3,766	3,766	4,122	4,111
Other	955	717	1,027	831
	<u>26,671</u>	<u>14,738</u>	<u>27,231</u>	<u>15,483</u>

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
<u>Non-current</u>				
PIS and COFINS	-	-	87	87
	<u>26,671</u>	<u>14,738</u>	<u>27,318</u>	<u>15,570</u>

21. DERIVATIVE AND NON-DERIVATIVE FINANCIAL INSTRUMENTS (PARENT AND CONSOLIDATED)

The Company contracted derivatives consisting of dollar forward sales (Sales NDFs) and in June contracted derivative financial instruments for forward purchases of US dollars (US\$) (Buy NDFs) in the same volumes and at the same maturities as the sale NDFs already contracted, aiming at canceling out these transactions' exposure to billable revenue. It also has non-derivative financial instruments (Export exchange forwards) to minimize the risks involving the impact of exchange rate fluctuation on the conversion of its sales prices in the foreign market, according to an internal policy approved by Management. The methodology for determining the amount of the NDFs is the mark-to-market using the B3 benchmark rates.

The exchange rate fluctuations that impact the sales of ferroalloys and chrome ore also affect the portion of these sales contracted as a currency hedges. The currency hedging policy is included in our Financial Risk Policy and aims at mitigating the impact of foreign exchange volatility on the Company's profit or loss.

The Company and its subsidiaries do not make investments involving derivatives or any other risk financial instruments for speculative purposes.

The information on derivative transactions designated and not designated for hedge accounting (cash flow hedge) as at June 30, 2021 is broken down as follows:

Hedging instrument (derivative and non-derivative)				Hedged item
Maturities	Transaction	Notional (US\$)	Fair value	Transaction
Third quarter of 2021	Sale NDFs	34,000	(8,618)	Cash flows
Fourth quarter of 2021	Sale NDFs	8,000	4,728	Cash flows
	Subtotal	<u>42,000</u>	<u>(3,890)</u>	
Fourth quarter of 2021	Export exchange forwards	7,710	(6,438)	Cash flows
First quarter of 2022	Export exchange forwards	17,224	(12,108)	Cash flows
	Subtotal	<u>24,934</u>	<u>(18,546)</u>	

As at June 30, 2021, the Company recorded the amount of R\$63,953 (R\$91,883 in 2020) which was considered as effective for hedge accounting purposes, in equity.

Derivative financial instrument not designated for hedge accounting

Maturities	Transaction	Notional (US\$)	Fair value	Transaction
Third quarter of 2021	Buy NDFs	(34,000)	397	Fair value through profit or loss
Fourth quarter of 2021	Buy NDFs	(8,000)	156	
	Subtotal	(42,000)	553	
Total (Buy NDFs, Sale NDFs and Export exchange forwards)		24,934	(21,883)	

In the period, the Company settled derivative financial instruments that earned a net gain of R\$95 from Buy NDFs (not designated for hedge accounting) and incurred a net loss of R\$66,445 from Sale NDFs (hedge accounting), totaling a net loss recognized in profit or loss of R\$66,350 (R\$86,947 in hedge accounting gain at June 30, 2020).

Information on derivatives qualifying and not qualifying for hedge accounting (cash flow hedge) as at December 31, 2020, is as follows:

Derivative and non-derivative hedging instrument				Hedged item
Maturities	Transaction	Notional (US\$)	Fair value	Transaction
First quarter of 2021	Sale NDFs	39,300	(31,982)	Cash flow
Second quarter of 2021	Sale NDFs	36,400	(21,138)	Cash flow
Third quarter of 2021	Sale NDFs	34,000	(15,396)	Cash flow
Fourth quarter of 2021	Sale NDFs	8,000	3,202	Cash flow
		117,700	(65,314)	
Fourth quarter of 2021	Export exchange forwards	7,710	(7,766)	Cash flow
First quarter of 2022	Export exchange forwards	17,224	(14,687)	Cash flow
		24,934	(22,453)	
	Subtotal	142,634	(87,767)	

Non-derivative hedging instrument				Hedged item
Maturities	Transaction	Principal	Fair value through other comprehensive income	Transaction
First quarter of 2021	ACC	4,750	(780)	Advances on export contracts
	Total	147,384	(88,547)	

Below are the variations in hedge during 2021 and 2020:

Balances as at December 31, 2019 (current asset)	3,336
Hedge variation	(91,883)
Balances as at December 31, 2020	(88,547)
Hedge variation	66,664
Balances as at June 30, 2021 (liability)	<u>(21,883)</u>
Current liability	21,883
Non-current liability	-

22. PROVISION FOR ENVIRONMENTAL LIABILITIES

The Company makes judgments and assumptions when measuring its obligations relating to the provision for mine closure and the decommissioning of assets related to mining operations. The potential costs covered by insurance or indemnities are not deducted from the amount accrued, as their recovery is considered uncertain.

Decommissioning costs were measured based on information available for costs for disassembling equipment and construction works, adjusted for inflation and discounted at the average capital cost rate of each project. Accordingly, the Company adopted ICPC 12 - Changes in Existing Decommissioning, Restoration and Similar Liabilities and recorded a provision based on its best estimate of the costs to be incurred on the disassembling of such equipment at the end of the lease term, discounted at present value considering an actual interest rate based on the CDI rate, discounted by the inflation measured according to the IPCA rate.

The variations in these provisions are as follows:

	Parent		Consolidated	
	<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Current</u>				
At the beginning of the year	-	-	579	579
Derecognition	-	-	(579)	(579)
Total current	-	-	-	-
<u>Non-current</u>				
At the beginning of the year	15,354	15,395	22,848	22,889
Estimated cash flow review	(2,341)	(62)	(2,341)	(62)
Derecognition	(385)	(1,236)	(385)	(1,236)
Inflation adjustment, AVP and others	3,304	1,257	3,304	1,257
Total non-current	<u>15,932</u>	<u>15,354</u>	<u>23,426</u>	<u>22,848</u>
Total	<u>15,932</u>	<u>15,354</u>	<u>23,426</u>	<u>22,848</u>

23. PROVISION FOR CONTINGENCIES (PARENT AND CONSOLIDATED)

The Company's and its subsidiaries' Management, based on its legal counsel's opinion, assessed lawsuits based on the likelihood of loss, as follows:

	Possible		Probable	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Tax/administrative	31,271	27,078	45,506	46,098
Labor	462	578	5,727	5,727
Civil	431	374	3,639	3,639
	<u>32,164</u>	<u>28,030</u>	<u>54,872</u>	<u>55,464</u>

The description of the Company's main contingent liabilities was presented in the financial statements for the year ended December 31, 2020, in note 28, and there were no significant changes in its possible contingencies in this period.

24. CCEE REIMBURSEMENT ACCOUNT (CONSOLIDATED)

	Consolidated	
	06/30/2021	12/31/2020
<u>Current</u>		
CCEE reimbursement account	22,063	19,335
<u>Non-current</u>		
CCEE reimbursement account	22,428	12,247
	<u>44,491</u>	<u>31,582</u>

Under authorization regime, the Wind Power Plant BW Guirapá's entire production is contracted for a 20-year period with the Electric Power Trading Chamber ("CCEE"), within the scope of the Reserve Auction - 2011 ("LER 2011") at the regulated environment. The CCEE reimbursement accounts refer to the differences between the amount charged and the amount of the energy effectively generated. The calculation criteria are set out in an agreement, based on a tolerance limit between the energy effectively generated and the contracted energy, as follows:

- The contractual limit accepted, without the imposition of penalties or bonus, corresponds to the supply from 90% to 130% of the one-year contracted energy, calculated at the end of each quadrenian. In those cases, the positive or negative deviation between the supplied energy and the contracted energy is recognized in assets or liabilities, respectively, upon the application of the adjusted contractual price on the MWh determined. Any differences between the supplied energy and the contracted energy will be offset at every contractual quadrenian; the first quadrenian ended on June 30, 2018 and the second quadrenian began in July 2018.
- If the supplied energy is lower than 90% of the contracted energy, a penalty correspond to 115% of the effective contractual price will be applied on the amount in MWh that is lower than the 90%. If the supplied energy is higher than 130% of the contracted energy, the Companies will receive 70% of the contracted price on the amount in MWh that exceed the 130%. In both cases, the financial compensation is paid beginning July of the current year up to June of the subsequent year.

Also, the payments of annual and quadrennial reimbursements are suspended due to the undefinition of the constrained-off, the Company awaits deliberation by the CCEE. The ANEEL, through Regulatory Resolution 927 of March 22, 2021, established procedures and criteria for calculation and payment of the constrained-off operation.

25. RELATED-PARTY BALANCES AND TRANSACTIONS

	Profit or loss			Assets	Liabilities
	Lease costs(i)	Sales revenue(ii)	Other operating (income)/ expenses (iii)	Trade receivables (ii)	Other payables (iii)
Parent:					
Fundação José Carvalho	-	42	3,445	30	-
Subsidiaries:					
BW Guirapá S.A.	-	-	(236)	-	-
Silício de Alta Pureza da Bahia S.A.	420	-	-	-	-
Mineração Vale do Jacurici S.A.	180	-	-	-	-
Reflorestadora e Agrícola S.A.	30	-	-	-	-
Indústria de Minérios Damacal Ltda.	18	-	-	-	-
Related parties:					
Marubeni Corporation (iv)	-	139,883	-	12,847	-
Total as at June 30, 2021	<u>648</u>	<u>139,925</u>	<u>3,209</u>	<u>12,877</u>	<u>-</u>
Total as at December 31, 2020	1,296	240,998	8,228	4,218	6
Total as at June 30, 2020	648	154,317	4,157	20,134	160

(i) Refers to the leases for the subsidiaries' operations.

(ii) Revenue and receivables from the sale of alloys (FeSi 75) to the foreign related party and receivables from the sale of timber, quicklime and waste dust to the Parent.

(iii) Refers to: (a) Cooperation and Partnership Instrument for the reserve and guarantee of enrollment in schools from Fundação José Carvalho for the Company employee's dependents living in the municipalities of the school head offices (Pojuca, Catu and Andorinhas); (b) Agreement for social, education and sports training, for children between 8 and 14 years old, who are public school students, aiming at developing learning and sports; (c) Cooperation and Partnership Instrument for implementation of Memorial José Carvalho which purpose is the preservation of the memory, cultural heritage, existing collection, residence of the founder, besides housing the permanent organizational culture program; and (d) Infrastructure and Administrative Structure Sharing Agreement for the corporate activities between Ferbasa and BW.

(iv) Maurubeni Corporation holds stake in Silício de Alta Pureza da Bahia S.A. ("Silbasa") together with Ferbasa and Japan Metals & Chems – JMC.

The Company has not provided or received any guarantees to or from related parties.

25.1. Overall Management Compensation

Pursuant to the Brazilian Corporate Law, shareholders are responsible for setting the overall annual management compensation at a shareholders' meeting:

	Parent		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Overall compensation	12,162	8,685	14,146	10,036
Social security charges	1,185	1,191	1,351	1,354
	<u>13,347</u>	<u>9,876</u>	<u>15,497</u>	<u>11,390</u>

The Company and its subsidiaries do not have key management personnel other than statutory personnel and do not offer share-based compensation plans or other long-term benefits, except for those disclosed in note 24 of the 2020 financial statements.

26. EQUITY

26.1. Capital

The limit of the Company's authorized capital is R\$1,500,000 (one billion and five hundred thousand reais). The Company's subscribed and paid-in capital, at June 30, 2021 and December 31, 2020, totals R\$1,225,444 (one million, two hundred and twenty-five thousand, four hundred and forty-four thousand reais), of which the subscribed and paid-in capital is represented by 88,320 thousand registered shares without par value, of which 29,440 thousand common shares and 58,880 thousand preferred shares, held as follows:

Shareholders	06/30/2021		12/31/2020	
	Common shares	Preferred shares	Common shares	Preferred shares
Fundação José Carvalho	29,086,696	15,310,300	29,086,696	15,416,000
Trígono capital	400	5,624,000	400	2,450,000
Dimensional Funds	-	1,110,182	-	1,231,482
Kadima Asset Management	-	612,700	-	1,200,400
Other shareholders	312,904	33,039,518	312,904	35,398,818
Treasury shares	40,000	3,183,300	40,000	3,183,300
	<u>29,440,000</u>	<u>58,880,000</u>	<u>29,440,000</u>	<u>58,880,000</u>

The Company can, if so decided by the Shareholders' Meeting, increase the number of existing types or classes of shares, without keeping proportion among the existing shares, or create a new class of preferred shares, within the limit of 2/3 of total shares issued for preferred shares that are nonvoting or subject to restrictions to this regard.

26.2. Treasury shares

The shares bought back under the program will remain in treasury and the decision on the sale and/or cancellation of these shares will be taken in due time, and will be then duly communicated to the market. The preferred shares held in the treasury are intended for subsequent sale or cancellation, among others. The volume of treasury shares and their market values, considering the quoted closing price on B3 are as follows:

	06/30/2021		12/31/2020	
	PN	ON	PN	ON
Number of treasury shares	3,183,300	40,000	3,183,300	40,000
Quoted on B3 - R\$/share	44.34	54.90	19.11	31.30
Average acquisition cost - R\$/share	8.07	0.06	8.07	0.06

Preferred shares are nonvoting and are entitled, under the bylaws, to the payment of dividends 10% higher than the dividends paid to common shareholders, and priority in the capital reimbursement.

26.3. Earnings reserve

- (a) The legal reserve is recorded upon capital increase and allocation of 5% of profit for the year, up to the limit of 20% of capital, and is used solely to offset losses, after the balances of retained earnings and other earnings reserves are absorbed.
- (b) The SUDENE tax incentive reserves, related to the income tax, refers to the portion of the tax incentive of the income tax (operating profit) and ICMS DESENVOLVE related to the gain on tax incentive of the outstanding State VAT tax balance. These reserves are recognized by transferring the portion of the tax incentive that affected the expenses on income tax and State VAT (ICMS) for the year and cannot be distributed to shareholders. The reserve related to SUDENE also includes the income tax reinvestment amount.
- (c) Profit after the allocation to the legal reserve, the earnings reserve (tax incentive), and the allocation of dividends to be distributed to shareholders, is transferred to line item "Earnings retention reserve - investments", to be realized according to the Company's capital budget and strategic planning. In the first semester of 2021 the dividends prescribed in the amount of R\$249 (R\$2,049 as at December 31, 2020) were reversed to the profit reserve account in accordance with Law 6,404/1976.

26.4. Other comprehensive income and equity assessment adjustment

Other comprehensive income comprises the revenue and expense components (including from reclassification adjustments) that are not recognized in the income statement as required or permitted by the pronouncements, interpretations and guidelines issued by the CPC. Created by Law 11638/07, the group of "Equity assessment adjustment" in the Company's equity comprises the valuation adjustments and increases and decreases of assets and liabilities, where applicable, while not recorded in profit or loss for the year, until effective realization.

26.5. Unrealized earnings reserve

The Company recognized unrealized earnings reserve arising from the bargain purchase gain on the acquisition of complex BW Guirapá in the amount of R\$49,595 as at 2018.

26.6. Dividends and interest on capital

The Company entitles its shareholders to receive mandatory minimum dividends corresponding to 25% of annual adjusted profit. Interest on capital is considered as profit distribution for purposes of determining mandatory minimum dividend. Preferred shares are entitled to dividends 10% higher than those attributed to common shares.

27 EARNINGS PER SHARE

As established by CPC 41 - Earnings per Share, basic earnings per share are calculated by dividing profit for the three-month period attributable to the holders of the Company's common and preferred shares by the weighted average number of common and preferred shares outstanding in the period. Diluted earnings per share correspond to basic earnings per share as the Company has no potentially diluting common or preferred shares.

	<u>06/30/2021</u>	<u>06/30/2020</u>
Profit attributable to owners of the Company	173,385	20,835
<u>Reconciliation of distributable profit, per class (numerator)</u>		
Profit attributable to:		
Common shares	56,223	6,756
Preferred shares	117,162	14,079
<u>Weighted average number of shares, per class (denominator)</u>		
Weighted average number of treasury shares:		
Common shares	29,400,000	29,400,000
Preferred shares	55,696,700	55,696,700
Basic and diluted earnings per share (in R\$):		
Common shares	1.91234	0.22980
Preferred shares	2.10357	0.25278

(*) The Company does not hold outstanding potentially dilutive shares that could result in the dilution of the earnings per share.

28 NET SALES REVENUE

	<u>Parent</u>		<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>06/30/2020</u>	<u>06/30/2021</u>	<u>06/30/2020</u>
<u>Gross sales revenue</u>				
Domestic market	718,814	354,860	763,414	388,349
Foreign market	416,941	471,665	416,941	471,664
	<u>1,135,755</u>	<u>826,525</u>	<u>1,180,355</u>	<u>860,013</u>

	Parent		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
<u>Sales deductions</u>				
Returns and rebates	(15,807)	(8,267)	(15,807)	(8,267)
Taxes on sales	(134,344)	(76,909)	(136,370)	(78,897)
	(150,151)	(85,176)	(152,177)	(87,164)
	<u>985,604</u>	<u>741,349</u>	<u>1,028,178</u>	<u>772,849</u>

29 COSTS AND EXPENSES

	Parent		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Cost of sales (i)	(611,883)	(539,491)	(646,588)	(572,422)
Selling expenses	(9,065)	(9,767)	(9,065)	(9,767)
General and administrative expenses	(33,666)	(33,804)	(35,746)	(35,702)
Employee profit sharing	(17,698)	(2,282)	(17,698)	(2,282)
Management fees and profit sharing	(13,347)	(9,876)	(15,497)	(11,390)
Total general and administrative expenses	(64,711)	(45,962)	(68,941)	(49,374)
Other income (expenses) (iii)	(12,741)	(16,884)	(15,527)	(21,085)
	<u>(698,400)</u>	<u>(612,104)</u>	<u>(740,121)</u>	<u>(652,648)</u>

The table below shows the breakdown by nature of cost of sales and operating expenses:

	Parent		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Variable cost and indirect product expenses	(368,124)	(313,318)	(370,458)	(315,837)
Personnel expenses (ii)	(168,953)	(141,755)	(172,860)	(145,290)
Depreciation and depletion expenses	(44,410)	(54,983)	(65,212)	(75,582)
Expenses on services provided	(55,988)	(47,607)	(66,554)	(55,942)
Maintenance and repair costs	(35,293)	(28,728)	(36,588)	(30,051)
Fuel and lubricants	(10,275)	(7,539)	(10,306)	(7,571)
Idle capacity cost	(2,616)	(1,290)	(2,616)	(1,290)
Other income (expenses) (iii)	(12,741)	(16,884)	(15,527)	(21,085)
	<u>(698,400)</u>	<u>(612,104)</u>	<u>(740,121)</u>	<u>(652,648)</u>

(i) Cost of sales includes:

- a) Cost of the electricity supply for the 14 electric furnaces, In addition to the electric furnaces, there is energy consumption in auxiliary services and other functions, as well as in mining.
- b) The Company imports reactive metallurgical coke (met coke) (a commodity available in the foreign market) for the production of ferrochrome.

- c) Cost of chrome ore transportation between the mines (municipality of Campo Formoso) and the metal plant (Pojuca, BA), by rail.
- d) The consolidated balance includes costs of depreciation, amortization, power transmission, electric grid use charges, operation and maintenance, among others, for wind power generation in the amount of R\$35,186 (R\$33,391 as at June 30, 2020).
- (ii) Includes personnel expenses, management compensation, and employee and management profit sharing.
- (iii) The table shows the breakdown per nature of other income (expenses), net:

	Parent		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Post-employment benefits	(6,216)	(5,869)	(6,216)	(5,869)
Other taxes and contributions	(1,113)	(1,997)	(1,343)	(2,205)
Corporate and social responsibility	(3,675)	(2,055)	(3,679)	(2,092)
Penalty (note 24)	-	-	(2,130)	(2,172)
Realization of added value	-	-	(2,209)	(2,209)
Provision for TUST	829	(2,886)	829	(2,886)
Other expenses	(2,566)	(4,077)	(779)	(3,652)
	<u>(12,741)</u>	<u>(16,884)</u>	<u>(15,527)</u>	<u>(21,085)</u>

30 FINANCE INCOME

	Parent		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
<u>Finance income</u>				
Income from short-term investments	3,905	2,186	5,575	3,643
Exchange rate changes	10,635	21,706	10,635	21,788
Other finance income	<u>2,221</u>	<u>7,788</u>	<u>2,231</u>	<u>7,830</u>
	<u>16,761</u>	<u>31,680</u>	<u>18,441</u>	<u>33,261</u>
<u>Finance costs</u>				
Exchange rate changes	(13,913)	(12,532)	(13,913)	(12,613)
Interest paid or incurred	(5,177)	(5,693)	(14,917)	(17,163)
Other finance costs	<u>(3,568)</u>	<u>(1,102)</u>	<u>(7,519)</u>	<u>(2,079)</u>
	<u>(22,658)</u>	<u>(19,327)</u>	<u>(36,349)</u>	<u>(31,855)</u>
<u>Hedging financial instruments</u>				
Change in derivative and non-derivative financial instrument assets	2,797	1,825	2,797	1,825
Change in derivative and non-derivative financial instrument liabilities	<u>(69,147)</u>	<u>(88,772)</u>	<u>(69,147)</u>	<u>(88,772)</u>
	<u>(66,350)</u>	<u>(86,947)</u>	<u>(66,350)</u>	<u>(86,947)</u>
	<u>(72,247)</u>	<u>(74,594)</u>	<u>(84,258)</u>	<u>(85,541)</u>

31 OPERATING SEGMENTS

The Company segmented its operating structure taking into consideration the way Management manages the business, Management defined the following operating segments:

- Alloy Segment - involves the operations of high chrome alloys, low carbon alloys and ferrochrome, of silicon 75 special and silicon 75 standard.
- Wind power segment - include the transactions of subsidiary BW Guirapá.
- Other segments - include forestry activity, with standing timber sales and mining activities with chrome ore, chromite sand, quicklime and hydrated lime sales.

The financial result, income tax and social contribution, total assets and liabilities information was not disclosed in the segment information, because the Company's management does not use this data segmented, as they are managed and analyzed on a consolidated basis.

	Consolidated							
	Alloys		Wind Power		Other segments		Total	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020
<u>Net sales</u>								
Domestic market	562,611	256,241	42,635	31,561	19,685	21,191	624,931	308,993
Foreign market	381,180	432,602	-	-	22,067	31,254	403,247	463,856
	<u>943,791</u>	<u>688,843</u>	<u>42,635</u>	<u>31,561</u>	<u>41,752</u>	<u>52,445</u>	<u>1,028,178</u>	<u>772,849</u>
Cost of sales	(569,442)	(488,262)	(35,186)	(33,391)	(41,960)	(50,769)	(646,588)	(572,422)
Gross profit	<u>374,349</u>	<u>200,581</u>	<u>7,449</u>	<u>(1,830)</u>	<u>(208)</u>	<u>1,676</u>	<u>381,590</u>	<u>200,427</u>
Operating expenses	<u>(86,618)</u>	<u>(70,315)</u>	<u>(3,083)</u>	<u>(4,557)</u>	<u>(3,832)</u>	<u>(5,354)</u>	<u>(93,533)</u>	<u>(80,226)</u>
Operating profit from before finance income	<u>287,731</u>	<u>130,266</u>	<u>4,366</u>	<u>(6,387)</u>	<u>(4,040)</u>	<u>(3,678)</u>	<u>288,057</u>	<u>120,201</u>
<u>Sale of products (tonnes)</u>								
Domestic market	76,881	52,739						
Foreign market	56,066	78,881						
	<u>132,947</u>	<u>131,620</u>						

32 INSURANCE

The Company and its subsidiaries have insurance coverage against equipment fire, explosions, electrical damages, vehicles, civil liability, operational and corporate risks and performance bond as at June 30, 2021 in the amount of R\$78,808 (R\$86,990 in 2020) in the Parent and R\$941,059 (R\$949,241 in 2020) in the Consolidated.

Accountant:
Arnaldo Pereira Anastácio
Accounting Manager
CRC-RJ 61263/O - 0-T-BA